

Deborah C. Poff  
Alex C. Michalos  
*Editors*

# Encyclopedia of Business and Professional Ethics

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# Encyclopedia of Business and Professional Ethics

With 30 Figures and 27 Tables

 Springer

*Editors*

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ISBN 978-3-030-22765-4      ISBN 978-3-030-22767-8 (eBook)  
<https://doi.org/10.1007/978-3-030-22767-8>

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The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland



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## Preface

All aspects of business and professional ethics originated sometime in the latter twentieth century. The encyclopedia includes the ethics of the production and definitional inquiry into these subjects. Other sections focus on emergent areas of human rights concerns. These include topics which reference human rights issues including those that impact on the rights of Indigenous peoples, women, and children, especially but not exclusively to these populations in developing nations.

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## Introduction

It is often difficult in contemporary academic scholarship to reach agreement about when a new discipline became considered as such. With respect to the concepts of business and professional ethics, we are talking about applied professional ethics generally as well as some specific interpretations of ethics with respect to business as a discipline and applied professional ethics, such as, research ethics generally, healthcare, counselling ethics, and social and applied ethics. While respecting this lack of consensus of specifically when these disciplines evolved, we will take the perspective that all aspects originated sometime in the latter twentieth century.

Michalos and Poff (2013) used Kuhn's 1970 *The Structure of Scientific Revolution* in which he identified the emergence of a new paradigm or discipline. As stated in their anthology Kuhn,

...described a number of notable and recognizable features of an area of intellectual inquiry and discovery that are germane here. . . according to Kuhn, [these features include] the enhancement of scholarly careers and reputation through the publication of journal articles and the initiation of those specialized journals where articles are 'addressed only to professional colleagues, [where] the men as knowledge of a shared paradigm can be assumed. . . (Kuhn. P.20). Further, Kuhn noted that the establishment of learned societies, the establishment of curriculum and fields of study as legitimate disciplines within universities. . . are additional indicators of the acceptance and adoption of [the new discipline as is the publication] of monographs on theory and methodology...and the production of textbooks. . . (2013, pp. 1–2)

With respect to research ethics, as Poff (forthcoming) notes:

During the twentieth century, scholar practitioners, and governments developed numerous and extensive principles, guidelines, definitions, theoretical, philosophical and empirical requirements and treatises on the nature of ethical research and what should follow as impositions against violations of intellectual inquiry on unethical grounds.

Perhaps the most notable early example of such principles was the Nuremberg Code (developed in 1947). The Code was developed as part of the Nuremberg trials of war crimes and importantly articulated research ethics as requiring free and informed consent of participants of research (1949, Tribunals under Control Council Law Number 10, volume 2. US Government Printing Office).

With respect to the scope of the current encyclopedia, it has been more liberally defined as not only including business and professional ethics per se but also including the ethics of the production and definitional inquiry into these subjects. Consequently, the encyclopedia includes not only standard material on business and professional ethics that would be included generically in other encyclopedias but also specific investigations of the production of such definitions. These include:

- A section edited by Israel on various aspects of research ethics, such as autonomy and informed consent; conflict of interest in research; covert research; deception and research; etc.
- A section edited by Pierson on the conflict of commitment in counseling ethics and ethical issues in vulnerable populations, such as with participants who are children and adolescents.

We also include a section edited by Pierson on ethics with respect to the production of knowledge, such as:

- Ethical peer review
- Ethical representation of data
- Funding and sponsorship of publications
- Ghost, guest, and gift authorship.

Other sections focus on emergent areas of human rights concerns more frequently identified in encyclopedias of human rights. These include topics which reference human rights issues including those that impact on the rights of women, children, and Aboriginal or Indigenous people. Such topics include:

- Gender and food security
- Large-scale resource extraction and violence against women
- Identity politics and ethics
- Indigenous environmental justice
- Polar tourism
- Corruption and gender
- Indigenous peoples and the ethics of resource extraction
- Gender and macroeconomics
- Gender, economics, and unpaid work
- Business and human rights
- Business ethics and sexual harassment
- Child labor and child slave labor in the world of international business, including resource extraction and mining

Additionally, there are many entries which focus on increased environmental degradation and the seemingly irreversible environmental impact of business development and operations, particularly in third world countries. These include:

- Corporate sustainability and climate change
- Environmental ethics and sustainability
- Directors' duties to tie executive pay to advance environmental protection
- Environmental philosophy and business
- Human rights duties toward future generations and achieving climate justice

As well, significant attention is paid to the impact of computer technology and business ethics. Such topics include:

- Social media screening and privacy issues in recruitment
- Social media speech and the workplace
- Standardization and the governance of artificial intelligence standards
- Technology ethics: origins, paradigms, and implications for business and society
- Whistleblowing and information ethics
- Ethics and artificial intelligence

If we view business ethics as an emergent discipline, the literature in the discipline evolved in a couple of ways. One was conceptual with theoretical discussions of concepts like corporate social responsibility while another involved analysis of empirical data on actual legal and moral violations by businesspeople of people, animals, and the environment. Many encyclopedias and handbooks of business ethics identified and defined both conceptual notions within business ethics as well as illustrated business ethics cases through discussions of famous or infamous legal and/or ethical violations of newly developed theories and concepts of the nature of corporately responsible businesses.

At the same time, literature began to focus on responsible ethics with respect to the treatment of animals and humans in bioethics. As noted above, some of this literature emerged after the Nuremberg Trials which elaborated and exposed horrendous involuntary harm done to human beings as subjects of research. Throughout the latter part of the twentieth century, textbooks, handbooks, and encyclopedias were published exploring the nature and principles of biomedical ethics which serve to entrench the rights of human beings to become active, voluntary participants in health research rather than less than voluntary passive subjects of such research. As well, the nature of the rights of animals was articulated with enforcement from governments to outline appropriate standards of ethical experimentation on animals in research and a balance between acceptable animal harm and the importance of the research.

An interesting facet of the more recent trend in business and applied professional ethics is not only an examination of businesses and biomedical

institutions but self-reflective research on the researchers and publishers of the research.

As Poff (2020a) notes in an article in this encyclopedia,

...with respect to the profession of university faculty, specific attention has been focused on the university faculty members as researchers and as disseminators of scholarly research through publication in formats like journal articles and monographs. The values underlying research and dissemination include both the identification of generic positive normative values like rigorous methodological practices and the identification of forms of particular violations of research integrity and publication ethics.

The values approach not only includes explicitly ethical theories and principles of practice but also nonmoral knowledge-based norms, such as methodological rigor, proper citation practice, and other practices that fall under the rubric of the responsible conduct of research. Governments in particular have focused on risk management, addressing allegations of misconduct, utilizing disciplinary approaches to guarding the public interest and in the prudent and lawful utilization of the public funding of scholarly research and in protecting the integrity of the scholarly record. University risk management has undoubtedly had an impact on university academic administrators, given their roles in managing reputational risk factors, building universities, and managing the incursions of governments and local communities into evaluating the roles and responsibilities of universities.

Consequently, business and professional ethics while still focusing on the nature and empirical implications of business ethics and applied professional ethics now includes a commitment and concern to conduct and disseminate studies with principles of research ethics and publication ethics. This includes the teaching of research ethics to both undergraduate and graduate university students (see Poff forthcoming).

As Poff and Ginley (2019) note,

Individual scientists, social scientists, and humanists bear the primary responsibility for the ethical and responsible conduct of their research and for the ethical preparation and submission of the products of research for consideration for publication.

In universities and research hospitals, in particular, researchers frequently are not only individually accountable for the responsible conduct of research and contractually bound by the terms and conditions of their respective grants, they are also responsible for educating and training the next generation of researchers through teaching, mentorship, and oversight. While there may be a current generation of researchers who have not formally been instructed in research ethics and the responsible conduct of research, in some countries, such as Canada and the United States, this is certainly not the case for upcoming scientists and social scientists. Resources to support training and education in research ethics are increasingly available both from funding agencies and universities, including online tutorials. Many methodology courses for undergraduates and graduate students include modules on research ethics.

## **Publication Ethics**

Publication ethics entail the ethical requirements to publish information and disseminate knowledge with accuracy and rigor. Perhaps this is particularly an acute requirement in business and professional ethics where allegations, both criminal and moral, may be made in terms of the research published. There are many types of violations of publication ethics some of which are also violations of research ethics. The most common forms of this problem include

plagiarism and the falsification and fabrication of data. Because of the critical nature of research and publication ethics to the entire projects of business and professional ethics, significant entries are focused on these matters.

### **Other Key Themes in this Encyclopedia**

As noted earlier, many of the standard definitions and headings that you will find in any encyclopedia are included in this material as well. However, as also noted, particular foci within business and professional ethics have emerged as dominant concerns as these fields have developed. These include topics in the areas of human rights, artificial intelligence, and the environment and sustainability. As these areas are considered vital to the future of a person's rights, knowledge, and livability, these topics are strong themes and subthemes here.

### **A Final Note**

Encyclopedias are of importance primarily to two populations: students and faculty. This encyclopedia has attempted to provide an accessible and timely introduction to the important current and future matters in these fields. We trust that this material will prove helpful to all who utilize it.

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## Acknowledgements

We would like to thank the Springer people: Michael Hermann; Floor Oosting; Miriam Poort, and Andrew Spencer. We owe a great deal to the incredible support of Alexandra Bakowski and Saskia Ellis, both of whom were extremely helpful throughout the project.

We would also like to thank the expert contributions of the following section editors: John Bishop; Clive Boddy; Edmund Byrne; Patrick Carrabre; David Coldwell; Angelo Corlett; Wes Cragg\*; Scott Grills; Sally Gunz; Andrew Gustafson; Tessa Hebb; Mark Israel; Joanna Kafarowski; Karianne Kalshoven; Muel Kaptein; Anthony Libertella; Samuel Natale; Fiona MacPhail; Joan Marques; Domenec Mele; Cristina Neesham; Geraldine Pearson; Joshua Perry; Charon Pierson; Greg Shailer; Thomas Li-Ping Tang; Helena Blazun Vosner; Andrew West; Gisele Yasmeen; Qinqin Zheng.

Also warm thanks to all of the many contributors to the encyclopedia.

- We were saddened by the passing of our good friend and colleague, Dr. Wes Cragg.

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## About the Editors



**Deborah C. Poff, CM, PhD** Deborah Poff is a retired Professor of Philosophy and Senior Academic Administrator. She holds four degrees from three universities in Canada (University of Guelph, Queen's University, Carleton University). Her Ph.D. was in Philosophy of Science and her M.A. was in Philosophy of Mind. Her two undergraduate degrees were a B.A. Honors in Psychology and a B.A. Honors in Philosophy. During Deborah's career, she was variously the Director of a Research Institute; a Dean of Arts and Science; a Vice-President Academic; and Provost and a President and Vice-Chancellor at various Canadian Universities.

During her career, she has also been an active researcher, teacher, and editor and is the founding Editor-in-Chief of the *Journal of Academic Ethics* which she edited for over 20 years. She was the Editor of the *Journal of Business Ethics* for over 30 years. She is currently the Editor of the *Journal of Scholarly Publishing*, published by University of Toronto Press. Throughout her career, she has been the editor of five scholarly journals and a book series and has published numerous other monographs and anthologies. Her research and publication areas are: Applied Ethics, including Business and Professional Ethics; Research Ethics; Publication Ethics; Leadership Ethics; and Feminist Studies. In 1995, she was awarded a lifetime honorary membership by the Canadian Research Institute for the Advancement of Women in the category of "Outstanding Contribution to Feminist Scholarship." Her most recent

publication is an anthology entitled “Corporate Social Responsibility and University Governance.” Her monograph in progress is on the history of discrimination from Aristotle to Now. She is currently completing the *Encyclopedia of Business and Professional Ethics*.

Among her many service accomplishments, she served 9 years on the Committee on Publication Ethics Council and Board of Trustees, including in the role of Chair and is a recognized leader in the field of publication ethics. She also served as the President of the National Council for Human Participant Protection in Canada. She has served as a leader and participant member of many organizations and committees, including the British Columbia Degree Granting Committee for the government of British Columbia. She has also been the lead of many learned societies, including as the President of the Women’s Studies Association of Canada.

In 2016, Deborah Poff was awarded the Order of Canada through the Office of the Governor General of Canada.



**Prof. Emeritus Alex C. Michalos, C.M., Ph.D., D.Litt., F.R.S.C.** Alex Michalos is Emeritus Professor in Political Science from the University of Northern British Columbia, where he taught from 1994 to 2001. He was Professor of Philosophy at the University of Guelph (Ontario) from 1966 to 1994, Visiting Professor of Philosophy at the University of Western Ontario (1974–75), University of Waterloo (1971), and University of Pittsburgh (1969–70), and Assistant Professor at the State University of New York (1964–66) and at State College, St. Cloud (1962–64).

His Ph.D. was earned at the University of Chicago (1965) specializing in Philosophy of Science and B.D. and M.A. from the University of Chicago (1961) specializing in history of religions and logic, respectively. He received his B.A. from Western Reserve University (1957)



with specialization in history, philosophy, and religion.

He has published 32 books and over 125 refereed articles, and founded or co-founded 7 scholarly journals. Among the 7, he was the founder of the *Journal of Business Ethics*, the most frequently cited journal in the world devoted to business ethics, and *Social Indicators Research*, the first scholarly journal (1974) devoted to quality of life research. The other journals include *Teaching Business Ethics* (co-founded with Deborah C. Poff), *Journal of Happiness Studies* (co-founded with Ruut Veenhoven and Ed Diener), *Journal of Academic Ethics* (co-founded with Deborah C. Poff), *Applied Research on Quality of Life* (co-founded with Joe Sirgy and Richard Estes), and *Asian Journal of Business Ethics* (co-founded with Allan K.K. Chan, Simon Shun-Man Ho and Kit Chun Joanna Lam).

He is General Editor and founder of the Social Indicators Research Book Series (86 vols.), and co-Editor and founder with Daniel T.L. Shek, Doh Chul Shin, and Ming-Chang Tsai of Quality of Life in Asia Book Series (11 vols.) and co-editor with Deborah C. Poff of Advances in Business Ethics Research Book Series (8 vols.). He edited the 12-volume *Encyclopedia of Quality of Life and Well-Being Research* (Springer, 2014).

He was Chancellor of the University of Northern British Columbia (2007–10), President of the Canadian Commission for UNESCO's Sectoral Commission on Natural, Social and Human Sciences (2004–2008), President of Academy II (Humanities and Social Sciences) of the Royal Society of Canada (2000–2002), President of the Society for Philosophy and Technology (1983–1985), President of the International Society for Quality of Life Studies (1998–2000), and served as Director of Research for the Canadian Index of Wellbeing (2006–11). He has won several awards of distinction, including:

- Gold Medal for Achievement in Research (2004) from the Social Sciences and Humanities Research Council of Canada (the Council's highest honor)
- Member of the Order of Canada, C.M. (2010)

- Queen Elizabeth II Diamond Jubilee Medal (2012)
- Award for the Betterment of the Human Condition (2003) to Social Indicators Research from the International Society for Quality of Life Studies
- Vincentian Ethics Scholar Award (2002) by the Vincentian Universities of the USA
- Award for Extraordinary Contributions to Quality of Life Research (1996) from the International Society for Quality of Life Studies
- Secretary of State's Prize for Excellence in Interdisciplinary Research in Canadian Studies (1984) for his 5-volume treatise *North American Social Report: A Comparative Study of the Quality of Life in Canada and the USA* from 1964 to 1974,
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# A

## Aboriginal Ethics: Traditional and Contemporary

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### Synonyms

First nations ethics; Indigenous ethics; Native American ethics

### Introduction

Aboriginal Ethics were traditionally based on understandings of how relationships with the people within and between different groups and nations and with all the life forms can be created and maintained, with the focus on preserving positive relationships of respect for all life forms. The tradition of respect for one's own and neighboring Nations was and is part of Aboriginal Ethics for Indigenous peoples on all the continents on earth, including Africa, the Middle East, Europe, Asia, Oceania, Australia, New Zealand, North America, and South America. While the Aboriginal peoples in all these different areas throughout the world have their own concepts and practices of Aboriginal Ethics, they were all based on their kin-based societies and the concept that one needs to maintain positive relationships with all their neighbors

and all life forms. While we refer to Aboriginal ethical practices around the globe, this entry focuses particularly on Canadian and North American Aboriginal Ethics.

### Aboriginal Ethics Are Kin-Based Ethics

Aboriginal or Indigenous peoples on all continents created kin relationships not only in their home territory but with the peoples on all their borders and with all life forms. Aboriginal peoples developed ethical relationships with the peoples on all their borders by intermarrying with these different groups, even when they spoke unrelated languages and had different kin systems; for creating and maintaining kin relations helps create amicable, peaceful, and ethical connection with one's neighbors. Some Indigenous societies had and have lineages and clans, either Matrilineal like the Navajo and many Pueblo peoples and the Mohawk or Haudenosaunee and many North American Northwest Coast peoples; or Patrilineal like the Plains Cree, or bilateral like the Kwakwakawak. Some Indigenous peoples have bilateral groups that differentiate between cross and parallel relatives like mother's brother's and mother's sister's children: you can marry your cross cousins or mother's brother's children but not your parallel cousins or mother's sister's children since they were like your own brothers and sisters.

Indigenous kin relations were not only with humans. Turner and Mathews ([in press](#)) point out that Indigenous peoples throughout the world respect the deep kinship they have with all elements of life which include the air, earth, water, plants, fish, shell fish, and animal species which they note also come from spirit and need to be treated with “responsibility, respect, caring, gratitude, love, and generosity” (p. 6). Berkes ([2013](#)) defines everyone’s Ethics as, “Codes that exert a palpable influence on human behavior. Embedded in worldviews, ethics provide models to emulate, goals to strive for, and norms by which to evaluate actual behavior” (p. 380).

Aboriginal Ethics were sustained through an understanding of respectful relationship building with all animate and inanimate life forms. Aboriginal people took the lives of all animals, and fish with respect so they would want to come back and feed the people again (Berkes [2012](#)). For example, among the Cree, Aboriginal Ethics were sustained through an understanding of respectful and reciprocal relationships with many life forms. These ethics were practiced whether the Aboriginal peoples practiced agriculture and had large settlements or where hunter-gatherers who travelled seasonally in their particular territories. These kin-based relationships were extended to the colonizers when they arrived on the shores and land of Indigenous peoples throughout the world. Few people are aware of the influence of Aboriginal Ethics on colonizing society.

Indeed, Aboriginal Ethics led to the creation of western democracy. Most people are unaware that Franklin, Jefferson, and Adams implemented American Democracy from the example of the Haudenosaunee or League of the Iroquois form of government (Morocco [1990](#); Stubben [2000](#)). The elder women in each of the Haudenosaunee clans selected the men who would represent their clan in the Council of Chiefs and replaced them if they acted inappropriately (Wagner [1996, 2001](#)). That this mechanism of creating responsible government is the origin of democratic rights worldwide is generally forgotten in contemporary society.

Aboriginal Ethics were also the source of Women Suffrage and Rights. This is also typically

unrecognized. In fact, Women’s rights to vote in the USA, Canada, and around the world also came from the influence of Indigenous Haudenosaunee or Iroquois Women, who explained to settler women that their men never maltreated or raped their wives or any woman as this was not a part of their way of life (Wagner [1996, 2001](#)). Again, the impact of Aboriginal Ethics on women’s rights is typically unrecognized today.

Aboriginal women’s rights are also manifest in their traditional use of plant medicines to prevent pregnancy if they had had enough children. This is reported for the Beaver Indians (Mills [1985](#)); the Thompson Indians (Turner et al. [1990](#)); the Iroquois (Rousseau [1945](#)); the Mima (Chandler et al. [1979](#)); the Cherokee (Taylor [1940](#)); the Cree (Leighton [1985](#)); the Navajo (Hamel and Chiltoskey [1975](#)); the Hopi (Vestal [1952](#); Whiting [1939](#); Colton [1974](#)); and the Zuni (Camazine and Bye ([1980](#)). Indeed, Indigenous people worldwide used medicinal plants, picked with great respect, for healing many kinds of conditions (Turner [2005](#)).

Fluid Aboriginal marriage patterns created amicable relations with neighboring groups and were part of maintaining respect, reciprocity, and responsibility among and between diverse cultures. Traditionally, some Aboriginal Ethics’ marriage patterns allowed for multiple spouses, both for men and women, with marriages typically arranged by one’s relatives. Aboriginal Ethics sometimes allowed for extramarital relations. For example, when someone arrived at a village from somewhere else, his or her sexual needs were typically accommodated, often with the spouse offering his or her spouse to accommodate the newcomer out of respect for the newcomer(s). Such generosity was appreciated by settlers.

Lesbian, Gay, Bisexual, and Transgender relationships were traditionally supported by Aboriginal Societies throughout the world. The book *The Zuni Man Woman* (Roscoe [1991](#)) portrays the life of We’wha who was born in a male body but did women’s and men’s chores in women’s dress and was a member of a spiritual secret society and highly respected by the Zuni. We’wha was taken to Washington, DC by Milda Cox Stevenson in 1886. After returning home, We’wha stopped the

US army from invading her Zuni pueblo. Jacobs et al. (1997) and Roscoe (1998) portray more of the breadth of Native American transculture. African Aboriginal cultures also have transgender examples (Murray and Roscoe 1998).

Marriage relationships were sometimes created to assuage conflicts and create a kin relationship with someone one had offended. Mills (1994: 153) cites an example of the Witsuwit'en giving a daughter in marriage to someone offended in another clan in order to create a peaceful kin relationship with the offended party. In the Witsuwit'en matrilineal clan-based society, this meant the offended man's future children would belong to their mother's clan and have rights to her traditional territory, as well as to her father's traditional territory, that of the offender. However, such relationships did not always keep raids and attacks from occurring as the two following examples portray.

**Example 1** A Totem Pole at the Gitksan village of Gitwangak in Northwest British Columbia Canada depicts the story of a Gitwangak woman who had been abducted by the Haida from Gitwangak, returning home in a canoe with her baby using the tongue of his decapitated Haida father as a pacifier so the mother could paddle back to Gitwangak without anyone on Haida Gwaii hearing the baby cry. An eagle guided the mother from Haida Gwaii back to the Skeena River so she could return home (cf. Mills 2001, p. 315).

**Example 2** A Hartley Bay Tsimshian woman had a lance thrown by a Haida man that went right through her thigh when a Haida war party arrived at a beach where the Hartley Bay Tsimshian harvested seaweed. This woman was reborn as a babe with the birthmark on both sides of her thigh as a reminder of this assault. That babe became a Tsimshian Hartley Bay Elder who passed away around 1984 at an advanced age with the birthmark still on both sides of her thigh (Stevenson 1984).

Such reincarnation experiences are reported for Indigenous peoples throughout the world.

Evans-Wentz (1911) described reincarnation concepts among the Celts in pre-Christian times; Spencer and Gillen (1904) and Spencer (1966) for Australian Aborigines; Malinowski (1916) for the Trobriand Islanders; Von Furer-Haimendorf (1953) for an Indigenous tribe in north India; Mills and Slobodin anthology (1994) for Indigenous and Inuit people in North America. In Africa, Parrinder (1956), Besterman (1968), Gottlieb et al. (1998), and Stevenson (1985, 1986) have described reincarnation concepts and/or cases.

While war and conflict were and are recounted and recognized in Aboriginal Oral Traditions and Aboriginal Ethics, there are Aboriginal mechanisms to mitigate conflict. The four R's, respect, reciprocity, relevance, and responsibility (Kirkness and Barnhardt 1991) have been used in Aboriginal diplomacy since ancient times. Respect is deeply ingrained in the spiritual traditions and kinship systems of Aboriginal people worldwide; reciprocity is also part of sharing and exchange that typifies Aboriginal practices related to governance globally and is deeply tied to responsibility and taking on leadership or chiefly duties. Disputes were and are typically settled by the leaders or Hereditary Chiefs (Mills 1994; Ignace 2017). Indeed, the relevance of actions taken in regards to upholding ethical practices ensured harmonious and enduring relations.

Despite the impact of Aboriginal Ethics on creating democracy and women's rights, there are historical and contemporary difficulties of Aboriginal Ethics being respected by Settler Societies throughout the world. Indeed, Aboriginal rights have been impacted by colonization and the imposition of the Colonizers' Ethics.

There have been and continue to be difficulties of having Aboriginal Ethics respected by Settler Societies. Fluid marriage patterns were a part of Aboriginal Ethics.

While alliances and aid from the Aboriginal Societies was often key to the establishment of the colonizers' Settler Societies in Australia, New Zealand, North and Central and South America and Africa, the colonizing societies have typically not respected Aboriginal Ethics regarding Aboriginal rights to their way of life or their

traditional territories. Since colonization, many Aboriginal peoples in many continents and in Canada have been moved from their traditional territories onto small reserves based on the concept of *terra nullius* (RCAP 1996, p. 47). There has been a disregard from the colonizing societies for maintaining the integrity of the interconnection of all life forms. The damage from clear-cut logging caused the Gitksan and Witsuwit'en to go to court to preserve the integrity of their environment. Settler Society has also sought to wipe out Aboriginal languages through residential schools in Australia and Canada (Armitage 1995; Miller 2017; TRC 2015) and to some extent in the USA, as they saw their languages as part of an inferior culture. Only now are Indigenous peoples seeking to revive their traditional languages which embody their understanding of the importance of the deep spiritual interconnections of life forms (cf. Comaroff 1993 re Africa). This is despite the fact that the alliances between Aboriginal peoples and the freshly arrived newcomers were typically essential for the survival of the colonizers, who nonetheless felt entitled to take over Aboriginal Ethics, land and resources. Mann (2011) and Lepofsky et al. (2017) note that the huge decimation of the Aboriginal population from diseases introduced by settler society against which they had no immunity, greatly impacted Aboriginal peoples post contact.

Armitage (1995) noted that the conditions in and the goals of residential schools in Canada, Australia, and New Zealand were very similar, namely, to obliterate Indigenous culture. In Canada, residential schools sought to “kill the Indian in the Child.” Although residential schools were expected to teach Christian ethics, many children were sexually, physically, and/or emotionally abused, and many died, raising questions of whether residential schools caused cultural genocide (cf. Miller 1996). Brower and Johnston (2007) discuss issues of disappearing peoples among the Indigenous groups in South and Central Asia. The Truth and Reconciliation Commission of Canada (2015) produced a report with 94 Calls to Action designed to address the injustices created by the residential schools, although most have not yet been implemented.

In addition, much of Aboriginal Ethics was deemed “of the Devil” by Christian missionaries and western culture which viewed shamanic practices as demonic even when they effectively cured patients, including Father Morice (cf. Mills 1994). Dakelh Elder Sophie Thomas’ traditional medicine to cure cancer has been scientifically tested on mice and shown to be an effective cure for cancer (Ritch-Krc et al. 1996). The sophistication of Aboriginal knowledge of all aspects of their environments and their protection and use of them as a keystone to Aboriginal Ethics has been well documented but greatly underappreciated by western culture for a long period of time.

Aboriginal rights and ethics need to be considered in the context of contemporary research with Indigenous Peoples. The creation of ethical Aboriginal academic research has been aided by the growing presence of Aboriginal academics who advocate for Indigenous focused research practice and principles. Drs. Linda Tuhiwai Smith (1999/2012), Marie Battiste (2000, 2013, 2016), Battiste and Henderson (2000), Margaret Kovach (2009), and Shawn Wilson (2008) have articulated how to conduct research using Indigenous values and principles. Dr. Linda Tuhiwai Smith’s (1999) book *Decolonizing Methodologies: Research and Indigenous People* describes how research methodology can be inclusive of Indigenous knowledge so that a decolonized approach to knowledge production and understanding is attained. The First Nations Information Governance Centre (2014) set out the principles of OCAP (ownership, control, access, and possession) for Aboriginal communities to use to move forward with research agreements and frameworks to ensure their cultural and intellectual property is being protected under parameters determined by their own nations. Chapter 9 in the Canadian 2014 *Tri-Council Policy Statement: Ethical Research Involving Humans* gives guidelines for research with Aboriginal people, showing how community protocols of Aboriginal communities can be accommodated and respected in specific academic research agendas. Thus, Contemporary Aboriginal Ethics are slowly educating society about the necessity to have a mutual understanding about how research ethics can be

used so communities and community participants are respected. The Four Rs of respect, reciprocity, relevance, and responsibility presented by Kirkness and Barnhardt (1991) are inherent Aboriginal Ethics that need to be used as they embody an entire worldview that must be honored in a respectful way.

However, there are still considerable difficulties of Aboriginal Ethics being respected by Settler Society and industry. In North America, as on all the other continents, Aboriginal Peoples were given rights to small reserves which are tiny portions of their traditional lands. In Canada, the Nisga'a Calder Case, the Delgamuukw-Gisdaywa, and the Tsilhqot'in Court Cases in particular have been important but have not settled all the issues of territorial integrity and rights to preserve the territory from industrial damage. Aboriginal People find the environmental review process typically gives more credence to industrial development of pipelines, mines, and dams than to Indigenous rights and environmental concerns, producing catastrophes such as the Mount Polley spill in British Columbia, Canada (<http://www.cbc.ca/news/canada/british-columbia/mount-polley-mining-fears-1.4235913> August 4). Despite the increasing impact of climate change implemented by clear-cut logging, fracking, pipelines, and environmentally devastating mining practices, the environmental review process has yet to consider the Ethics of Aboriginal Peoples worldwide which relate to preserving the integrity and health of all forms of life based on their perception of their ecological and spiritual interdependence. Aboriginal Ethics would require that a sound environmental review process be implemented before fish-farms, mines, hydroelectric dams, and other environmentally impacting practices are allowed. Contemporary Aboriginal leaders are seeking to have such ethical impacts understood, assessed, and halted, as Wade Davis (2009) notes.

It is time for a change in western ethics to a more traditional and contemporary aboriginal ethics. It is important to note that while Aboriginal Ethics impacted the creation of democracy in America, many aspects of the original (pre-1492) Aboriginal Ethics have been judged

primitive, uncivilized, inappropriate, or necessary to obliterate by Eastern and Western cultures that currently dominate North, Central and South America, as well as Asia, Australia, and Africa, now recolonized by China.

Charles Mann's 2011 book *1491: New Revelations of the Americas before Columbus* portrays the richness of precontact Aboriginal culture and ethics which Western culture deemed worthy of obliteration. Similar richness existed in Aboriginal Ethics as practiced originally throughout the world. Lepofsky et al. (2017) and Turner et al. (2013) have documented the careful cultivation of plants practiced by Northwest Coast Indigenous peoples, noting that it is inappropriate to label them as simple "hunter-gatherers" as they cultivated and managed plants as part of their way of life, stating,

Our understanding . . . is particularly heightened by the unparalleled details of these places recorded by William Benyon (n.d.) in the Ts'msyen adaawx. The adaawx (true histories) and the ayaawx (laws) are historical recordings that provide evidence of ongoing occupation, spiritual and physical relationships, protocols, and traditional environmental knowledge about the land and people to which the Ts'msyen are socially and politically tied. The ayaawx are not laws created from humans engaging with this land; rather, they are the spirit of the land speaking and giving people the tools to live within its order and with each other. (Lepofsky et al. 2017, p. 456.)

Regarding the integration of Indigenous Science with western science, Johnson et al. (2016, p. 10) introduce the issue of articles that "explore the central philosophical concepts upon which Indigenous peoples' sustainability is founded, such that sustainability scientists might explore how these concepts could inform sustainability initiatives more broadly." In the current context, this is critical.

Richard Shweder (2004) has written an excellent examination of Western ethics' suppression of other societies' concept of ethics including human rights, in Chapter 3, "Moral Realism Without the Ethnocentrism: Is it Just a List of Empty Truthisms?" in the book *Human Rights with Modesty: The Problem of Universalism*. Shweder points out that non-Aboriginal Ethics sound laudable



but do not validly examine whether cultural practices are defensible and appropriate, as they contain deeply embedded assumptions of ethical rights that are not empirically defensible.

As Henderson (2008) and Hartley et al. (2010) note, it is time for the UN Declaration on the Rights of Indigenous Peoples, passed by the United Nations General Assembly in 2007 and subsequently slowly endorsed by almost all member nations, to become foundational in making the rights and ethics of Aboriginal or Indigenous Peoples respected and implemented worldwide. Sefa Dei et al. (2000) and Blaser et al. (2004) had already stated that Aboriginal Ethics should no longer be deemed as detrimental to development. Indeed, environmentally friendly forms of power offer the whole world a better economy and way of living that appreciates the need to look after the environment and all life forms (Ozog 2012). This process can ultimately aid business and professional ethics of all Nations and cultures to make wise decisions that respect the relevance of endorsing commitments towards the environment and its interconnected life forms on all continents for the benefit of all mankind.

Turner and Mathews (in press) also note that Aboriginal Ethics need to be endorsed more broadly, saying:

Humans have equal responsibilities to support ecosystems and the complex web of relationships that exist, and of which we are a part. Without our contributions to nature, the system will eventually deteriorate. In this scenario, humans are active players in cycles of “give and take,” and hold deep commitments towards other species, incorporating virtues of responsibility, respect, caring, gratitude, love and generosity. This view is embedded in the knowledge systems of Indigenous Peoples in many parts of the world, including across Canada, and is manifested through stories, ceremonies and intergenerational education, as well as in everyday actions. (page # to be determined)

“The Spirit in the Land” is a deep concept, articulated also by Gisday Wa and Delgan Uukw (1989) in their opening statements about their right to their Gitksan and Witsuwit'en Traditional Territories. Traditional Aboriginal Ethics embody the concept of respecting the Spirit in the Land and the deep reciprocal commitments that entails.

Turner and Mathews note that this is missing in Western Ethics, which needs to be replaced by “a philosophy of relatedness and reciprocity, [that] embodies an understanding that we humans are an integral part of nature and natural systems, that animals, plants and even mountains and rivers, considered non-living within western taxonomies, are our kin, ‘our relations.’ It is our role to ‘give back’ to our non-human relations.” (in press, now p. 3).

It is important to note all people would benefit from applying these Aboriginal Ethics wherever they live.

## Cross-References

- [Cross-Cultural Aspects of Leadership](#)
- [Economics, Ethics, and the Environment](#)
- [Environmental Assessment and Resource Extraction](#)
- [Environmental Ethics and Sustainability](#)
- [Human Rights](#)
- [Indigenous Environmental Justice](#)
- [Justice](#)
- [Property Rights](#)

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## Academic Business Ethics in the United States

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## Introduction

The formal study of business ethics in the United States – unlike many disciplines in business schools – has emerged slowly, if steadily, over the last four decades. Its most identifiable origins begin in the early 1980s with the emergence of dedicated faculty and curricula in the area of business ethics as well as in the allied fields of corporate responsibility and business in society. This trend was notably marked with the appointment of philosophers and management scholars to endowed chairs in those fields at prominent universities. Since that time, a wider range of colleges and universities have moved more deliberately to create specific academic programs, co-curricular institutes, and stand-alone departments in business ethics.

## Research Centers

The two most prominent places for the academic study of business ethics in the United States are currently in the halls of the Wharton and Darden Schools at the University of Pennsylvania and



University of Virginia, respectively. Both of these schools either house a dedicated department to business ethics or offer well-structured ethics concentrations for master's and Ph.D. students. Both schools also advance the field of business ethics through research centers. Darden's Olsson Center for Applied Ethics describes itself as a "critical resource for executives, scholars, students and Darden alumni who are faced with the challenges of integrating ethical thinking into business decision-making." This mission reflects the Olsson Center's emphasis on original research and academic training that informs, and is informed by, business practice. Wharton's Carol and Lawrence Zicklin Center for Business Ethics Research is less managerial and slightly more theoretical, leveraging faculty strengths in areas such as normative ethics, philosophy of law, and corporate governance (Orts 2013).

The influence of these programs can be measured in two ways. First, due to Darden and Wharton's emphasis on business ethics, many universities with business ethics programs have a direct connection to their faculty and graduates. Within the last two decades, for example, Darden and Wharton graduates, as well as former faculty from these schools, have provided academic leadership in the area of business ethics at universities such as George Washington University, the University of Richmond, the University of Notre Dame, Georgetown University, Franklin and Marshall College, Santa Clara University, the State University of New York, the University of St. Thomas, and Carnegie Mellon University, just to name a few.

Second, both programs reflect dominant methodologies within the field of business ethics. Darden's faculty, notably led by R. Edward Freeman (2010), have played a preeminent role in the development of stakeholder theory and stakeholder capitalism, which maintains that responsible management should strive to adopt creative strategies to "create value" for all business stakeholders rather than merely for investors. While not uniquely a theory for business ethics, stakeholder theory remains practically aligned with many questions about the effective means and ultimate aims of management, which provides

foundational answers to many ethical questions. Organizations such as the Business Roundtable and the World Economic Forum have embraced variations of this idea and are arguably indebted to stakeholder theory's development at Darden. Its orientation around stakeholder theory remains a driver of ethics education within management departments that seek to merge fields such as organizational behavior, strategy, and entrepreneurship with ethics. Stakeholder theory has many affinities with other management-centered approaches to the study of business ethics, notably earlier scholarship in corporate social responsibility; however, its enduring normative, strategic, and rhetorical power over the course of the last three decades clearly makes it a preeminent movement with the field.

Wharton has a long-standing history of research and thought leadership in normative business ethics. A fine example of this is Thomas Donaldson and Thomas Dunfee's (1999) pioneering application of social contract theory to norms of business conduct. Other current or former Wharton faculty continue to examine the implications of moral and political philosophy on issues such as corporate personhood, workplace equality, business involvement in politics, the foundations of business regulation, and corporate criminal liability (Seginwall 2013).

Other research universities have taken on business ethics as a dedicated area of study. Indiana University, Rutgers Business School, Harvard Business School, the Pennsylvania State University, and the University of Pittsburgh are examples of noteworthy institutions supporting interdisciplinary scholarship in business ethics – spanning law, philosophy, political theory, economics, and management – that has pushed the boundaries of contemporary research in the field. Central questions addressed by faculty within these institutions includes corporate social responsibility, which grapples with the strategic dimensions of corporate involvement in addressing large-scale social and environmental problems, both domestically and globally, and moral psychology, which seeks to answer questions about the ethical behavior of individuals within different social settings (Hsieh 2006;

Treviño et al. 2017). This latter area of research reflects a long-standing commitment among business faculty at research universities to study ethics as part of a larger portfolio of inquiry in organizational behavior.

## Other Universities

Another important dimension of the study of business ethics in the United States is the role of Catholic universities in prioritizing the study of ethics within academic business programs. Many high-profile scholars in business ethics, including Donaldson and Patricia Werhane, began their work at Catholic institutions; moreover, Catholic institutions continue their noteworthy commitment to ethics education as part of their missions to promote social justice, educate the whole person, and endeavor to build students' professional identities around a commitment to the common good. Larger Catholic universities, such as Notre Dame and Georgetown, have had a long history of supporting endowed research chairs and separate institutes to support the philosophically led study of business ethics and corporate responsibility. This orientation continues today at other Catholic business schools at universities such as Loyola University Chicago (Singer 2018), DePaul University (Koehn 1995), St. Thomas, Santa Clara (Valesquez 2012), Duquesne University, Creighton University, Seattle University, Fordham University, and College of the Holy Cross.

Since the rise of academic business ethics in the early 1980s, Bentley University – a university that identifies business education as a unifying theme across multiple disciplines – has played an outsized role in building bridges between academic business ethics and the “real world” of business practice. W. Michael Hoffman's launch of Bentley's Center for Business Ethics in 1976 served to acquaint university administrators, faculty, and business leaders to the idea that the study of business ethics was something about which professors and managers could learn from each other. Hoffman's own work also included a successful effort with Donaldson to unite business ethics scholars in to their first organized

association, the Society for Business Ethics, which today still serves as the major academic society promoting the study of business ethics and publishes the leading journal *Business Ethics Quarterly*. The Center at Bentley, now named in honor of Hoffman, still retains annual lectureships in business ethics, a close relationship with ethics and compliance officers from industry, offers special programs in conjunction with the Ethics and Compliance Initiative, a Washington DC-based think tank dedicated to corporate ethics and compliance that trains practitioners on the management of ethical business cultures, and publishes the journal *Business and Society Review*.

## Dedicated Departments in Business Schools

As business ethics has grown in importance within business schools since the early 2000s, there has been a growth in dedicated ethics departments within schools of business. The dominant trend in this area is to take ethics faculty out of departments of (typically) management and unite them in joint departments of ethics and business law. This administrative shift reflects a renewed attention to interdisciplinary degrees and certificates in the areas of ethics, compliance, and corporate social responsibility. Fordham and St. Thomas are interesting cases of this trend; both have assembled a large number of academic and clinical faculty in ethics and law as well as supporting academic programs in organizational compliance. The Kelley School of Business at Indiana University and the Daniels College of Business at Denver University have adopted a model reminiscent of Wharton's. They are more recent examples of universities that have developed educational programs focused on social responsibility that conceive of the study of law as an institutional component in the broad-based study of the role of business in an increasingly global society.

The McCombs School of Business at the University of Texas does not have a dedicated department to ethics; however, it has served as a model for schools interested in establishing departments in the area of business and society. Its Department

of Business, Government and Society “focuses on research and teaching on the regulatory, political, legal and ethical environment of business” and reflects the fact that many management scholars who are interested in certain dimensions of stakeholder theory, business ethics, and corporate responsibility self-identify as scholars in “business and society,” focusing their work on the social, political, and legal environment in which business takes place. Many American scholars working in this space are active members in the International Association of Business and Society (IABS), publisher of the journal *Business and Society*.

Academic movements within the field of business ethics over the last 40 years have been focused both on applied research and the development of university curricula. The attention of faculty and university administrators on the field of business ethics has waxed and waned during this period; nevertheless, progress has been consistent, if measured in terms of: (a) the number of graduate programs dedicated to the study of business ethics; (b) research institutes in business ethics; (c) the number of faculty with research programs dedicated to business ethics; and (d) and the rise of dedicated departments in the field. In 2004 the Ethics Education Task Force of the Association to Advance Collegiate Schools of Business (AACSB) recommended that business schools “strengthen ethics components” in the curricula and provide students with “frameworks that...help in resolving ethical business and managerial problems” as well as courses that “lay out the larger societal context in which business operates.” These conclusions arose out of a call within the academic business community to articulate and fine-tune what many American business schools had successfully begun (DeGeorge 2015).

## Cross-References

- [Business and Society](#)
- [Business Ethics as an Academic Discipline](#)
- [Normative Ethics](#)
- [Political Philosophy and Business Ethics](#)

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## Academic Ethics and Academic Integrity

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## Synonyms

Research and scholarly publishing; Responsible conduct in teaching; Scholarly integrity; Teaching ethics/research ethics

## Introduction

Academic Ethics and Academic Integrity refers to responsible and ethical conduct in university-based teaching, student performance, research, and in the dissemination of research through publishing. The history of Academic Ethics might be considered opaque given the breadth of what can

meaningfully be considered relevant to the topics that will be discussed in this entry. While this may be true in terms of long-term historical roots, this is not the case with respect to the contemporary discussion of academic integrity from the latter part of the twentieth century until now, both with respect to teaching and to research practices. This article will address these matters.

Some would begin any discussion of academic integrity with an introduction to the literature on the purpose of a university. This is a topic in itself so it will only be noted here that a recurrent theme from the ancient Greek philosophers to the scholarly discussions of the topic in the twenty-first century have focused on the purpose of education not only as an end in itself but as a means to higher order goods, such as educated leadership, education for the common good, and education for engaged citizenship and the promotion of democracy. To focus on just two iterations of some of these thoughts, nineteenth-century utilitarian, John Stuart Mill (1863) argued that broad-based education would lead to an understanding and appreciation of higher order goods which, in turn, would lead to choices among citizens that result in an increase of happiness for the greater number of persons. Similarly, John Dewey (1916) argued for education for the purpose of advancing citizenship engagement and democracy.

Certainly, the ancient Greeks discussed education in the context of examining the nature of what is a good person or what is a good society, or more broadly, what is the purpose of life for persons. This, in turn, meant understanding the nature of goodness. In the contemporary context, this discussion becomes more directly articulated in terms of university policies and practices concerning ethical behavior with respect to teaching and research.

### **The Modern University and Teaching and Research Ethics**

While the debate continues concerning the role of universities in educating students for professional careers and/or to be better citizens in the nation states, one thing is clear. For the past two decades universities have become focused on teaching,

research, and publication ethics for students and faculty within these institutions.

### **Contemporary Academic Integrity**

As noted above, contemporary academic integrity refers to ethical issues in teaching, research, research dissemination and publication, and university policies and practices, including the governance of universities.

In this entry, all aspects of Academic Integrity will be discussed separately.

### **Teaching and Ethics in the Contemporary University**

There are a number of aspects related to teaching and ethics and a number of stakeholders who participate in teaching and learning.

### **Teaching Faculty**

One aspect in addressing teaching and ethics focuses on the requirements for being an ethical teacher. There are a number of different separate distinctions to be made here. First, there is the issue of competence. As I have argued elsewhere (Poff 2003), university teaching is a profession that initially requires advanced education and specialization within a particular field. Professions generally have a number of requirements that are related to being a specialist within a field. I have referred to these as: competence, calling, courage, and commitment. Competence is not only the achievement of the doctoral degree which is standardly the necessary educational level for university instructors but also a commitment to continuing professional development through research in order to stay abreast of the field. At most universities, this also carries with it a requirement to undertake research to also further the discipline through research projects that result in the dissemination of new knowledge. Calling involves a passionate engagement with teaching and research of knowledge and a belief that university education and research is critically

important. This is related to a further commitment which involves living up to a calling through quality teaching, a further commitment to student success, and a commitment to furthering the discipline through research and publication. It calls on teachers to care about the students who enroll in their classes and be committed to the purpose of university education. Courage requires sticking to principles of teaching and research integrity even when there are various forms of external pressures to deviate from these principles.

While there is generally very little demanded by universities in terms of mandatory requirements to maintain these types of attributes or characteristics, many universities have developed Centres for Teaching and Learning to provide professional development opportunities on campuses to improve faculty teaching. There are also organizations and professional associations which have established codes of good behavior for university teachers or ethical principles in university teaching. The Society for Teaching and Learning in Higher Education lists nine such principles (1996, STLHE/SAPES). Briefly, the domains of the document include: (1) Content Competence, (2) Pedagogical Competence, (3) Dealing with Sensitive Topics, (4) Student Development, (5) Dual Relationships with Students, (6) Confidentiality, (7) Respect for Colleagues, (8) Valid Assessment of Students, and (9) Respect for Institution.

While all of the principles and Poff's (2003) characteristics are ideal and laudable, they are not always met in part or in toto by all university faculty. The corrective approach generally is the aforementioned teaching and learning centers as well as the establishment of professional associations like the International Center for Academic Integrity and the European Network for Academic Integrity.

## Students and Integrity in Learning and Performance

Ethics regarding university teaching is only one side of a serious matter for academic integrity. As well, professional associations concerned with

teaching spend considerable time with respect to violations of integrity in students' learning and performance evaluation behavior.

Student cheating on evaluative assignments is not a new phenomenon, but systematic evidence show that a majority of student cheating has been systematically studied and measured for the past three decades with increased amounts of published research in the area since the 1990s.

Many universities provide lists on their websites to inform and educate students about the different forms of cheating that are considered serious violations of appropriate student conduct and which result in various types of disciplinary action up to and including expulsion from the university either for a specified period of time or permanently.

St. Petersburg College offers one such list (URL: <https://spcollege.libguides.com/avoidplagiarism>):

- Cheating
- Bribery
- Misrepresentation
- Conspiracy
- Fabrication
- Collusion
- Duplicate submission
- Academic misconduct
- Improper computer/calculator use
- Improper online, teleweb, and blended course use
- Disruptive behavior
- Plagiarism

Plagiarism is considered the most common type of cheating. As well, it should be noted that cheating is a generic term in the above list which includes some of the particular categories listed here. For example, bribery is a type of cheating where students offer money or services in exchange for someone else's paper, or in the case of a student bribing a professor, it may be money in exchange for grades. One other common form of cheating is contract cheating where students access papers for sale on the web through a pay for paper commercial service.

While this entry will not provide a detailed explanation of every type of cheating behavior,

the sheer volume of plagiarized materials by students warrants further detail. Plagiarism by students (a nuanced and more elaborate definition with faculty research and publishing will be dealt with later in this article) is variously called “stealing” someone else’s ideas or work; copying someone else’s work without references or proper citation of the source of the ideas; acting as if or “pretending” that someone else’s work is one’s own. In much of the research, a large number of students or a majority of students admit to plagiarizing or other forms of cheating. Plagiarism may be dominant because it is relatively easy to commit plagiarism just by copying a published article or someone else’s work. (Some universities use software that looks for plagiarized material with variable levels of success.)

One of the more prolific researchers on plagiarism and other forms of student cheating was Donald McCabe. From 2002 to 2015, McCabe did numerous studies on the frequency, type, why, and how of student cheating as well as an exploration of how to change student behavior and attitudes toward cheating in universities (McCabe et al. 2012). Much of this work was done for the International Centre for Academic Integrity. Statistics cited from McCabe’s work and included on the website of the Centre in trends from his research over the years are included here (Table 1).

In addition to McCabe’s work, there is a plethora of studies over the past two decades on the nature and frequency of plagiarism and other forms of cheating among university students as well as examples of interventions to lower the incidence of cheating (see Young et al. 2018; Orr Jr 2018; Henning et al. 2018; Wei et al. 2014).

### Attempts at Amelioration

Education is one of the key approaches to address plagiarism and other forms of cheating in educational institutions as indicated by the information listed in many university calendars and academic policy and practices. As well, it is common practice for teaching faculty to reference university

**Academic Ethics and Academic Integrity, Table 1** The statistics below are just a snapshot of overall trends uncovered over the past 12 years

|                                             | Graduate Students | Undergraduates <sup>a</sup> |
|---------------------------------------------|-------------------|-----------------------------|
| Number responding                           | ~17,000           | ~71,300                     |
| % who admit cheating on tests               | 17%               | 39%                         |
| % who admit cheating on written assignments | 40%               | 62%                         |
| % total who admit written or test cheating  | 43%               | 68%                         |

<sup>a</sup>Excluding first year students, code schools, and 2 year schools

policy and the range of disciplinary action which follows confirmation of cheating behavior. Additionally, as referenced in McCabe et al. (2012) a number of universities institute honor codes for students to commit to academic integrity in their studies. Finally, as noted above, some universities utilize software programs, such as Turnitin, to catch students who plagiarize.

### Faculty Research and Publication Ethics

While this entry has already identified characteristics with respect to the profession of university faculty, specific attention has been focused on the university faculty members as researchers and as disseminators of scholarly research through publication in formats like journal articles and monographs. The values underlying research and dissemination include both the identification of generic positive normative values like rigorous methodological practices and the identification of forms of particular violations of research integrity and publication ethics.

The values approach not only includes explicitly ethical theories and principles of practice but also nonmoral knowledge-based norms, such as methodological rigor, proper citation practice, and other practices that fall under the rubric of the responsible conduct of research. Governments in particular have focused on risk management, addressing allegations of misconduct, utilizing disciplinary approaches to guarding the public



interest and in the prudent and lawful utilization of the public funding of scholarly research and in protecting the integrity of the scholarly record. University risk management has undoubtedly had an impact on university academic administrators, given their roles in managing reputational risk factors, building universities, and managing the incursions of governments and local communities into evaluating the roles and responsibilities of universities.

## Violations of Research Ethics and Publication Ethics

This encyclopedia has numerous entries which explicitly discuss many of the standard violations of research ethics and examples of publication ethics (see “[Cross-References](#)”). Consequently, this entry will only briefly identify the most commonly recognized issues. These include:

1. Plagiarism, falsification, or fabrication of data (which arises during the conduct of the research and is subsequently published as original and properly validated data in research).
2. Text-recycling, self-plagiarism, redundant publication, and salami-slicing (various overlapping issues related to unethical attempts to redundantly try to multiply the number of articles published from the same text, the same data, the same research study, etc.).
3. Authorship issues (such as):
  - Ghost authorship where someone writes an article for the author(s) without acknowledging that this is the case, for example, where a commercial funder ghost writes research which they funded.
  - Gift authorship where an author(s) is added to an article for various unethical reasons, such as increasing the chance of having an article published.
  - Removing an author where the author contributed as an author to the article, monograph, etc. This sometimes happens where a dispute arose between or among authors or where an author wishes to claim that she or

he is the lead or only author deserving of authorship.

4. Conflict of interest in which the interest of accurate scientific results is compromised by some commercial interest or the personal beneficial interests of a researcher.
5. Reviewer misconduct where the reviewer of either the research proposal or the publication submitted is not ethically reviewed (such as):
  - Friends review articles not acknowledging conflict of interest.
  - Reviewers “steal” unique ideas in reviewed material and use for their own research.
  - Reviewers do not spend the time to adequately review the material and still make recommendations to accept or reject.
  - Reviewers accept articles/monographs to review that they are not qualified to review.
6. Author misconduct where an author knowingly publishes research with predatory publishers in which research is not peer reviewed but is published by corrupt commercial presses that run publications solely to make money.

While there are more distinct misconduct issues in research and publication which might be identified, these are the most common and mostly identified by government research funding agencies and by university policies regarding ethical misconduct in university research and publications.

## Summary

This entry has provided a broad overview of ethics in teaching, research, and publications as part of key mandates of the purpose of a university.

## Cross-References

- ▶ [Anonymity, Confidentiality and De-identified Data](#)
- ▶ [Autonomy and Informed Consent](#)
- ▶ [Beneficence](#)
- ▶ [Conflict of Commitment](#)

- ▶ [Conflict of Interest in Research](#)
- ▶ [Correcting the Published literature](#)
- ▶ [Covert Research](#)
- ▶ [Criteria for Ethical Authorship and Contributorship](#)
- ▶ [Data Ownership and Data Sharing Practices](#)
- ▶ [Deception and Research](#)
- ▶ [Duplicate Publication and Salami Slicing](#)
- ▶ [Ethical Peer Review](#)
- ▶ [Ethical Representation of Data](#)
- ▶ [Funding and Sponsorship of Publications](#)
- ▶ [Ghost, Guest, and Gift Authorship](#)
- ▶ [Maintaining Data Integrity](#)
- ▶ [Plagiarism and Text Recycling \(Self-Plagiarism\)](#)
- ▶ [Publication Ethics](#)
- ▶ [Research Ethics and the Nuremberg Trials](#)
- ▶ [Research Integrity and Research Misconduct](#)

**Acknowledgments** It should be noted that some of the material for this entry is drawn from a keynote address by the author entitled “The Role of Research Integrity and Publication Ethics and University Education for the Twenty-First Century” presented at the European Network for Academic Integrity Conference held at MRUniversity held in Vilnius, Lithuania, June 19, 2019.

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## Academic Integrity and Business Ethics Teaching

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## Synonyms

Academic dishonesty; Business ethics pedagogy; Cheating; Honor codes. AI

## Introduction

Much as business must pay attention to ethics in the post Sarbanes–Oxley era and create ethical cultures and compliance systems, business schools must create ethical cultures, though honor codes and systems, and by teaching integrity and ethical decision-making (McCabe et al. 2006). Teaching college students to act ethically and to understand the costs of acting unethically is vital (Guerrero-Dib et al. 2020). The unethical business student behavior is a problem for the business community. Addressing unethical academic behavior among students will have long-term impacts on their postgraduation ethical behavior; it is unlikely that a student who regularly fails to act with integrity in an academic setting will become a worker who acts with integrity on a consistent basis. Indeed, research shows academic integrity and academic misconduct predict the ethicality of graduates (McCabe et al. 2006). Moreover, interventions among students will have greater impact than interventions they were to receive after graduation. Granted, there are challenges to priming students for ethical behavior both during college and postgraduation



(Bratton and Strittmatter 2013) and there are never guarantees of success (McCabe et al. 2006).

Students' ethical decisions in their lives outside of school, much like their decisions whether to engage in academic misconduct, reflect their personal ethical code (Mihelič and Culiberg 2014). Students arrive to higher education with such codes established, but their higher education experience can influence their values and attitudes. Academic integrity and academic dishonesty are topics that relate to ethical decision-making that will resonate with students' regular experience. Thus, business ethics courses should openly discuss the prevalence of academic misconduct in educational and business settings (Hsiao and Yang 2011). Promoting academic integrity will also make education more effective and efficient, even as it contributes to a more humane and fair society through students' post-graduation behavior (Guerrero-Dib et al. 2020).

## Definitions

There is a multitude of definitions of academic integrity. The International Center for Academic Integrity (ICAI) defines academic integrity as a "commitment to five fundamental values: honesty, trust, fairness, respect, and responsibility" (2013.) Similarly, the European Network for Academic Integrity (ENAI) defines it as "compliance with ethical and professional principles, standards, [and] practices and [a] consistent system of values," noting that this system "serves as guidance for making decisions and taking actions in education, research and scholarship" (ENAI 2018). Likewise, ENAI defines academic misconduct as "any action or attempted action that undermines academic integrity and may result in an unfair academic advantage or disadvantage for any member of the academic community or wider society."

McClung and Schneider (2015) have developed a comprehensive list of student behaviors related to academic dishonesty, which includes: discouraging whistleblowers; cheating and supporting cheating; assistance concerning the

mechanics of writing; failing to follow set guidelines, rules, or stated expectations for assignments, exams, or peer grading; creating or providing false or inaccurate information; plagiarism and supporting plagiarism; recycling academic work; and sabotaging peers.

## Extent of the Problem

Students do not always practice academic integrity. Whether business students cheat more than others is unclear as there are conflicting research findings on this matter (Klein et al. 2007; McCabe et al. 2006). The win-at-all-costs worldview that is pervasive in business may increase academic dishonesty among business students. In any case, business students clearly cheat; studies of academic misconduct among them find rates as high as 60–92% (Martin et al. 2009).

On the one hand, Klein et al. (2007) studied cheating among business students and students majoring in other professional degrees (including criminal justice and nursing). They found that rates of cheating were just as high in other fields as business, but that business students' professed beliefs about cheating suggested a particularly relaxed view of it. On the other hand, McCabe et al. (2006) found that 56% business students acknowledged they had committed some type of academic misconduct in the preceding year while only 47% of their nonbusiness peers had. Rakovski and Levy (2007) examined self-reported ethical behavior among business students and found that management majors were the least ethical in general and accounting majors the most ethical. The former were particularly likely to take credit for others' work or take shortcuts.

Rakovski and Levy (2007) also studied students' impressions of the appropriate punishments for academic dishonesty. Results indicated that students felt they should not be punished for helping others to cheat, especially if it was unknowingly. For example, they assigned mild punishments to those who might share work without knowing it would be submitted or allowing a peer to copy one's homework or copy from an

exam. Likewise giving others help, receiving help, and failing to cite internet sources were rated the mildest. They assigned stronger punishments to those who stole exam answers, submitted someone else's work, knowingly allowed someone else to submit their own work, or used a crib sheet. This would indicate that students see academic misconduct on a continuum. This perspective suggests that students might easily justify unethical behavior to themselves and others at school or at work when it suits their purpose.

Business students also believe that they are more ethical than businesspeople (Martin et al. 2009). Assuming the majority of them are engaging in academic misconduct as studies show, this implies they must be able to justify academic misconduct. They may see it, at worst, as a necessary evil. They may adapt to an unethical workplace culture just as readily if business schools do not teach them ethics.

A host of research connects academic ethics to business ethics by studying students' attitudes and actions. For example, Nonis and Swift (2001) found a correlation between how much students cheated at school and calling in sick when not sick, completing personal business on company time, giving preferential treatment to family/friends, taking office supplies for own use, and telling partial truths to cover up other people's mistakes. Likewise cheating in college by Taiwanese business students predicts unethical behavior in the workplace after college (Hsiao and Yang 2011). This also indicates that the issue is global. The same study found that among students who have spent time in the workforce before college, beliefs about ethical behavior in the workplace predict academic misconduct. Students who consider academic honesty to be important are highly likely to see business ethics in the same light (Bratton and Strittmatter 2013). Similarly Shin and Alecci (2014) found that students who were more likely to cheat on exams considered unethical employee behaviors to be more acceptable than those students less likely to cheat. Guerrero-Dib et al. (2020) studied the interaction between academic misconduct and unethical behavior at work among a sample of

Mexicans and found the same type of link between attitudes. Given this weight of evidence, the fact that academic dishonesty is widespread is very troubling and bespeaks enormous harm to society if business schools do not address academic integrity and teach business ethics.

### **Business Ethics Courses with an Academic Integrity Focus**

Given the connection between academic integrity and business ethics, the fact that business ethics courses are designed to minimize unethical behavior postgraduation makes them a natural choice for teaching academic integrity. There is also evidence that teaching academic integrity in business ethics courses will improve the teaching of business ethics itself. Academic integrity is a real life ethical dilemmas students face in their daily lives. Given that a business ethics course must offer a controlled and safe setting, there is no way to get closer to their likely experiences in the workplace.

The necessary context for courses that teach academic integrity is an institution that values it. Honor codes have been prevalent in post-secondary settings as a tool to discourage cheating for decades. Students should receive copies of their school's honor codes before classes begin each year and professors should re-introduce such codes in the early sessions of their courses (Mihelič and Culiberg 2014). It is also necessary for institutions to enforce such codes through punishing violations and making them difficult to commit, as enforcement will strongly affect individual behavior (Hsiao and Yang 2011). Likewise, Guerrero-Dib et al. (2020) call on institutions to punish academic misconduct. Failures of enforcement teach students that ethics are unimportant. In fact Martin et al. (2009) found that high scores on measures of integrity and responsibility were *negatively* correlated with the likelihood of plagiarizing in a context where plagiarism was common, suggesting that academic dishonesty can become so normalized that students consider it acceptable and ethical behavior.

Thus, it is also necessary to communicate clearly the punishments for academic misconduct (Hsiao and Yang 2011).

Instructors are a major factor in shaping a context that supports academic integrity, as educators should model such behavior (Bratton and Strittmatter 2013). Simkin and McLeod (2010) found that students who were less inclined to cheat took their cue from role models such as ethical professors. One way instructors can model academic integrity is by diligently enforcing the academic integrity policies put in place and not cherry picking parts of the ethics codes to enforce or ignoring academic misconduct among some students. They can also model ethics through thorough citation practices and including bibliographies in class presentations and all other contexts where they might apply.

Once they are teaching in the proper context, business ethics instructors can deploy an array of tools to successfully teach their students to pursue a path of academic integrity. The most powerful may be frequent discussions regarding the ethical standards for the class and other academic contexts, as studies show they invite students to contemplate those standards, which makes it easier for them to apply especially when the temptation to cheat arises. Guerrero-Dib et al. (2020) findings suggest that a general discussion about academic misconduct is all that is required; addressing each type of misconduct does not create any added benefit in discouraging academic misconduct. Other pertinent tools include:

- During the period in a business ethics course where students would ordinarily learn about the use of business codes of ethics, they can learn that building an ethical environment requires having an ethics code. Using an academic ethics code as a proxy for this lesson can be powerful. Students could also develop their own code, and they are better equipped to create academic ethics codes than business ethics codes.
- Most business ethics courses use ethical decision-making models as a teaching tool. Academic integrity can play a central role in

such models – the role that corruption, harassment, and pollution would play in a model designed for business.

- Another common tool used to teach business ethics is the case study method. Case studies give instructors the opportunity to present the complexity of ethical decisions as well as how individual choices to behave ethically affect society (Mihelič and Culiberg 2014). Academic integrity can be easily be used as the unethical behavior under review.
- Finally, in-class debates where teams of students would deliberate on the ethical or unethical nature of a given academic behavior can increase student contemplation of ethical issues (Mihelič and Culiberg 2014). Business ethics courses often debate each other on the ethicality of issues such as paying expedition fees or using child labor; using academic misconduct as a topic for debate could follow this model.

There may be other tools as well, and business ethics professors would do well to contemplate how all of the tools they use regularly can make the connection between business ethics and academic ethics.

## Conclusion

Given the prevalence of scandal in the business world, individuals charged with training the future business leaders of America must pay attention to their students' moral development (Rakovski and Levy 2007). This is particularly important given that students' ethical beliefs about academic behavior predict their actions in the workplace (Bratton and Strittmatter 2013). McCabe et al. (2006) argue that students are still shaping their ethical codes and that teaching them to uphold standard of academic integrity will have positive effects on their behaviors in a business context. As such, business ethics instructors must build academic integrity into their courses; not to do so would miss a great opportunity to benefit their students, institutions, and society.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Human Rights](#)
- [Justice](#)

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## Academic Integrity and University Corporate Accountability

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## Synonyms

Accountability; Ethical behavior; Ethics; Integrity; Justice; Trust

## Introduction

Academic integrity is the foundation for ethical decision-making in life, including in the work environment. Academic integrity is more than the absence of misconduct; it is based on a set of values intended to guide learners toward ethical behavior on a consistent basis. The ethical decision-making skills students learn in school can – and should – be transferrable to their employment after they leave school (Bolívar 2005; Guerrero-Dib et al. 2020). In this chapter, I show how academic integrity is related to ethics and corporate accountability, exploring the roles of education, employers, and professional associations.

## Understanding the Connection Between Academic Integrity and Corporate Accountability

Understanding the connection between academic integrity in school and workplace ethical decision-making is important for educators and employers alike. Studies over time have shown that students who engage in academic misconduct in school are more likely engage in professional malpractice (Guerrero-Dib et al. 2020; Bolívar 2005). One study found specifically that students who cheated in school were more likely to engage in theft, illegal drug use, and workers' compensation fraud (Lucas and Friedrich 2005), which

could have not only ethical, but also financial repercussions for the employer. Poor decisions on the part of employees can impact corporate accountability because when violations occur in the workplace, the negative repercussions can not only ripple throughout the organization, but beyond it into the broader society.

## The Role of Education

Educational institutions and those who work in them set the stage for ethical decision-making through policy and practice. It is incumbent upon educators to teach the skills and principles associated with academic integrity. Research in one study showed that academic integrity became more important to them when they were in a teaching role compared with when they were students, in part because they were not explicitly taught expectations for ethical decision-making when they were students (Austin et al. 2005). It is imperative for educators to show the link between academic integrity in the classroom and ethics in the workplace so students understand the two are connected (Austin et al. 2005; Harding et al., 2004; Israel and Drenth 2016; LaDuke 2013).

In addition to promoting ethical decision-making through academic integrity, institutions also need policies and procedures in place to address misconduct (Bretag et al. 2011; Eaton 2021). There are five core elements of exemplary academic integrity policy: access, approach, responsibility, detail, and support (Bretag et al. 2011). *Access* refers to how easy it is for people to find, access, and read the academic integrity policies. Policies related to academic integrity should be readily available and easy to understand. *Approach* refers to the principles and values that underpin the policy. An educational approach to academic integrity policy is preferred when possible, emphasizing the need for students to have an opportunity to learn from their mistakes (Bretag et al. 2011), but of course, provisions must also be made for those who knowingly or consistently fail to follow the rules (Eaton 2021). The

third policy principle is *responsibility*. Policies should outline clear responsibilities for relevant stakeholders including students, management, staff, and faculty. Academic integrity is not only a matter of student conduct, but expectations must be established for all members of the academic community act with integrity, including when breaches occur (Bretag et al. 2011; Eaton 2021). Detail is the fourth principle of exemplary academic integrity policy (Bretag et al. 2011). Academic integrity policies should provide details and examples, with clear processes and flow charts to show how policy is implemented (Bretag et al. 2011). The level of detail should be extensive, without being overwhelming (Bretag et al. 2011). The final academic integrity principle is *support*. Policy support means having systems and resources in place to support the implementation of the policy. This includes, but is not limited to, training, seminars, and professional development for students and staff alike (Bretag et al. 2011).

Educational institutions can pay specific attention to the ways in which ethics is part of corporate accountability. If companies are to be held responsible for their impact on people and the planet, then educational institutions can set the stage for this by ensuring that sustainability, environmental impact, and social responsibility are infused across the curriculum. It is essential that students receive both philosophical and practical training about the importance of sustainability, climate change, human rights, and ethics throughout their education.

Educational institutions not only offer students training, but also provide students with opportunities to develop their own ethical standards. Then, when students enter the workforce they can be better prepared to ask tough questions of their employers that will help to ensure that corporate accountability is not only maintained through external scrutiny, but internally as well.

Taking a proactive approach to promote academic integrity as an expectation across the educational institution is key (Bretag et al. 2011; Eaton 2021). Having policies and systems in place to ensure breaches of integrity are addressed

is equally important. This sets the stage for students to understand that when they enter the workplace, there are consequences for misbehavior, particularly if it is intentional.

## The Role of Employers

Like educational institutions, employers need policies and procedures in place to investigate and address misconduct of all kinds. If educational institutions take an educational approach whenever possible when breaches of integrity occur, then students should be prepared to face progressive discipline in the workplace for breaches of ethics. Misconduct within the workplace can be further scrutinized by regulatory and professional associations, as well as the media, the courts, and government regulatory bodies (Israel and Drenth 2016). Providing regular training related to integrity as an organizational value can reinforce expectations for ethical behavior on a regular basis. It is imperative that ethics not only be a matter of regulatory compliance, but also as a matter of professional practice (Israel and Drenth 2016).

Employers can develop systems to protect whistleblowers who bring forward cases of misconduct, to track and manage information related to misconduct cases, and to ensure transparency in their processes (Israel and Drenth 2016). It is imperative for employers to develop cultures of integrity and systems to address breaches of it that go beyond mere lip service. This requires an ongoing commitment of resourcing, including personnel whose roles are focused on ensuring ethical decision-making is an employer expectation.

An organizational emphasis on ethics can be communicated in both internal and external communications on a regular basis. In addition, including one or more questions during the hiring process to determine how well a prospective applicant is likely to align with organizational expectations of ethics and accountability can set the stage for employees before they are even hired.

Employers also have a role to play with regard to educational institutions. Educational institutions often have program advisory committees

that include external industry representatives. These industry representatives are in a position to influence educators, curriculum developers, and academic leaders to ensure that ethics, sustainability, and accountability are infused into the curriculum and that academic integrity is an educational priority. Similarly, when industry representatives are invited to take part in education-related activities such as judging business case competitions, giving guest lectures, or participating as audience members for student project showcases, emphasizing integrity in every interaction with educational institutions and programs is an important way to convey organizational values related to ethical decision-making.

Employers are also accountable to the professional bodies that oversee quality and standards. It is up to employers to ensure that they hire individuals who demonstrate a commitment to ethical standards and values. Then, it is incumbent upon employers to ensure that ethical decision-making is an expectation that is upheld through training and daily workplace conduct.

## The Role of Professional and Accreditation Bodies

Professional bodies, including those that regulate and oversee conduct across an industry, place an essential role in ensuring that academic integrity is a foundation for workplace ethical decision-making. Professional bodies can ensure that academic integrity is demonstrated in academic programs that lead to a qualification to enter the profession.

One discipline-specific example is engineering. Academic researchers with disciplinary expertise in engineering have demonstrated a link between academic misconduct in school with professional misconduct (Harding et al. 2004). Today, engineering professional bodies require that schools demonstrate how they promote integrity and take steps to minimize misconduct as part of the program accreditation process. One example is Engineers Canada (2021), the professional body that oversees standards for more than 300,000 professional engineers across the country. As part of their accreditation process,



Engineers Canada requires that postsecondary engineering programs to demonstrate how they embed principles of ethics and integrity into curriculum and policy. Having curriculum and policy requirements related to academic integrity in order for programs to maintain their professional accreditation status ensures that schools maintain a constant focus ethical decision-making not only as a core value, but also as part of classroom and administrative practice.

Although this example highlights engineering, the same principles apply to any profession where accreditation bodies play a role in ensuring its members are prepared to undertake a career in the profession. This includes medicine, nursing, social work, education, and many other professions.

In turn, professional bodies can hold employers accountable for the decisions of their employees, managers, and executives. Corporate accountability can be understood through an ethical lens in a variety of contexts.

Professional bodies provide a link between educational programs and the profession. The influence professional bodies have ensuring that integrity and ethics are foundational concepts in educational programs that prepare students to enter the profession cannot be overstated.

## Conclusion

Ethical decision-making is the foundation for academic integrity as much as it is the basis for corporate accountability. Academic integrity extends beyond student conduct in school settings. Connecting academic integrity to workplace ethics and corporate accountability can help students understand why schools have rules and procedures in place to address academic misconduct. Employers and professional associations should be concerned with the ways in which educational institutions uphold and enact academic integrity because schools provide an opportunity for students to learn about and practice ethical decision-making and accountability, skills they can use on a daily basis. Educational institutions, employers, and professional bodies can and

should work together to ensure that ethical decision-making and accountability are infused into the curriculum and into workplace behavior. Ethical conduct and accountability can then be reinforced on a regular basis by employers to ensure it is not only expressed as a corporate value, but also as part of organizational culture, with substantive systems in place to protect integrity and ensure breaches of it are addressed in a transparent and consistent manner.

Students must learn about ethics and accountability long before they enter the workplace. They must learn that their actions – for better or for worse – have consequences. Just as breaches of academic integrity are not a victimless crime, breaches of ethics in the workplace can and do have a long-lasting impact.

## Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Company Socialization and Ethical Fit](#)
- [Corporate Crime](#)
- [Marketization of Higher Education: Ethical and Societal Dilemmas](#)
- [Universities and Corporate Social Responsibility](#)
- [Work Ethic](#)

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## Accounting Ethics (Including the Profession's Code of Ethics and Commitment to the Public Interest)

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### Synonyms

Accounting profession; Professional ethics; Code of ethics

### Introduction

Traditionally, the distinguishing features of a profession include its ability to self-regulate and maintain its own ethical standards. Given recurring high-profile corporate failures related to accounting misstatements and/or fraudulent reporting, unethical practice by accounting professionals has become an issue of considerable concern, with

significant societal consequences. This entry provides an overview of how the accounting profession addresses ethical issues through the promulgation of its code of ethics, which includes some consideration of the “public interest.”

As of December 2016, the International Federation of Accountants (IFAC) represented close to 3 million professional accountants in over 130 different jurisdictions, through over 175 professional accounting bodies that are members or associates of IFAC (2017). Through several dedicated standards boards, IFAC develops standards for its members covering public sector accounting, auditing and assurance, accounting education, and professional ethics. Addressing the ethical expectations of professional accountants, the *Handbook of the Code of Ethics for Professional Accountants* (the “Code”) is prepared by the International Ethics Standards Board for Accountants (IESBA), which in turn is monitored by the Public Interest Oversight Board. The Code is comprised of three main sections, Part A introduces the Code and describes the fundamental principles, Part B provides guidance for members in public practice, and Part C provides guidance for members in business.

The Preface to the Code stipulates that IFAC member bodies and firms “shall not apply less stringent standards than those stated in this Code” (IFAC 2016, p. 7), while also noting exceptions where laws or regulations may take precedence, and that where some jurisdictions provide differing guidance, the more stringent requirements should be applied.

### The Public Interest

Part A of the Code begins by declaring that “a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest” (Para. 100.1). It goes on to explain that a professional accountant does not only have responsibilities to his/her employer or client. This concept of the “public interest” provides a key justification for the fundamental principles and the conceptual framework approach adopted in the Code (discussed further



below), and is central to IFAC, which describes its mission as “to serve the public interest by: supporting the development of high-quality international standards; promoting the adoption and implementation of these standards; building the capacity of professional accountancy organizations; and speaking out on public interest issues” (IFAC 2016, p. i).

Although the Code does not define the “public interest,” exactly what this term means was clarified in a policy position paper issued by IFAC in June 2012, where it is defined as “the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy” (IFAC 2012, p. 1). Related to IFAC’s mission, this definition is intended to assist in understanding how IFAC achieves its objectives; however, the position paper acknowledges that this definition is also applicable to the accounting profession itself.

The position paper proceeds to explain what is meant by the terms “public” and “interest.” The word “public” is taken in a broad sense, including investors, shareholders, business owners, employees, consumers, suppliers, taxpayers, electorates, and citizens. While it is clear that the profession will impact each of these groups in different ways, the paper affirms a responsibility to act in the public interest regardless of how close it is to the various stakeholder groups.

The term “interest” is defined broadly as “all things valued by individuals and by society” (IFAC 2012, p. 3), but the paper then clarifies that the interests that the profession contributes to realizing are often economic and relate to the management of resources. In practical terms, this is related to the sound and efficient operation of financial markets, including reporting and governance in both the private and public sectors, as well as the efficient use of natural resources for improved societal welfare.

The position paper goes on to describe two ways in which achievement of the public interest can be assessed. The first involves an evaluation of the costs and benefits of a particular action; the second involves an assessment of process and

identifies “transparency, public accountability, independence, adherence to due process, and participation that includes a wide range of groups within society” (IFAC 2012, p. 4) as relevant factors for consideration. Some potential for conflict and some inevitable “tradeoff” between these two principles are envisaged.

## Fundamental Principles

In addition to the “public interest,” the core concepts of the Code are evident in five fundamental principles that underlie the ethical expectations of professional accountants, regardless of their employment situation or circumstances. Due to their significance, the brief descriptions provided in Paragraph 100.5 are reproduced here:

- (a) Integrity – to be straightforward and honest in all professional and business relationships
- (b) Objectivity – to not allow bias, conflict of interest, or undue influence of others to override professional or business judgments
- (c) Professional competence and due care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation, and techniques and acts diligently and in accordance with applicable technical and professional standards
- (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties
- (e) Professional behavior – to comply with relevant laws and regulations and avoid any conduct that discredits the profession

The Code provides more detailed descriptions of each of these in later sections within Part A.

## Conceptual Framework

These fundamental principles are then applied through the use of a conceptual framework that consists of three steps (see Para. 100.2). The first involves identifying threats to these fundamental principles in practice, the second involves assessing the significance of these threats, and the third involves implementing safeguards to reduce the threats to an “acceptable level” or eliminate them completely. The use of professional judgment is essential to applying the framework, and if a significant threat is such that it cannot be eliminated or reduced to an acceptable level, professional accountants are expected to withdraw from the activity in question (which could involve resigning from an engagement or employer; see Para. 100.9).

The Code identifies five types of threats which could in various circumstances, either individually or in concert, compromise a professional accountant’s compliance with one or more of the fundamental principles. These include (Para. 100.12) self-interest threats, where an accountant has a conflicting interest (financial or otherwise) that could compromise his/her judgment; self-review threats, where an accountant may be required to pass judgment on work that he/she has already performed; advocacy threats, where an accountant may be involved in promoting the interests of a client or employer; familiarity threats, where an accountant’s judgment may be affected by a relationship; and intimidation threats, where an accountant is subject to pressures that could impair his/her judgment.

If any of these threats are considered to be significant in a particular situation, professional accountants are expected to implement safeguards. These are described as being of two kinds (Para. 100.13), those related to the profession, legislation, or relevant regulations and those related to the work environment. Examples of the former include continuing professional development and corporate governance regulations (Para. 100.14); examples of the latter include an accounting firm’s internal control policies (Para. 200.12) or ethical leadership (Para. 300.14).

## Difference Between Members in Public Practice and Those in Business

A significant distinction is drawn between professional accountants working “in public practice” and those working “in business”. Part B of the Code deals exclusively with the former and is the largest section by far (constituting 109 pages of the Code’s 182 pages). The term “public practice” refers to firms that provide professional services such as audit, tax, and/or consulting services, the most familiar of which are the large accounting firms that offer a range of business advisory services (the “Big Four” includes Deloitte Touche Tohmatsu, PwC, EY, and KPMG). Part C of the Code addresses issues relating to professional accountants working in other areas, including commercial roles outside of professional services, as well as those working in not-for-profit organizations, educational institutions, the public sector, and regulatory or professional organizations.

This distinction is related largely to the provision of audit and assurance services and the need for professional accountants performing such services to maintain independence from the clients they serve. While Part B of the Code does address a variety of issues such as conflicts of interest, professional fees, and the marketing of professional services (all with reference to the fundamental principles and the conceptual framework), the majority of Part B (85 of the 109 pages) addresses independence in audit and assurance engagements. Paragraph 290.6 stipulates two aspects of independence: independence of mind and independence in appearance. The former refers to the ability of a professional accountant to exercise professional judgment without compromise in order to come to a conclusion; the latter refers to the avoidance of situations in which a third party could reasonably perceive such independence of mind to have been compromised. Considerable attention is then paid to articulating various situations in which independence may be compromised (again, with reference to the fundamental principles and following the conceptual framework approach). Examples of these include financial interests, business and familial relationships, long association of senior personnel

with an audit client, and the provision of non-assurance services to an audit client.

Part C of the Code is considerably shorter but adopts the same approach (with reference to fundamental principles and application of the conceptual framework) to various situations that professional accountants in business may be faced with. Examples include conflicts of interest, the preparation and reporting of information, acting with sufficient expertise, and inducements.

### Differences Between Countries and Professional Bodies

Although the IESBA Code is intended to be applicable internationally, and one of the goals of the IESBA is convergence of this Code with standards set nationally (IFAC 2016, p. 1), it is implemented in different ways in different countries and by different professional accounting bodies. Some prominent professional bodies (such as those promoting the “Chartered Accountant” designation in the UK, Australia, New Zealand, South Africa, and India) adopt the IESBA Code with minor modifications (which typically involve changes in terminology and/or additional text) to reflect the local context. The Institute of Chartered Accountants in England and Wales, for example, adds an explanation of what “acting in the public interest” means to Paragraph 100.1. It also adds a fourth section to the Code to address specific issues related to professional accountants performing insolvency work.

In the USA there are more substantial differences between the IESBA Code and that promulgated by the American Institute of Certified Public Accountants (AICPA), although there remain many similarities. For example, the “Principles of Professional Conduct” that are identified in the AICPA Code include integrity, objectivity, and independence (for members in public practice), due care, and scope and nature of services (AICPA 2016). Furthermore, the AICPA Code provides rules and interpretations and requires application of the conceptual framework approach

for only those situations that these rules and interpretations do not explicitly address. The threats envisaged in the AICPA Code include adverse interest threats, advocacy threats, familiarity threats, management participation threats, self-interest threats, self-review threats, and undue influence threats.

In other countries ethical requirements are incorporated through a more formal legal or regulatory process. In France, for example, the Minister of Justice is responsible for prescribing ethical obligations in relation to public audit services, and although the IESBA Code is not itself adopted, Decree number 2005-1412 is considered to be more stringent while also including a “threats and safeguards” framework for some circumstances (see Compagnie Nationale des Commissaires aux Comptes (2009)). Similarly, in Germany, most of the IESBA Code requirements are covered by national rules (see Wirtschaftsprüferkammer (2015)).

The different nature of different professional bodies provides for further variation. The UK-based Chartered Institute of Management Accountants (CIMA) partnered with the AICPA to create the Chartered Global Management Accountant (CGMA) designation. The Code of Ethics applicable to CIMA members and those holding the CGMA designation includes Parts A and B from the IESBA Code and a Part C that is more closely aligned with the AICPA Code (Chartered Institute of Management Accountants 2017). The Institute of Management Accountants (a US-based body with more than 90,000 members across 140 countries (Institute of Management Accountants 2017)) provides a further example where it describes the ethical expectations of its members in a two-page *Statement of Ethical Professional Practice* that outlines standards of competence, confidentiality, integrity, and credibility. As IMA members do not provide assurance services, the extensive guidelines provided in Part B of the IESBA Code are not applicable, and the IMA considers its statement to be consistent with the IESBA Code (Institute of Management Accountants 2014).

In addition to the variation in how the IESBA Code is implemented, there are regulatory differences that impact upon the work of professional accountants, such as corporate governance legislation and recommendations, statutory oversight boards, and whistleblowing protections. The various professional bodies typically also provide support for those encountering ethical conflict (such as through the use of helplines) and impose sanctions for those found to be in breach of the relevant Code.

## Cross-References

- ▶ [Conflict of Interest in Research](#)
- ▶ [Corporate Governance](#)
- ▶ [Public Goods](#)

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## Adam Smith's *Theory of Moral Sentiments*

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## Introduction

*The Theory of Moral Sentiments* begins with the following observation which largely sets the tenor of the book. Smith, far from depending on the depersonalized and egocentric “invisible hand” to explain human social and economic action, was fully aware of the more altruistic aspect of human nature in the form sympathy for others:

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is pity or compassion, the emotion we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrows of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous or the humane, though they perhaps may feel it with the most exquisite sensibility.

However, Smith rejected the idea that humans were able to make moral judgments beyond their own limited sphere of activity and focused on their own self-interest, although socially beneficial outcomes emerged from this. He indicates this in his description of the behavior of the rich manufacturer:

... though the sole end which they propose from the labours of all the thousands, whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the

interest of the society, and afford means to the multiplication of the species.

The Theory of Moral Sentiment consists of six parts.

I will briefly describe the main aspects of each part and then discuss a recent multicultural empirical study that focuses on one particular aspect, with a view to demonstrating the durability and conceptual relevance of Adam Smith's work today.

Central to Adam Smith's (1976) "Theory of Moral Sentiment" is the concept of "sympathy." Smith makes a clear distinction between sympathy and pity: "Pity and compassion are words appropriated to signify our fellow-feeling with the sorrow of others. Sympathy... may now... be made use of to denote our fellow feeling with any passion" (Smith 1976, p. 6). Thus, while pity produces feelings of sorrow, sympathy must be distinguished from pity or sorrow as it involves understanding of a passionate occurrence or event through dispassionate analysis; pity, on the other hand, tends to be more emotive and visceral.

## Of the Propriety of Action

In "Of the propriety of Action," Smith begins by pointing out that however selfish some people appear to be, *all* humans have a propensity for compassion and sympathy. Sympathy involves imagining ourselves to be in the position of a person being observed. We are able to sympathize with those experiencing grief and joy, but when observing an angry outburst or reaction, we are more reticent. Only once we have learnt the reasons for anger and are able to take sides with it are we able to feel sympathy towards its perpetrator. Generally speaking we feel approbation for feelings that agree with our own and disapprobation for those that are in conflict/disagreement with these. Smith points out that since dispassionate observers are not fully aware of the reasons for our observed passions we need to temper them to obtain sympathy by showing the "correct" feelings socially for specific life happenings. For example, parents who showed an absence of

sorrow/grief for the loss of their daughter would not obtain sympathy from an impartial observer, nor would they gain sympathy if they exaggerated their grief beyond what is considered socially appropriate and showed a lack of self-control.

Sympathy is evoked differently for different passions. Passions of the body are difficult to sympathize with because other person's bodily passions cannot be directly experienced (although they can be imagined from prior personal experiences). Similarly passions from habits of the imagination such as love between two people cannot be fully experienced, although it can be imagined from past experiences of being in love for those observers that have experienced this and evoke differential feelings of sympathy depending on personal experiences of its intensity and outcome. Unsocial passions, such as anger, evoke little sympathy until or unless they can be seen as justified by an impartial spectator.

Smith points out that sympathy with joy tends to be of a lesser intensity than sympathy with sorrow and that ambition to succeed in life is derived not so much from the trappings of wealth and fame *per se*, but from the sense of approval society shows towards such achievements. Smith notes also that it is often our tendency to admire uncritically wealth and fame and despise the poor and downtrodden that corrupts moral sentiment.

## Of Merit and Demerit; or of the Objects of Reward and Punishment

Smith (1976, p. 25), in "Of merit and demerit; or of the objects of reward and punishment," writes: "The actions and conduct of mankind can be brought within range of approval/disapproval in two different ways: one is through their being proper or improper, decent or graceless, right or wrong; the other is through their having merit or demerit, the qualities of deserving reward and of deserving punishment." Smith goes on to state (1976, p. 36): "The sentiment that most immediately and directly prompts us to reward someone is gratitude, and what most immediately and directly prompts us to punish someone is resentment."

Smith then goes on to state that a person who appears to deserve reward is the object of our gratitude, while a person who appears to deserve punishment evokes feelings of resentment in us. Sympathy for merit is found when the spectator has direct sympathy for the emotions of the benefactor and indirect sympathy for the gratitude of the beneficiaries. On the other hand sympathy for demerit occurs when there is direct antipathy by the spectator to the sentiments of a criminal and indirect sympathy with the victim's resentment. Punishment must be proportional to the violation of justice. Beneficence is a beautiful thing in itself, like an ornament in a building, while justice is the pillar on which the whole building depends (Smith 1976, p. 47). Smith ends this part of his treatise with the importance of justice in preserving society while recognizing that punishment for a crime is not generally conducted out of a direct concern for the preservation of society, but a concern for the individual. Smith writes (1976, p. 50): "When someone steals money from me, what motivates my prosecution of him is my concern for the particular sum that was stolen. . ."

### **Moral Judgments on Our Lives: the Sense of Duty**

Smith's next discussion concerning moral judgments on ourselves and our sense of duty begins (1976, p. 62) with the assertion that we judge ourselves as we judge the conduct of others.

Thus, "we approve (or disapprove) of our own conduct according to whether, when we adopt the situation of a spectator, viewing our conduct with his eyes (so to speak) and from his standpoint, we feel that we can (or cannot) entirely enter into and sympathize with the sentiments and motives that influenced it." Smith maintains that the way we think others would judge our actions comprises our conscience. Morality and judgment, thus, comes from an interaction of perspectives from the way people see us and our own view of our behavior. Although we are capable of self-deception, our conscience judges our actions by which we aim to be praised and not blamed by society. Although society is capable of wrongly

praising or blaming our actions, our conscience will be able to inform us whether we actually deserve praise or blame. Blame where it is misplaced is regarded as one of the most shameful forms of human behavior by Smith. The strength of our conscience is dependent on our interaction with impartial people. If we only interacted with nonimpartial people, such as members of our families, we would not be able to judge our own behavior objectively. Our conscience learns to control us through experiences of moral situations and dilemmas and derives from these general rules regarding moral behavior. Such general moral rules constitute duty and that this sense of duty that we have internalized was God-given since the moral laws derived from them would help sustain harmony in the universe (God's purpose). Smith points out, however, that duty is not always the only motive for moral action, we can also promote good out of a sense of benefice, which would both amplify and be tempered by our sense of duty. Smith also points out that duty on its own is insufficient and usually loosely defined as general moral rules that need adaptation and focus according to specific contexts.

### **The Effect of Utility on the Sentiment of Approval**

In "The effect of utility on the sentiment of approval," Smith tries to show that utility is not the only factor in making something beautiful in moral or aesthetic terms. Smith (1976, p. 96) writes: "The fitness of any system or machine to produce the end for which it was intended confers a certain rightness and beauty on the whole thing, making it a pleasure to think about—and this is so obvious that nobody has overlooked it". Thus, while Smith acknowledges that utility is an aspect of beauty, there is something more: "But there's another fact about utility and beauty. It is this: An artifact's being skillfully designed so as to be suitable for some purpose is often valued more than is the purpose itself; exact adjustment of the means for attaining some convenience or pleasure is often valued more highly than the convenience or pleasure itself, though they would seem to be



the sole source of the artifact's merit." (Smith 1976, p. 96). Thus, beauty can exist in an object apart from its function or utility. A well-made and beautifully inscribed watch can be valued despite the fact that it may not be entirely accurate in keeping the precise time.

Smith does not think that utility is the foundation of moral approbation and disapprobation. Because morality is different from beauty and that utility is often a consequence of particular moral decisions, not their instigator. The instigator of our moral sentiment is God who put it there for the harmonious functioning of the universe. Smith suggests that if people were to act simply out of utility, we would always be propelled by self-interest. This clearly is not the case since people are able to act altruistically by showing generosity and even sacrificing their lives for others.

### **The Moral Influence of Custom and Fashion**

In "The moral influence of custom and fashion," Smith (1976, p. 105) writes: there are two "other considerable influences on the moral sentiments of mankind; [namely]... custom and fashion—forces that extend their sway over our judgments concerning beauty of every kind."

Smith suggests that like utility, custom and fashion affects aesthetics and, to a lesser extent, morality. Custom is the correlation between two things that regularly occur together which creates a feeling of aesthetic pleasantness such as that found in elements of particular architecture which together create a particular style. If an element of this style is missing, it would be found incongruous and displeasing because of customary expectations. Fashion is generated from the admiration of people of high status. A particular style of clothes become fashionable if and while people of high status adopt it.

Our moral sentiments, which for Smith are largely given, are not as open to fashion and custom as aesthetics, although they can inure us to moral duty if we become accustomed to them, such as when we are exposed to frequent acts of violence and our moral approbation of these,

diminishes. Smith suggests that it is the influence of fashion and custom that generates differences between cultures, with the most extreme forms of custom and fashion, generating the most extreme forms of "moral" sentiment.

Having indicated that custom and fashion have a lesser effect on moral sentiment, Smith suggests that they do have a greater effect on moral approbation than on disapprobation where there is a greater universal consensus of propriety cross-culturally. At the moral disapprobation extreme, Smith states that general "absolute" moral consensus overrides custom: "But the characters and conduct of a Nero, are what no custom will ever reconcile us to, what no fashion will ever render agreeable..." However, at the approbation continuum extreme, custom or cultural differences have a much more pronounced impact on moral sentiment consensus. For example, although beauty is a concept of approbation that is widely held, nuanced differences are evident in the way beauty is perceived in different cultures and historical periods.

### **Of the Character of Virtue**

Smith (1976, p. 112) begins, "Of the character of virtue" with a definition of prudence which is his core concept of virtue. "The care of the health, the fortune, and the rank and reputation of the individual—these being the items on which his comfort and happiness in this life are supposed principally to depend—is regarded as the proper business of the virtue commonly called 'prudence'".

Because we suffer more when we fall from a better to a worse situation than is our enjoyment when we rise from a worse to a better position, Smith contends that the first and principal object of prudence is security. Prudence avoids risk and dictates our actions to avoid losing our virtue in the eyes of others. Smith lists a number of ways a prudent man interacts socially. The prudent man is sincere, friendly, inoffensive and frugal. As Smith (1976, p. 113) puts it: "The prudent man...[sacrifices],,, the ease and enjoyment of the present moment for the probable expectation of greater

ease and enjoyment later on and for a longer time; and in this conduct he is always supported and rewarded by the complete approval of the impartial spectator, and of that spectator's representative, the man within the breast."

With respect to the happiness of others, Smith (1976, p. 115) suggests that "any individual can affect the happiness of other people only through its disposition either to harm them or to benefit them. The only motive that the impartial spectator can justify for our harming or in any way disturbing the happiness of our neighbour is proper resentment for injustice attempted or actually committed. To harm someone from any other motive should be restrained or punished by force."

Smith concludes this discussion with the view that a person who follows the rules of prudence will be perfectly virtuous: "A man who acts according to the rules of perfect prudence, strict justice, and proper benevolence may be said to be perfectly virtuous. But his own passions play a role in this, and they are apt to mislead him,,,. The most perfect knowledge won't always enable him to do his duty if it isn't supported by the most perfect self-control" (1976, p. 126).

Thus, self-control is the means to virtue. This means controlling our passions and vanities while maintaining appropriate levels of proper indignation.

## Of Systems of Moral Philosophy

In, "Of Systems of Moral Philosophy," Smith considers some historical theories of morality to evaluate and compare with his own of virtue.

Among the ancients, Smith discusses Plato, Aristotle, the Stoics and Epicurus. As well, Smith considers and rejects the lesser known moral theories of his contemporaries and regards them as inadequate because they assume that man has the capacity for perfect virtue through a belief in God. Smith points out human beings are imperfect and therefore need social motives to be virtuous. Smith rejects Mandeville's contention that all "moral" actions are driven by vain self-interest

and consequently not virtuous. Smith maintains that even when people act out of self-interest in acting morally it is not vain but admirable. This is of central importance in understanding how Smith's notion of self-interest, which takes a central part in his major theoretical construct in *The Wealth of Nations* (Smith 2007) is not regarded as morally bankrupt. For Smith, man is capable of acts of genuine altruism and benevolence aside from, or in spite of, his strong natural motive of self-interest.

Smith rejects a Hobbesian worldview because of his assertion that man has a capacity to think beyond himself by imagining himself in the position of others and sympathizing with them.

Smith then considers a theory that suggests that we understand virtue through the application of reason and a further theory that it comes from a specific perceptual facility. In the former case, Smith suggests that our virtue does not derive from reason alone because we have an instinctive moral sense found in our consciences which provides a means for forming general rules of duty. In the latter case, Smith queries that if there was indeed this perceptual facility for virtue, why is it sensitive to context and does not have an invariant quality? Smith ends by discussing practical rules of morality that can be obtained by the application of his theory. This combines the hard rules of justice and the looser rules derived from our moral sentiment.

## The Relevance of the Theory of Moral Sentiment Today

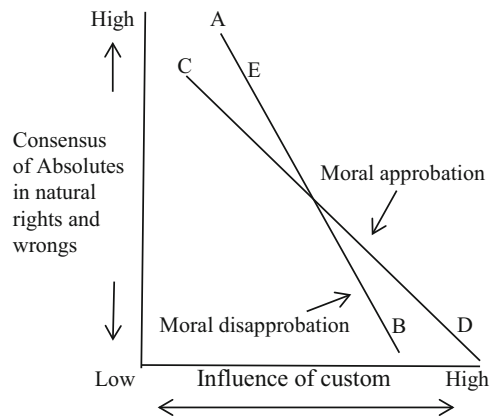
Adam Smith reveals in his *Theory of Moral Sentiment* the Scottish characteristic of prudence (being "canny"), while displaying male chauvinism, religiousness, arrogance, and bourgeois moral orientation that may seem archaic and irrelevant in today's secular and globalized conscientiousness. However, although written in eighteenth century Scotland, Adam Smith's conceptual richness and practical relevance remains perennially useful. For example, Szmigin and Rutherford (2013) regard the *Theory of Moral*



Sentiment and, in particular, Smith's concept of "sympathy" and notion of "impartial spectator" as analytically useful today. They introduce a heuristic "Impartial Spectator Test," "which... [they]... argue, builds on traditional stakeholder perspectives and... provides an objective route to ethical criteria of demarcation" (Szmigin and Rutherford 2013, p. 71).

Coldwell (2015) also presents a recent example of an empirical application of Adam Smith's *Theory of Moral Sentiment*. Coldwell (2015) indicates that Smith (1976) maintains that there are "natural" rights and wrongs in moral sentiment that can be amplified or deadened through their consistency with nature and human society's survival. Behind custom differences in moral sentiment, there are general "natural" human ideas of right and wrong. Smith (1976) maintains that custom and fashion influence moral sympathy, but also recognizes that at the extreme ends of an imaginary moral disapprobation–approbation continuum, there exists a moral consensus in absolute rights and wrongs. "Custom" appears similar in meaning to "culture," but they have clear differences in orientation; "custom" refers to practices and tradition and "culture" ideas and beliefs (Merriam-Webster 2014). Culture and custom are used interchangeably in Coldwell's (2015) empirical study. At the moral disapprobation extreme of the continuum, Smith (1976, p. 15–16) suggests general absolute moral consensus overrides custom factors: "But the characters and conduct of a Nero, or a Claudius, are what no custom will ever reconcile us to, what no fashion will ever render agreeable..." On the other hand, at the approbation continuum extreme, custom has a much more pronounced impact on general sentiment consensus. For example, although beauty is a concept of approbation that has some widely held basic and fundamental consensus in general human appreciation; nuanced differences are evident in the way it is perceived by different cultures and in different historical periods. This aspect is emphasized too by Smith. Smith's argument is shown diagrammatically in Fig. 1.

Figure 1 indicates that at high levels of moral sentiment consensus of absolutes (i.e., *natural*



**Adam Smith's *Theory of Moral Sentiments*, Fig. 1** A diagrammatic heuristic model of Adam Smith's "Theory of Custom and Moral Sentiment"

senses of right and wrong) in moral approbation and disapprobation of conduct, the influence of custom tends to be low. Here moral approbation (approval) and disapprobation (disapproval) remain relatively unaffected by custom. However, custom does affect sentiments of moral approval and disapproval where moral absolutes tend to be less complete and, as Smith (1976) suggests, this tends to be the case more for approval than disapproval of specific moral conduct. In Fig. 1, this is shown in the steeper curve (A, B) for moral disapprobation than approbation. This phenomenon is clearly illustrated in Smith's (1976) examples of Nero and Claudius where a high general moral disapprobation towards the absolute wrongness of their conduct is evident. However, Smith's further example of infanticide also emphasizes this absolute moral disapprobation aspect further (at E of line A B). The absolute disapprobation of infanticide is underlined by its *natural* wrongness in that, if widely adopted, human society would cease to exist altogether. Conversely, the diagram indicates that at lower levels of moral disapprobation the effect of custom would be likely to increase. For example, take the current debate concerning marijuana. Is marijuana a drug that tends to undermine society by creating an underclass of addicts that deserves moral and legal censure Or is it a drug that should be freely available to alleviating physical and mental suffering? In line with Adam

Smith's contention, much of the moral discussion around marijuana usage today is influenced by custom and culture as it lacks the natural absolute right or wrong characteristics that Smith's (1976) theory describes. It lacks absolute moral consensus as a *natural* wrong as it does not pose an absolute destructive property to human survival.

On the other hand, custom is more important in moral approbation as good conduct, like beauty, which has no clear absolutes, although Smith (1976, p. 16–17) recognizes that may exist even with a concept like “beauty” at very high level of abstraction. “I cannot admit that custom is the sole principle of beauty, yet I can so far allow the truth of this ingenious system as to grant, that there is scarce any one external form to please, if quite contrary to custom . . .”

Smith (1976) makes it clear how particular professions give specific rigorous codes on acceptable moral conduct. Szmigin and Rutherford (2013) maintain that the impartial spectator concept affords a mechanism for freeing ourselves from bias by providing “. . . an explanatory mechanism of moral judgement based on common sense and enabling a disinterested and dispassionate evaluation of the motives and actions of ourselves and others. It does this through foresight to compare one situation in the context of others and in terms of moral rules and what society should approve” (Werhane 1991, p. 38). This quotation both acknowledges the propensity for cultural bases regarding moral rules and affirming that the judgment of moral conduct should, as far as possible, be that of an impartial spectator who weighs up moral conduct “averages” in terms of specific existing societal customs.

To achieve this end, Coldwell's (2015) qualitative empirical study used German and South African postgraduate students who were under training for particular Management professions and relatively free of professional biases, but who were nevertheless, immersed in the different cultural customs of their respective backgrounds. The study empirically analyzed Smith's theory using the heuristic devise described earlier, by investigating German and South African student moral sentiments towards specific ethical leadership behaviors. The study found, in basic

agreement with Adam Smith's theory, that while there was general cross-cultural homogeneity in moral approbation for fundamental aspects of ethical leadership behavior, nuanced custom-based differences emerge from the qualitative analysis. Thus, although ethicality of specific leadership behavior was found to be viewed similarly by both groups of students, significant nuanced differences arose among the German students who emphasized the moral autonomy of the leader in making ethical decisions rather than the “collective concern” moral orientation favored by their South African counterparts. Both these recent studies bear testimony to the continued relevance and utility of Adam Smith's classical work.

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## Advertising and the Commodification of Identity Through Skin

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## Synonyms

Marketing and advertising; The body

## Introduction

How skin, as a key visual, tactile, and communicative feature of the body, *appears* matters in consumer culture. Indeed, skin appears to speak to who we are. Skin touching skin often implies aspects of human relationships. Skin contains and shares our humanity. Not surprisingly, then, skin in consumer culture imagery offers a powerful canvas on which to paint persuasive portraits of self, identity, and otherness. The human body – a basic, and ancient, representative form – and its distinguishing elements, such as skin, function as potent strategic signifiers for a vast array of products, services, and ideas in consumer culture imagery, as well as in wider discourses.

Skin serves consumers as a signal of desire, an ontological marker of difference, and a strategic marketing tool for brands. Typified by the marketing of cosmetics, “anti-aging” products, Botox, cosmetic surgery, and skin lightening, consumer culture surveils skin and body, seeking flaws and imperfections that need to be “corrected” by consumer procedures (Bartky 1990). A primary claim of this entry is that consumer culture imagery in strategic communications mobilizes skin to resonate and communicate with consumers, which impacts the meaning making possibilities of skin more broadly. For instance, skin provides an example of what is called “strategic fit” in advertising where “fit” refers to organizations harnessing the potential of various types of imagery to create positive identities for their brands. In other words, skin is called upon to do things.

Images of skin matter in this context because images inform what people believe, who they become, and how they understand others. We focus on concepts of fetishization and the epidermal schema as key drivers that are strategically implemented in processes of skin commodification. Fetishization and the epidermal schema materialize via photographic techniques that include close cropping, flash, and the creation of effects such as surface textures of smoothness and shininess. Furthermore, fetishization and the epidermal schema work to make skin “scalable”; in other words, represented skin offers meaning

along a value-laden continuum – evoking, for example, status in relation to class and racial designation. Smooth or rough, light or dark, moist or dry: skin meanings alter and offer value for target marketing and branded identities (Borgerson and Schroeder 2018, 2021).

## Reading Skin in Consumer Culture

The impulse to read skin encourages recognition of differences, of hierarchies, and other clues to meaning in strategic communications. In this sense, the skin plays an active role in the expression, development, and communication of self, particularly given an understanding in which the self is intersubjective, co-constituted in contact with others, and always already embodied. Indeed, when looking at images of the body in consumer culture, including representations of skin, consumers are invited – and expected – to compare, contrast, and judge (e.g., Bonsu 2009; Johnson and Grier 2012).

Notions of consumption, materiality, and identity inform understandings of the relation between skin and self in consumer culture: consumers gaze upon and engage with images and representations of skin that denote similarity with, or difference from, themselves, for example, in relation to race, gender, class, and age. In this way, consumer cultures offer up a plenitude of symbolic resources that often rely upon dualisms wherein visions of the feminine, the black, the poor, and the exotic stand in opposition to the masculine, the white, the privileged, and the “normal.” In other words, consumer products and experiences, as well as consumer culture imagery in marketing communications and branding campaigns, provide semiotic material, including skin, to be worked on and incorporated by consumers in the construction of their identities and related self-narratives.

Not surprisingly, images in consumer culture reflect widely circulating notions of skin color, race, and identity. Everyday photographic images that show skin embody epistemological, ontological, and ethical notions regarding the relationship between skin and ideals of age, class, gender, and

race, as well as attractiveness, health, and sexuality. Indeed, photography offers a rich history of presenting the body and remains an essential tool of contemporary marketing campaigns. Many leading Internet companies, such as Facebook, Instagram, Pinterest, TikTok, Tinder, and YouTube, depend upon photography for their core business model – in the form of uploaded, posted, sent, and commented upon photographs and videos of people that provide the basic content and look of much of their brand (Schroeder 2002).

The visual technologies that produce contemporary representations of skin have expanded and transformed under the gaze of social media, with its incessant demand for images of the body. Innovations in the visualization of skin emerging from artificial intelligence and digital technologies – high-definition broadcasting, image manipulation software such as Photoshop, and increasingly sophisticated facial recognition algorithms – combined with the pervasive circulation of images, have generated significant implications for the commodification of skin in consumer culture and skin's relationship to identity.

In contemporary consumer culture, racial categories and their assumed connections to skin color are persistently represented in a process of iteration (Borgerson and Schroeder 2008; Schroeder and Borgerson 2005). Many images juxtapose racially coded skin – black and white and in-between – in a way that emphasizes perceiving racial identity based on a readable “scale” of skin tone. Such apparent difference may appear in advertising images designed to address a variety of consumers, for example, by showing a “selection” of racially coded models to demonstrate that a facial cream is suitable for “everyone.”

Historically, as the market for photography expanded, and concern for representational ethics developed, criticism arose about film's seemingly neutral depiction of skin tone, addressing the reality that “until about the mid-1960s, it was probably assumed by most users that visual media were designed to ‘naturally’ reproduce all skin tones

equally well” (Roth 2009, 117). In fact, the technical and filmic representation of skin often starts from a base of “whiteness” or “Caucasian” skin – mimicking and supporting epistemically closed notions of what we and others call the “epidermal schema.”

Skin, then, forms the basis of analysis for a number of crucial inquiries. Further, skin in consumer culture imagery, such as branding campaigns and marketing communication, provides a relatively unexplored site of such inquiry. In the next two sections, on the epidermal schema and the fetish, we develop some concepts to deepen and expand analysis of body and skin imagery. The epidermal schema and the fetish underlie processes of commodification and shape how representations of skin function within consumer culture, often to reinforce sedimented notions of identity.

## The Epidermal Schema

The commodification of skin has drawn upon a host of racist practices. In this section, we mobilize revolutionary psychiatrist and philosopher Frantz Fanon's conception of the *epidermal schema* to explicate the various ways that skin “appears” in consumer culture imagery. The epidermal schema works to reduce human being and identity to skin, to focus attention on differences in skin color, to emphasize ontological distinctions signaled by differences in skin color, and to valorize whiteness (Fanon 1967). We draw upon Fanon's critical race theory, not because we are interested only in racially charged skin in representation, but because concepts such as the epidermal schema shed light on a host of intersecting concerns of identity, such as gender and class (e.g., Thomas 2013).

Black skin – in semiotic terms – often connotes exoticized identity and a sexualized fascination with the other. Blackness, far from a blank landscape, has philosophical status. Blackness, particularly in racist contexts, carries basic ontological and epistemological assumptions, for example,

who certain people are and what is known about them – and thus entails racist forms of ontological and epistemological closures. Skin “color,” in this sense, becomes being and definitive essence.

Racist notions of identity that revolve around the epidermal schema underlie the discourse of *miscegenation* – the mixing of races by “interracial” dating, “intermarriage” and “interbreeding.” Laws against miscegenation persisted in the United States up until the 1970s, and strictures about miscegenation linger on throughout the world. Racist objections to miscegenation center on ideas about racial “purity” and the “unnatural” prospect of one race breeding, or even “mingling” with another. The “mixing” that occurs at the level of the epidermal schema suggests that skin color and skin tone serve as “evidence” of miscegenation. Racism avows that such miscegenation should not occur, and these beliefs form a fundamental aspect of racist attitudes. In turn, critical argument and response to these attitudes and systemic formations create a foundational element of critical race theory.

Rules about miscegenation place simple-minded conceptions of race at the heart of identity. From this perspective, different races represent different ontologies: they are different “things.” Understanding the racist basis of miscegenation statutes may shed light on contemporary discourses on the “mixing” of evolving human forms, such as the cyborg, as well as surgically, technologically, or digitally transformed beings. Related discussions encompass the cyborgian “mixing” of human skin and machine skin, as well as transgender “mixing” of “female skin” and “male skin.”

Lightness and darkness of skin continue to place “racial mixing” on the epidermal schema’s scale of value and meaning. Strategic communications and promotional imagery draw upon these underlying understandings to communicate and resonate with targeted consumers. The epidermal schema and notions of miscegenation, as well as digital miscegenation, provide a frame for perceiving a context of commodified skin in consumer culture imagery. In the following section, *the fetish* complements and deepens our analysis, emphasizing decontextualization, displacement,

and disavowal, as consumption objects and processes promise gratification but fail to deliver, often disrupting human relations.

## Fetishization

For postcolonial theorist Homi Bhabha, skin color represents “the most visible of the fetishes” (1983). Fetish, as used here, includes this understanding, but also refers to a broader cultural process of fetishizing objects via communicative technologies. The fetish is often associated with *commodification* – associating objects and humans with markets and mass consumption. For example, marketing communication encourages consumers to worship brands for their ability to complete the self, to help in achieving satisfaction – or even ecstasy – and to revere brands for their capacity to project desired images. In this way, consumer goods function similarly (in a psychoanalytic sense) to the fetish object, which promises gratification but which is ultimately unable to deliver, forever displaced within a fetishized relationship (Schroeder and Borgerson 2003).

Fetishized objects often symbolize control and release, power and helplessness, sexuality and immaturity. In psychoanalytic terms, a fetish may be a dysfunctional response to sexuality, eventually replacing human contact for erotic arousal. Further, a fetish relationship, in some cases, interferes with the ability to have more “human” relations. Typically linked to sexuality, fetish items are often contextually isolated – the leather boot that by itself arouses, the disembodied body part, or fishnet stockings unconnected to any recognizable body (Schroeder 2002). Visual communication often further displaces these objects via a similar process of representational fetishization, by which an image replaces the physical object.

Fetishization – the process of turning something into a fetish object – constitutes an important tool of promotional communication. A basic branding strategy involves imbuing consumer goods with fetish-like power. Moreover, contemporary consumer culture teems with overt representations of iconic fetish objects, such as high-heeled shoes and leather corsets.



Two factors underlie the visual power of fetish: 1) associations made through repeated usage of stock “fetish” items in fashion, photography, and pornography, and 2) what has been called the *liminal* element of representational fetishization (Schroeder and Borgerson 2003). The term liminal reflects a gap, a space between, or an edge. Liminal zones often define spaces of uncertainty, creativity, danger, and passion. The space between – a space to be entered or crossed – can be simultaneously exciting and unnerving. Skin is liminal in the way it exists between the inner body and the outside realm, forming a boundary between oneself and the world. Touching someone’s skin often indicates entering a liminal zone – signaling attraction, care, control, intimacy, sexuality, thoughtlessness, or threat, depending upon the context.

Fetishized and mediated skin crosses liminal zones and embodies attraction and taboo, adding value to brands, products, and services in an economy fueled by obtaining consumer attention. Representational fetishization in consumer culture contributes to a larger project of linking consumption with emotional satisfaction, physical gratification, and psychological fulfillment. The fetish relationship – object worship, delusional belief in the power of the fetish, and substituting human relations with fetish relations – influences the broader dimensions of consumer culture and its fascination with alluring objects, including objectified skin.

### Visual Technologies of “Skin Security”

The turn to the realm of consumer culture imagery demonstrates how commodified skin propagates, circulates, and maintains an ideology of skin informed by racist conceptions of the epidermal schema, supported by fetishization and epistemic closure. “Skin Security,” a long-running promotional campaign from global cosmetic company Shiseido, reveals a standard trope for “beauty” brands – showing models with varying skin tones, seemingly representative of different ethnic types, to demonstrate the brand’s appropriateness

for all consumers. Generally, these images feature a white model, a black model (often light-skinned), and either an Asian or Hispanic model. In one example, by invoking fetishized skin and the epidermal schema, three models appear to stand in for their respective racial identities (see Caldwell 2016).

Commodified skin designates identity through epistemic closure fueled by anonymity and typicality, wherein anyone of a kind stands in for anyone else of that type (Borgerson and Schroeder 2002). The Shiseido ad remains primarily focused on skin, but potentially racially associated features of each model are visible, including their hair, eye color, and facial structure. The ad provides no other information about these people, simply the skillfully produced photograph, with its emphasis on their skin tones and unblemished appearance that “radiates with healthy looking skin.” Furthermore, intersectional issues concatenate: class – the unabraded, undamaged “quality” of skin signals affluence; gender – these models epitomize feminine ideals; sexuality – skin that adheres to norms of maleness and femaleness often marks a prerequisite for attractiveness and heterosexuality; and youth – their smooth skin shows no marks of age.

Photography supports fetish relationships by stripping people and products of context and visually emphasizing tactile qualities, such as smoothness. When used in promotional imagery, photographic techniques such as close cropping, dramatic lighting, shallow focus, and digital manipulation, abstract and decontextualize skin. Photographic film was developed with “white” skin tones as the basis for accurate color reproduction, and attempts to capture other skin tones lagged behind, which profoundly influenced the photographic representation of identity. Moreover, the language of photography echoes the vocabulary of skin color: the use of “black and white” to describe film and photographs that actually depend upon millions of tones between “pure” black and “pure” white reinforces a dichotomous conception of black and white. This terminology inscribes racial categories with

technological markers in a process of racial fetishization. In other words, the ontological fixedness of skin is regularly relied upon to function visually; and arguably these iterations reinforce racist perceptions of difference and distinction.

## Ethical Foundations for Skin Inquiries in Consumer Culture

If fetishization, epistemic closure, and the epidermal schema constitute the interpretative frame and meaning-making processes for understanding representations of skin, then skin in strategic communications and promotional imagery should be recognized as important territory for ethical concern. Commodified skin, far from a simple neutral surface, or “white space,” performs particular and often ethically contentious meaning creation roles in consumer culture, forging and iterating sedimented relations. That is to say, consumer culture images of commodified skin contribute to the formation of identities of consumers, as well as to the identity attributions consumers may make based on the skin upon which they gaze.

In other words, contemporary, everyday images provide fertile ground for assessing how consumer culture invokes, interrogates, and inflames ontological tensions and charged cultural issues, including normative ideas about the body, gender, race, and identity. By focusing on consumer culture imagery to analyze the commodification of skin, we expand the domain in which ethical issues of commodification, representation, and skin can be understood.

## Cross-References

- [Advertising Ethics](#)
- [Ethics in the Media](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)

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## Advertising Ethics

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### Synonyms

Ethical product promotion; Moral advertising

### Introduction

This is a study and concern about how one ought and ought not to promote products, services, and ideas through various sorts of media. Issues include not only the truth in advertising but the appropriate methods of persuasion as well as concern for potential harms caused, the undermining of autonomy, or other negative effects of advertising on society.

What is advertising? *Advertere* in Latin literally is *ad* (“toward”) and *vertere* (“to turn”), and the point of advertising is to get potential customers to *turn toward* a product, service, or idea. Advertising has a positive role in society by alerting people with common interests to products or services which they really want and need. As Leiser has written, “Advertising is far more ancient, and in some respects more respectable, than many people imagine. In a sense, the first person to cut open a fruit or vegetable so that passersby could see its interior before buying it was engaged in advertising.” So advertising is originally the act of trying to alert people to products, services, or ideas. The ethics of advertising then is the study of what are ethical or unethical means of trying to alert people to these things. Ethical considerations include the beneficial effects to society and the common good (utilitarianism), effects on personal moral character and well-being (virtue ethics), and proper rules which promote dignity of all human beings and fair treatment of all (Kant, Rawls).

Early advertisements came to the public through billboards, newspapers, magazines, and cinemas, then radio, and eventually television as

well, and now the vast majority of advertising spending goes toward Internet ads. While Internet advertising has some unique aspects, there are a number of basic ethical concerns which arise in the field of advertising. Here we will consider some of the general categories of criticism which are often brought up against advertising, and then we will examine some of the specific issues which advertisers should consider when developing an ethical approach to advertising.

### General Critiques

Advertising can have powerful effects on consumers and society. Of course there are positive benefits, like learning about products which will really solve a problem or fulfill a need, but there are also negative aspects from advertising which critics highlight. Criticisms that advertisements or advertisement campaigns are unethical usually are rooted in one of the following sorts of critiques.

1. Deception and False Advertising: It is not uncommon for ads to promise one thing and deliver another – bait and switch. Pictures of the hamburger look much better than the real thing; photo manipulation, air brushing, and exaggeration are common features of advertising. However, if it is widely known that advertising tends to exaggerate and idealize, and people aren’t expecting the whole truth from an ad, then the question of truth-telling is not so simple. Advertising makes promises to us, which it frequently cannot keep, and we know that. If I buy her this ring, we’ll have true love; if I go to this restaurant, I will have an amazing evening; or if I buy these shoes, I will be a real champion! Levitt (1970) points out, “We in effect expect and demand that advertising create these symbols for us to show us what life might be, to bring the possibilities that we cannot see before our eyes and screen out the stark reality in which we must live.” In fact, it may be that we want advertising to lie to us, if only to give us false hope. Nevertheless, outright fraud in advertising is clearly wrong. But what’s lying.



2. **Autonomy Critiques:** A fundamental assumption of advertising is that the consumer is sovereign, and advertisers cannot “make someone” purchase a product – the consumer has control over their decisions, and so it is on the consumer to be alert and aware of advertising’s persuasive tactics. The phrase “buyer-beware” captures this assumption. If the quart-sized soda costs 1.25, but the quart-sized soda which is sold in a different cup which says “JUMBO” on it sells for \$1.50, it is up to the consumer to be smart enough to see that the cup that doesn’t say “JUMBO” on it is the better deal.

But some think autonomy can be compromised through advertising, and it is frequently claimed that marketing and advertising undermine free will and autonomy of consumers. Yes, advertising can be beneficial in alerting us to useful information, thereby empowering us and helping us to find solutions to our problems and satisfaction for our desires, but some have argued that advertisements can have the effect of actually creating or prompting desires in us, directing us toward one thing rather than another, at times preying on or even developing a weak will in consumers and sometimes even causing frustration as it presents desires we cannot fulfill. John Kenneth Galbraith coined a term called the dependence effect – that the needs we have are frequently created by business advertising. Production only fills a void that it has itself created, wants and desires are now directed by production, and “as society becomes increasingly affluent, wants are increasingly created by the process by which they are satisfied” (Galbraith). If advertisements have such an effect on us and our autonomy – directing our desires and goals – then it seems that advertisers have a significant social responsibility in what they do through advertisements, i.e., advertisers have responsibility for how they try to persuade our desires and focus our attention (Gustafson).

3. **Harm Critiques:** When people consider advertisements for cigarettes, alcohol, strip clubs, casinos, or other “sin products,” they

frequently see the advertisements as harming consumers, insofar as the ads are meant to prompt affections for these sin products. Others will criticize advertisers for making us more and more materialistic – encouraging us to find fulfillment in material goods which the ads want us to purchase rather than family, relationship, and community or other non-market activities. In this way, advertisements distract us from the common good of society and make us more selfish. But others like Levitt (above) see advertising as providing us helpful distractions in an otherwise meaningless and drab life. Zygmunt Bauman has in fact said that the consumerism which we practice relieves our existential anxiety and has become our identity (Bauman). Beyond the harm to consumers, Waide has argued that advertising harms consumers because we buy more and enjoy it less, and we begin to believe that we are what we own. Waide goes even further and argues that advertising may in fact make advertisers themselves worse persons, as they treat potential customers as a means to their end (a sale): “In general, influencing people without concern for their well-being is likely to reduce one’s sensitivity to the moral motive of concern for the well-being of others. Compassion, concern and sympathy for others, it seems to me, are clearly central to moral virtue. Associative advertising must surely undermine this sensitivity in much of the advertising industry. It is, therefore, *prima facie* morally objectionable” (Waide).

4. **The permeation, colonization, and transformation of the world by advertisements.**

Advertisements are all around us. The average person in 2007 encountered around 3500 ads per day, but today the typical person encounters between 4000 and 10,000 advertisements per day, due in large part to online advertising. Ads are everywhere in our daily lives – not only on billboards, bus stops, magazines, and vehicles but on our clothing, in our schools, on our computers, and on our phones – advertising is literally with us everywhere. It has colonized all spaces (even restrooms). In this sense, corporate advertising

has seeped into our concepts and ways of thinking about the world (Klein 2000). Some also point out that advertising-inspired consumerism is destroying the planet: some critics, like Sut Jhally, argue that advertising is actually responsible for the destruction of the world itself as we are encouraged to use far more resources than is reasonably sustainable, and so advertising is bringing us to an apocalyptic end. He states, “20<sup>th</sup> century advertising is the most powerful and sustained system of propaganda in human history and its cumulative cultural effects, unless quickly checked, will be responsible for destroying the world as we know it. . . Simply stated, our survival as a species is dependent upon minimizing the threat from advertising and the commercial culture that has spawned it” (Jhally 2017).

### Specific Issues in Advertising Ethics

- A. **Marketing to Children:** There is a large literature on advertising and marketing to children, due to the fact that children do not have the full rational capabilities which are frequently assumed in the phrase “buyer beware” – the buyer is assumed to be a fully rational autonomous human, not a child who perhaps cannot tell fact from fiction and who is without the rational abilities to “resist” advertisements with reason. There are also advertisements to kids in schools, even in their textbooks or in corporate-sponsored media. There are three basic ethical principles to consider in marketing to children:
  1. **Veracity:** since children have a more difficult time telling reality from fantasy, it is easier to deceive them about the truth.
  2. **Fairness and respect:** corporations have the unfair advantage of sophisticated powerful firms up against naive powerless kids.
  3. **Harm to children:** there is harm done to children by advertising, such as nurturing a desire for candy or unhealthy fast food.
- B. **Targeting the Poor:** Advertising is not limited to the affluent, and one criticism frequently raised by critics is that it frequently targets the poor with services or products which are appealing to their vulnerabilities which do not have their best interests in mind. Billboards which promote malt liquor – a cheaper alcohol product which will get you drunk for less – are seldom found in affluent neighborhoods and are much more likely to be found in neighborhoods with a high population of homeless alcoholics. One also will frequently find check cashing shops which charge exorbitant rates of interest and rent-to-own stores which typically end up charging three to four times as much for their products once the finance charges are added.
 

There are however arguments that companies like Fingerhut, and check cashing operations, which do aim to provide credit to consumers who otherwise cannot get it, do provide a needed service which helps people who have nowhere else to turn. Some have even argued that bringing the “bottom-of-the-pyramid” poor into the market as consumers actually can help them through the efforts of Grameen Bank and other such ventures.
- C. **Targeting Women (or Men):** There have been many criticisms of the false realities and unrealistic ideals and expectations which have been promoted through airbrushed models aimed at women. These ideals frequently promoted through advertising have been shown to lead to eating disorders and other negative self-image issues for women. Men are also targeted and are made to feel that they will be a lesser man unless they have hair implants or get treated for ED or get the latest muscle-building exercise machine.
- D. **Targeting the Elderly:** The elderly are frequently portrayed in a bad light in many advertisements – as senile, confused, unhip, and out of touch. But many advertisements which are directed at the elderly such as insurance, retirement, or pharmaceutical ads aim at their insecurities and sometimes lack of technological understanding.
- E. **Institutional Racism in Advertisements:** Advertisements help establish and perpetuate norms of a society – what is normal and what is expected. In this way, they reify stereotypes we may already have. While advertising is rarely overtly or intentionally racist, it can at times perpetuate somewhat racist ideas through who

it includes or doesn't include in its advertisements. An advertisement for investment advice might not say that black people are not welcome, but it might only picture apparently wealthy upper-class white people as clients in its advertisements, for example.

- F. **Stealth Marketing:** Consumers frequently don't even realize that they are receiving advertisements, such as product placements in films: companies pay a certain fee to have their product mentioned, a higher fee to have it shown, and an even higher fee to have it used in the film. This has happened in James Bond films and many others (Sut Jhally, Advertising and the End of the World).
- G. **Associate Advertising and Its Effects:** The ideas, values, pursuits, and images which advertising presents to us permeate our lives more than we probably realize. As Schudson (1986) writes, "Advertising, whether or not it sells cars or chocolate, surrounds us and enters into us, so that when we speak we may speak in or with reference to the language of advertising and when we see we may see through schemata that advertising has made salient for us."

Waide describes a practice in advertising called associative advertising, where the strategy to increase sales is the advertiser identifies a deep-seated nonmarket good with their product, despite the fact that the market product often has little direct relationship to the nonmarket good. Advertisements attempt to associate the purchase of a body spray, or a breath freshener, or a diamond with sex or love. They try to associate the purchase of a wine or soda pop or snack chip with friendship and community. Waide sees associative advertising as bad for advertisers, insofar as they harm their own character (desensitize/lose sympathy) as they become intent on manipulating desires and beliefs of others and also as bad for consumers insofar as we buy more and enjoy it less and we begin to believe that we are what we own. He states, "Associative advertising must surely undermine this sensitivity in much of the advertising industry. It is, therefore, *prima facie* morally objectionable (Waide 1987)."

But not all see associative advertising as such a bad thing. Arrington, for example, says critics of associative advertising give us nonautonomous desires, create irrational desires and confuse our preferences, produce compulsive behaviors, and overall control consumer behavior. But Arrington rejects

these criticisms pointing out that ultimately people have free will and they aren't stupid, and some of the promises of advertising are actually fulfilled. Frequently our lives become more meaningful through advertisements' hopes and promises, and associative advertising is such an integral part of our economy and society (Levitt 1970), and we basically can't disentangle our concepts of products from our collective conscience because advertising is essential to our culture.

- H. **Big Data Analytics and Advertising:** Now that companies can track customers' desires and target specific ads to them based on their web searches and interests, there are new and increased ethics concerns for advertisers to consider. Privacy of the consumer's data and identity, which are now commonly tracked and mined to discover consumer habits, is one source of ethical concern. The confidentiality of such data, and transparency to allow consumers to understand that and how their data is being used, is important. Big data analytics can lead to feedback loops which might undermine and erode free will, and it can institutionalize unfair biases like racism or sexism.

## Conclusion

So there are many potential ethical criticisms of advertising. Advertising has a great deal of power in society, and with that power and ability to influence comes a great deal of responsibility. Advertising cannot, on the one hand, be a multibillion-dollar industry which makes money on the promise that their advertisements do make a difference and, on the other hand, claim that ultimately they have no power to persuade and so no responsibility. That said it is important to remember Leiser's reminder of the very positive function which advertising can play in society:

Advertising has a "useful function to fulfill in a free society . . . Truthful advertising can help bring people with common interests together so that they can achieve ends that they could not reach without one another. It is an important instrument that can encourage free trade and competition and be a powerful force for good in society." (Leiser 1978, *The Ethics of Advertising*, 174–175)

## Cross-References

- [Business Ethics, Consumerism, and the Fashion Industry](#)
- [Ethics in the Media](#)
- [Normative Ethics](#)
- [Vaping and Bioethics](#)

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## Affirmative Action in Business

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## Introduction

Affirmative action is a legally and policy-based practice in the USA in which various programs target individuals who are members of particular ethnic groups and white women in order to achieve certain aims of broader public policies such as

equal opportunity in education and employment. Such policy aims are not always clear. But they range from desired equality of opportunities for the least advantaged in society to desired “diversity” among members of a particular environment to the provision of what certain classes of people deserve in light of historic harmful wrongdoings which they or their ancestors have experienced in the USA as a class of people. There is affirmative action in all ranks of education and affirmative action in business with regard to the hiring and retaining of persons into the workplace. While affirmative action is often confused with reparations of the compensatory variety, the latter are paid to those whose rights have been violated (or to their heirs), while the former often target those who are perceived to have been disadvantaged or whose inclusion in business contexts creates and sustains the perceived value of “diversity.”

In the USA, affirmative action in business occurs in at least two broad ways. One way in which it occurs is at the level of hiring at the executive level, and the other happens at the employee or nonmanagement level. In either case, the usual reason for it is to balance business with a diversity of peoples for the sake of equality of opportunity and representation of such groups in business. Exactly what is meant by “equality” and “diversity” is uncertain. However, it is clear that forward-looking utilitarian justifications for such affirmative action policies are most often provided for most supporters of such affirmative action policies and programs.

Generally, the utilitarian justification for affirmative action in business is that it provides equality of opportunity to the least advantaged in society so that such persons might be better able to thrive in business, making society stronger because it is more diversified from a business standpoint. Moreover, such affirmative action policies serve to provide positive role models for younger members of such groups targeted by affirmative action policies, thereby providing a stronger business environment for the future for those whose future prospects lie in business.

Detractors of affirmative action policies in business contexts often argue that such policies amount to “reverse discrimination” wherein white

males are disadvantaged with respect to affirmative action targets. According to this objection to affirmative action policies and programs, reverse discrimination eliminates fair competition between citizens to compete for employment opportunities. Those who are the most qualified for positions in business contexts ought to be awarded the positions, it is argued. And affirmative action policies and programs thwart such ideals; thereby reducing the competition that is argued would otherwise make for a better future for businesses, qualitatively speaking. Another objection to affirmative action in such contexts is that it fails to target white males who are disadvantaged, though a utilitarian justification of affirmative action seeks to include such disadvantaged white males in order to better society as a whole.

In defense of affirmative action policies and programs and against the first part of the objection, it is replied that the objection in question is sound only in an ideal world where ethnic discrimination and sexism are minimized or absent. But since the USA was founded on and persists as a society having such thoroughgoing problems, policies and programs such as affirmative action are required for the sake of justice and fairness, including equality of opportunity.

It is important to note that the foregoing discussion is largely between opposing parties each of whom is utilitarian in character, wherein it is only future-oriented factors that are important to the discussion of the moral status of affirmative action policies. But there are backward-looking arguments concerning the moral status of said policy.<sup>1</sup> One backward-looking objection to a utilitarian approach to affirmative action is that it neglects the rights of the members of targeted groups to compensatory justice. On this view, the aim of affirmative action policies and programs is to provide equality of opportunities in education and employment. If this is true, the objection states, then members of targeted groups have certain rights to affirmative action that imply

that there is a duty to governments to provide, rights that cannot be overridden by social utility maximization.<sup>2</sup> Thus programs of affirmative action constitute a right that is possessed by members of various groups that have been harmed by and in US society: American Indians, US blacks, etc.

Backward-looking arguments concerning affirmative action policies come in at least two general varieties. One such variety opposes such policies because they constitute programs that are unjust because they are unfair to those who are not targets of such policies. White males who are not included in affirmative action programs, it is argued, have done nothing wrong such that they deserve to be victimized by such policies and programs. Without such policies and programs, it is argued, only the deserving would be hired at whichever level of business. And only the genuinely deserving ought to be hired in the first place. So affirmative action policies and programs ought to be eliminated because they are unjust and unfair to those who are not the targets of them.

In reply to the foregoing backward-looking arguments against affirmative action policies and programs, it is argued that the argument problematically assumes that there is a “level” playing field of competition for employment opportunities in business. However, this assumption is so problematic that it is disingenuous. First, one need not look further than former US President G. W. Bush to understand that if intelligence, honesty, integrity, and the like are necessary or even sufficient conditions of that office, he lacked perhaps every quality that would make for a good president. Yet even a white male as poorly qualified for public office such as Bush was actually “appointed,” however unconstitutionally, as the US president! In US business, it is surely neither a just nor fair playing field. For many a white male in a high profile position holds his position almost solely because of who he knows rather than what he knows or by virtue of otherwise objective qualifications for that position. This is unjust because

<sup>1</sup> The distinction between forward-looking and backward-looking perspectives on affirmative action is found in Boxill (1984: 147–172) and McGary (1999: 125–144).

<sup>2</sup> That rights ought never to be trumped by considerations of social utility is found in John Rawls (1971: 1–5).



unfair playing field is so rampant throughout US society that it is disingenuous to deny it. And given its prevalence throughout the US business world, it is argued that affirmative action policies and programs are needed to balance out the undeservedness of so many positions occupied through US history by undeserving white males. Thus the argument from deservedness is turned on its head in favor of affirmative action policies and programs.

But there are those who would argue that even if affirmative action policies and programs are justified in principle, in practice they are problematic and must be rejected and disbanded. They argue, for instance, that “two wrongs don’t make a right” in hiring unqualified folk to “replace” or instead of underqualified white males in business. On this view, affirmative action amounts to “reverse discrimination” and does more harm than good in business contexts because it creates and sustains worker and employer discontent

However, this point seems to assume that such positions in business are somehow owed to white males – even underqualified ones! But surely this cannot be the case even if it is true that the most qualified person ought to be hired. And it is disingenuous and perhaps even racist to assume (absent adequate evidence) that those who are not white males cannot qualify or be trained to qualify for said positions. Yet one reason for the very policies and programs in question is to create and sustain programs that would provide businesses with qualified folk who could occupy such positions, thereby increasing the quality of productivity in businesses overall. College- and university-level affirmative action policies and programs are available to prepare people to qualify for executive or skilled positions in business, while unskilled labor positions can be filled by untrained personnel who qualify as targets of such policies and programs. So here is where the backward-looking argument from desert is coupled with a forward-looking consideration that attempts to maximize social utility, further turning the argument in question against affirmative action policies and programs on its head.

However, there is a new approach to affirmative action that has been developed which affirms

the need for such policies and programs but seeks to restructure it in order to rid it of some of its persistent fundamental injustices and unfairnesses. It is primarily a backward-looking desert-based approach, yet one that construes forward-looking considerations as also being important. It is referred to as the “differentialist approach to affirmative action” because it categorizes each group which is targeted by such policies and programs according to each group’s degree of harmful wrongdoing which it has suffered in the USA. It uses history to determine the facts which in turn determine the level at which each group ought to receive affirmative action support (Corlett 2003: Chap. 7; Corlett 2010: Chap. 10).

According to the differentialist approach to affirmative action, then, American Indians and blacks<sup>3</sup> ought to receive the greatest level of affirmative action assistance. Far down the list would be Latinos/Latinas, Asians, etc., with the women and girls in each group receiving a greater amount of affirmative action support than their male counterparts in that they also experience(d) sexist harmful wrongdoings. But because white women generally were and remain part of the oppressive and discriminatory forces over such groups, they should be eliminated from and should have never been allowed to be targeted by affirmative action policies and programs. Generally and as a class, white women have been victimized far less than, say, American Indian and black women and men. So they ought not to be included in affirmative action programs as they have been from their very inception. For it is not only undeserved on their part, but the inclusion of white women in affirmative action programs diverts much needed and deserved resources from those more deserving of them. This differentialist conception of affirmative action assumes that reparative justice will not accrue to such groups. In such a case, substantial increases in affirmative action resources are required because that is what is required, morally speaking, in terms of what such parties deserve given their respective histories of oppression

<sup>3</sup>By “blacks” is meant those of African descent whose ancestors were enslaved in the USA.

(in the cases of American Indians and blacks) and discrimination (with respect to members of the other groups) (Corlett 2003: Chap. 7; Corlett 2010: Chap. 10).

While many argue that white women in the USA ought to remain targeted by affirmative action programs because they too were/are oppressed, several problems face such a claim. First, this claim cannot be substantiated except by a future-oriented and non-backward-looking version of a utilitarian, rights-disrespecting “ethic” which denies a victim’s legitimate moral claim to or interest in being compensated in albeit approximate proportion to the harms suffered by one’s predecessors. To claim that white women on average and as a class were and are oppressed in the USA in anything akin to the manners in which American Indian women and men were/are oppressed in the USA is disingenuous due to the fact that white women on average and as a class played and continue to play a major role in the oppression of nonwhites in US society. For instance, even the most progressive of white women have played major roles in the discrimination of US blacks (Davis 1981; Corlett 2010: Chap. 10; hooks 1981). The differentialist analysis of affirmative action, while not falling prey to the category mistake of construing reparations as affirmative action or vice versa, refuses to categorize white women as being oppressed in any manner in which American Indians and US blacks were and are oppressed in the USA. Thus white women should not at all be considered as targets of affirmative action as that would serve as a moral insult to the members of the other targeted groups which have experienced genuine oppression and not simply discrimination. At the very most, white women ought to be placed at the bottom of the list of affirmative action recipients due to their considerable roles in oppressing or otherwise discriminating against nonwhites in US society.

All of this implies that white women in US society should not remain as serious targets of affirmative action policies and programs as they currently are and have been for decades as this robs much needed resources for members of groups that have been and remain historically

wronged by US society in ways that far surpass whatever discrimination that white women have experienced and continue to experience. So in business contexts, affirmative action policies and programs should be narrowed to differentially and mostly target American Indians and US blacks. To proceed in this way would be to begin to take seriously what the US business communities owe to American Indians and US blacks far more than any other groups in US history. For from the very beginning, US businesses from banks to shipbuilders to investors played roles in both the oppression of American Indians and US blacks in ways that are unprecedented in world history.<sup>4</sup> And while it is a category mistake to conflate affirmative action with reparations and vice versa, correcting the confused ship of affirmative action is imperative if justice is to begin to accrue to genuinely oppressed groups in US business contexts.

In practical terms, the differentialist approach to affirmative action would function along the following lines. In a business, those conducting the hiring would do all they could to recruit reasonably qualified hires from the pools of American Indian and US black applicants for a particular open position. Within these categories of applicants, the women would be given preference. Only when recruiters can prove that they have conducted a reasonable recruitment effort from such pools would they be permitted by the policy to proceed to, say, Latino/Latina pools of applicants, then to Asian-American applicants, etc., each time giving preference to women over their male counterparts. White women would then be targeted and lastly white males. Sensitivity must be demonstrated to the fact that some applicant pools will not contain many American Indians and/or US blacks. With competition to hire the most qualified employees and executives, businesses will have difficult times hiring American Indians simply because the demand is high and the supply is low, generally speaking. But every reasonable effort must be made to recruit such

<sup>4</sup>For an account of how US businesses sustained the slave trade, see DeWolf (2009).

applicant candidates. A roughly similar problem arises with regard to US blacks, though there are millions more such persons in the USA than there are American Indians. Subsequent to reasonable efforts being made to recruit American Indians and US blacks, businesses are to attempt as best they can to hire from the pool of Latinos/Latinas, then from the pool of Asian-American applicants, etc. Because of the low supply and high (affirmative action) demand for potential American Indian and US black hires at least in certain skilled positions, businesses which have taken reasonably strong steps and in good faith to hire from these categories ought to be shown understanding if they are unsuccessful in doing so. But such businesses, if affirmative action is indeed mandatory as a matter of law and public policy, must demonstrate to the standards of such laws and policies that they have complied with them as best they could given current factors of supply and demand of available qualified applicants from the targeted groups mentioned. This must be understood in light of the fact that the more productive and successful American Indian and US black skilled employees and executives will likely not be sufficient to fill each of the positions available in any given market. However, businesses which fail to satisfy the standards of recruitment and retention of said affirmative action hires would stand to face significant sanctions, from adverse publicity of the business to substantial fines handed down to said businesses. All of this assumes, of course, a capitalist or some other mode of production wherein factors of supply and demand of employees and executives are relevant.

However, insofar as adequate compensatory reparations are provided for American Indians and US blacks, it would appear that they would then have no justification to remain on the list of affirmative action targets. For their respective experiences, both historic and contemporary, of injustice within US society would have thereby been rectified. Affirmative action policies and programs, then, could target members of the other groups listed according to the degree and duration of the harmful wrongdoings experienced by them in and by the USA.

## Cross-References

► [Utilitarianism](#)

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## Affirmative Action: Employment Equity in Canada

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## Synonyms

Affirmative action; Compensatory justice; Redistributive justice

## Definition

Employment equity is the term in Canada for what is known as affirmative action in the United States. In 1984, the Canadian Royal Commission on affirmative action defined that term as "employment equity."

Known colloquially as the Abella Commission on Employment Equity, after the chair Justice Rosalie Abella, employment equity is identified as "a strategy designed to obliterate the effects of discrimination and to open equitably the



competition for employment opportunities to those arbitrarily excluded,” requiring a “special blend of what is necessary, what is fair and what is workable” (Abella 1984).

## Introduction

In this article, first the context which led to the establishment of a federal commission on employment equity and the legislation which followed are discussed through a brief exploration of the history of women’s equality rights in Canada. Then a presentation about employment equity in Canada is explored, including a discussion on the strengths and limitations of employment equity in Canada. Next, the current data on the groups identified as systemically discriminated against will be presented. Finally, the ethics arguments against employment equity or affirmative action are described and analyzed.

It should be noted that while this chapter will provide information on all of the four groups that fall under the employment equity act, the history for such legislation will be examined through the lens of discrimination against women. Other chapters within this encyclopedia provide additional information on the history and current status of other identified groups.

## Votes for Women and the Person’s Case

Women in Canada were granted the right to vote between 2016 and 2019. Women in the suffrage movement in Canada had been active in seeking the right to vote from the 1870s onward, but it was women’s role in World War I that served as the same catalyst as it did in many other democratic nation states in securing the vote for women. As noted by Historian Strong-Boag (2019):

Once conscription was secured [in Canada], the government began to argue that women had earned the right to vote through their war work. On 24 May 1918, female citizens, not included under racial or Indigenous exclusions, aged 21 and over became eligible to vote in federal elections regardless of whether they had yet attained the provincial franchise. In July 1919, enfranchised women gained the

right to stand for the House of Commons... (Strong-Boag 2019)

It was surprising for women to discover, however, once they had been granted enfranchisement, that they were not considered legally to be persons. The notion of a legal personhood is an important condition for the establishment of many rights, duties, benefits, and obligations within, so it is not an inconsequential issue. In this particular case, it was determined that women could not be appointed to the Senate of Canada because they were not persons.

The Persons Case, as it known and celebrated in Canada every October 18, was finally settled by the Privy Council in Britain on October 18, 1929, after years of appeals through the courts in Canada. In rendering his decision:

...Lord Sankey, Lord Chancellor of the Privy Council, announced the British Privy Council decision [and stated] that ‘yes, women are persons...and eligible to be summoned and may become Members of the Senate of Canada.’

As Munroe (2019) further notes:

The Privy Council decision also said that ‘the exclusion of women from all public offices is a relic of days more barbarous than ours. And to those who would ask why the word ‘persons’ should include females, the obvious answer is, why should it not.’ (Munroe 2019)

But while women did make progress in the early part of the century, more general social and economic progress was still a long way off.

In 1967–1970 when women were earning 59 cents for every dollar earned by men, women in Canada once more were politically active and engaged in protest. Laura Sabia, among many other feminists at the time, threatened to bring one million women to march on Parliament if the Prime Minister did not establish a Royal Commission on the Status of Women in Canada. Consequently, Prime Minister Lester Pearson did establish such a commission in 1967 which duly reported to Parliament in 1970. This activism was not unique to Canada. President John Kennedy in the United States established a similar status of women commission in 1961, initially chaired by Eleanor Roosevelt until her death. Both of these

commissions found strong evidence of women's discrimination across a number of social, political, and economic domains. Similar findings around the world led the United Nations to declare 1975 International Women's Year. This in turn, led the United Nations Decade for Women and further UN world conferences on women the last of which was held in Beijing in 1995.<sup>1</sup>

During the decade for women, the Canadian government "repatriated" and formally created Canada's first complete constitutional document under the Constitution Act of 1982 including the Canadian Charter of Rights and Freedom. Particularly relevant to women and other discriminated groups, the constitution included the following equality rights section which states,

15(1) Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law, without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age or mental or physical disability.

15(2) Subsection (1) does not preclude any law, program or activity that has as its object the amelioration of conditions of disadvantaged individuals or groups including those that are disadvantaged because of race, national or ethnic origin, colour, religion, sex, age or mental or physical disability.<sup>2</sup>

This section of the constitution not only affirms equality rights but also through 15(2) affirms the constitutionality of mechanisms to address systemic discrimination. The constitutionality of establishing mechanisms to ameliorate systemic discrimination was then specifically addressed through the establishment in 1984 of the Royal Commission on Equality in Employment.

This federal government commission, which was chaired by Judge Abella, identified four groups in Canada as categories of persons who, in the opinion of the commission, had been and continued to be systemically discriminated against in employment. These groups are women, people with disabilities, Aboriginal peo-

ples, and visible minorities. The commission report was submitted to the government of Canada in October 1984.<sup>3</sup> This was followed by the federal Employment Equity Act of 1986 which has subsequently been revised and amended.

According to the government of Canada, the Employment Equity Act applies "to federally regulated industries, Crown Corporations and other federal organizations with 100 employees or more, as well as portions of the federal public administration...which includes the Canadian Forces and the RCMP." (Employment Equity in Federally Regulated Workplaces 2018).

Two early criticisms of the Employment Act included the following: (1) given that no quotas for employment equity were imposed by the legislation, so it is difficult to judge whether any progress is being made even though the act does require annual reporting and monitoring and (2) that the terms of the legislation should have been more inclusive. Each criticism is addressed as follows.

### No Quotas

The federal employment equity act imposed no quotas. Instead, employers are required to report on all hirings and report on the number of candidates in employment searches annually. More generally, systemic discrimination can be tracked through Canadian statistics regarding the number of available employees in each relevant group. However, since self-identification of belonging to any of the four identified groups in Canada is voluntary, it can be argued that even reporting on employee searches is, at best, a very incomplete and unsatisfactory monitoring process.

### Lack of Inclusivity

The second criticism is that not all employees are captured in the employment equity legislation. One argument in favor of this exclusion is that the government does not want to impinge on the rights of small family businesses to determine

<sup>1</sup> The United Nations Decade for Women, Equality, Development and Peace. [UNWomen.org](http://UNWomen.org)

<sup>2</sup> Constitution Act, 1982. The Canadian Charter on Rights and Freedom, article 15. <https://chrc-ccdp.gc.ca>

<sup>3</sup> Abella (1984).

their employees. Another argument is that the government does not want to stifle entrepreneurship and small companies which may have difficulty in start-up and general operations if they must follow equity standards. While some of these arguments sound *prima facie* reasonable, there is an arbitrary judgment in determining less than 100 employees as the cutoff.

### What Employment Equity Cannot Do

Before looking at how the four designated groups in Canada are doing, it is important to note the limitations of employment equity (and affirmative action) in solving problems of systemic discrimination.

Systemic discrimination involves many factors that include such stigmatizing variables as sexism and racism. The discriminatory factors include social, cultural, economic, and religious beliefs that result in the treatment of some persons as inferior than others. Mitigating the impact of these complex variables on work discrimination must be reflected in long-term strategies to improve access to education, human rights, and mechanisms to change attitudes and enforce laws to lessen discrimination on persons based on unreasoned bias and sometimes hatred. Without more inclusive approaches to the elimination of discrimination that is based on bias rather than bona fide job requirements, such discrimination will continue to harm members of discriminated and designated peoples in Canada.

Groups identified in the employment equity act include persons who both have been historically and are currently discriminated against by virtue of their membership in these groups.

### Employment Equity Today in Canada

This discussion particularly focusses on each of the four groups of persons identified as categories of workers who have faced and continue to face employment discrimination.

### Women

Pelletier et al. (2019) note the following:

Recent studies indicate that, in general, the gender wage gap has narrowed over time, both in Canada...and elsewhere...However, given that women in Canada have surpassed men in educational attainment, diversified their fields of study at post-secondary institutions, and increased their representation in higher-status occupations (Moyser 2019), the persistence of gender-based wage inequality warrants continued attention.

This study which covers Canadian Labour Statistics from 1998 to 2018 states that women in Canada make on average 13.3% less per hour than their male counterparts (Pelletier et al. 2019).

Clearly women have made significant gains since the Royal Commission on the Status of Women, but the lack of parity between women and men with respect to wages seems to be a by-product of discrimination simpliciter.

### Visible and Immigrant Minorities

There are a lot of data, in Canada, and around the world to confirm that immigration results in discrimination in many domains including the workplace. There are consequently a number of UN Decades which address the various forms of discrimination which face immigrants. With respect to Canada, there are data that are encouraging although there are still clearly indications of inequality between Canadians born in Canada and persons who immigrate to Canada.

Underemployment and wage gaps are due to a number of factors, including “language skills, foreign qualification and skill recognition, and discrimination.” Further, in 2017 among university-educated immigrants, the employment gap “between...[immigrants] and their Canadian born counterparts narrowed to its smallest size since 2006” (Yssaad and Fields 2018). The study reported that the wage gap between Canadians and immigrants decreases the longer immigrants live in Canada. All of the information confirms that education to diminish discrimination as well as interventions to assist in language acquisition and education improves conditions for immigrants in Canada.

## Aboriginal People (First Nations, Metis Nations, and Inuit People in Canada)

Aboriginal people in Canada suffer from a history of discrimination, displacement, and the impact of colonization, including residential schooling. The Truth and Reconciliation Commission of Canada was formed to address some of the negative impacts on Aboriginal people from their individual and collective experiences of involuntary residential schooling.

According to a 2017 Statistics Canada report on the employment of Aboriginal people living off-reserve, the following conditions exist:

- Higher unemployment rates than non-Aboriginals.
- Lower levels of educational attainment than non-Aboriginals.
- Lower earnings than non-Aboriginals due to lower qualifications (“Among those with a post-secondary certificate/diploma or university degree, Aboriginal people earned at least as much on average as their non-Aboriginal counterparts.”) (Moyser 2017).

While employment equity, with its direct and indirect influence on mitigating racial discrimination, is important, it is clear from the data cited here that fostering access to higher education is perhaps the most strategic activity in promoting equality of results in employment.

## Disabled Persons

The Canadian government (2018) identified disability types as follows:

Of the 22% of Canadians who are disabled “disabilities related to pain, flexibility, mobility, and mental health were the most common disability types”. Further “among those aged 25 to 64 years, persons with disabilities were less likely to be employed (59%) than those without disabilities (80%)”.

Ability to work is a clear factor in economic security. The Canadian government both ratified

the United Nations Declaration on the Rights of Persons with Disabilities (1975) and the United Nations Convention on the Rights of Persons with Disabilities which was ratified in Canada in 2010. Article 27 of the Convention specifically addresses rights from discrimination in work and employment (The United Nations Convention on the Rights of Persons with Disabilities (CRPD) 2006).

In a recent document monitoring the UN Convention on the Rights of Persons with Disabilities (2018), it is stated that:

“...the employment rates of both women (45%) and men (49.8%) with disabilities are substantially lower compared to those of women (70.1%) and men (77.1%) without disabilities. . . . Nearly 30% of persons with disabilities report having asked for workplace accommodation that was not made available.” When we add to this that 69% of businesses in Canada have never hired disabled persons, it is clear that Canada has a long way to go to reach employment equity for persons with disability (The UN Convention on the Rights of Persons with Disabilities 2018).

## Summary of Employment Equity in Canada

While some conditions have clearly improved over time, there are still considerable barriers to employment equity in Canada. Women’s economic status has significantly improved although there is still resistant and continuing residual discrimination. Similarly, visible and immigrant minorities in Canada do continue to face workplace inequities although educational achievement and time spent in Canada mitigate against some forms of workplace discrimination. Canada’s Aboriginal peoples still need support in accessing and achieving higher levels of education. Finally, access to employment for persons with disabilities continues to be ineffectively addressed and managed.

Clearly human rights and equity issues are far more complex than employment equity

legislation can address alone. Constitutional protections, UN declarations, national human rights legislation, and educational access all must support equality and anti-discrimination ends.

### **Objections to Anti-discrimination Legislation, Like Affirmative Action and Other Initiatives, That Would Reduce Inequity**

As noted at the beginning of this article, this chapter will end with a brief discussion of some classic objections to employment equity measures. Given the lack of quotas imposed by the Employment Equity Act, it is not clear that the classic arguments against Canada's employment equity legislation have the same force. Most of the literature on these objections refer to the United States context over the past 40 years. See other articles in the encyclopedia for detailed treatment of these topics. Given that these arguments continue to be discussed, this article ends with them.

It should be noted that all three objectives cited here are based on false assumptions. One is the mythology of equality of opportunity, and the second is the assumption of objectivity in hiring practices.

### **Equality of Opportunity**

Equality of opportunity is the assumption that if positions are widely advertised and open to all applicants, justice and fairness will be served. The position falsely assumes that all persons are equally situated and begin the competition from the same starting place. This has been falsified by a number of empirical studies.

### **Assumption of Objectivity in Hiring Practices**

Hiring committees and individuals hire people. Some are biased by beliefs and membership in particular cultures and economic and social

backgrounds. While there are variabilities in the research, many studies confirm, for example, that perceived attractiveness has a positive influence in hiring (Quereshi and Kay 1986).

### **Reverse Discrimination**

One argument against policies which are put in place to rectify discrimination against groups is that the result is reverse discrimination which is morally wrong. The argument is that all discrimination is morally unacceptable including employment equity mechanisms and any preferential treatment in access to employment or access to educational programs. Such policies and mechanisms, it is argued, necessarily involve a kind of reverse discrimination against those who do not belong to these targeted groups.

The argument further states that if prejudicial discrimination is wrong, it is because all discrimination based on nonrelevant and nonmeritocratic bona fide requirements for a position or place results in the same problem that is supposedly being solved, namely, unfair discrimination.

### **Objections**

The argument with respect to reverse discrimination is that it is predicated on the false assumption that without evidence-based mechanisms adopted to address systemic discrimination, the result of hiring into an employment position would be a function solely of qualifications. Hence, it is argued that a more qualified candidate would not be unfairly discriminated against and would be hired without intervening through some mechanism of employment equity. The underlying assumption is an appeal to an equality of opportunity principle which, as noted, is more mythical than reality based.

### **Tokenism**

The tokenism argument is predicated on the assumption that persons are hired solely by virtue of their membership in a group which has been discriminated against (e.g., a woman in a senior executive position). The argument is further elaborated to say that such persons are inadequately prepared for the role and will consequently fail, to

the detriment of the individual and the organization. This argument is generally argued without empirical support and consequently merely an assumption.

### Compensatory Justice

The argument for compensatory justice is that individuals who are members of groups of people, such as the four groups identified in the employment equity legislation in Canada, will be individually treated preferentially in hiring based on historic discrimination despite no current discrimination. The result in this case could be privileging someone who is not discriminated against in favor of an individual who is not a member of an identified group (such as a poor white man in favor of a rich white woman).

### Objections

There are a number of dubious assumptions made here, the most obvious being that one variable, such as class or education, trumps sexism which continues to be a factor in women's status in society. However, some types of privilege do not nullify all forms of discrimination. Thus, a woman, having grown up in a high-income family, is not immune from all forms of sexism. The reverse discrimination argument in the also assumes similar false or dubious claims already discussed with respect to tokenism and reverse discrimination.

### Cross-References

- [Affirmative Action in Business](#)
- [Compensatory Justice to Groups](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)

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## Age Diversity and Generational Ethics

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### Synonyms

Age cohort; Age group; Baby boomers; Ethics; Gen X; Gen Y; Generations; Greatest generation; Millennials; Morals; Peer group; Social norms; Values; Work ethic; Work motivation; Workplace values



## Introduction

A comprehensive assembly of assumptions regarding generational values and their translation into behavior offers insight and directions for further study. Flaws in the existing models of generational values and the need to examine perhaps outmoded presumptions about the length of age cohort as asserted by Strauss and Howe and widely accepted as standard time period from one to another. An argument for expansion of the Rokeach Value Survey is presented, and speculation about the impact of the COVID-19 pandemic on value development among today's children is introduced. Compiled from disparate sources, this study provides a rich foundation for future research.

## Age Diversity

Debate over the viability of defining generational cohorts as discrete groups is nearly as common as encountering the nomenclature that tags them, such as Boomers, Gen X, and Gen Z, etc. Most agree that generational assignment is an imprecise tool of study that unnaturally separates people into groups by absolute birth dates, and that it can lack consideration of cultural differences and the possibility that values may change as individuals mature through different stages of their lives (Jurkiewicz and Bradley 2002; Campbell et al. 2017). Each generation has been characterized as disrespectful of rules and authority, lacking employer loyalty, wary of the future, and more self-absorbed than others when at the early adult stage of their life cycle, only to be stereotypically labeled as too cautious and judgmental at the other end of the age continuum (Jurkiewicz 2002b). Generational categories are considered to be more accurately defined as sets of contiguous birth years grouped around the political, economic, and social issues they share in common during their formative years, rather than as strict age silos (Jurkiewicz 2013; Jurkiewicz and Grossman 2012). Further, the majority of the scholarly literature in this area is US-focused and

does not reflect other countries' unique environments.

Yet the value of clustering individuals into age-based groups allows for analytical constructs and comparisons otherwise impossible (Campbell et al. 2017), despite the caveat that those within the cusp between generational categories may share characteristics of both. It is highly unlikely that an individual born in 1981 has vastly different values than one born in 1982. This is borne out in the slight variations in birth date categories asserted by different sources. The birth dates used here to define generations follow the framework first asserted by Strauss and Howe (1973) in their foundational study, separating the groups into 17–20 year spans that account for both biological reproduction and significant historical cycles. At the time they completed their study, with data from the 1980s, the average age of first-time mothers was roughly 20 years old across all demographics. While the average of first-time mothers remains close to 20 years of age today in rural areas and among those without a college education, it is roughly 31 in metropolitan areas and among those with a college degree. Given the dramatic population shift over the past 40 years, about 62.7% of people in the USA live in metropolitan areas, according to the most recent data available. Further, roughly 33% of women hold at least a Bachelor's degree today as compared to 15% in the 1980s (U.S. Census Bureau 2019).

Thus, age-defined generations span about 30 years for the majority of the population today, a half-generation longer as compared to the 20-year span framed by Strauss and Howe (1973). Concomitant with the difference in birth rate is a profound difference in value systems between those who live in metropolitan areas as compared to those who do not. Further, over 40% of children born today are born to unmarried women, an increase of over 80% since the 1980s; the two groups largely lead very different lives with distinctly separate moral imperatives. These disparities in generational turnover may explain the fuzziness of definitions detailed by Campbell et al. (2017). It seems an update of

their analysis is warranted to bring generational categories current and assess whether the assumptions on which researchers are building their models still holds true.

### Sector as Generational Bond

Although inexact, the value of generational research has been firmly established in the literature. Some of the most important findings in this area are that individuals who work in a particular sector share more values in common regardless of generational cohort (Jurkiewicz 2000; Campbell et al. 2017). Whether individuals self-select into sectors that are a better match for their values, rather than adjusting their values to fit the environment, is a question that has been addressed from a number of perspectives (e.g., Jurkiewicz and Grossman 2012; Jurkiewicz and Giacalone 2004). Collectively, the evidence strongly suggests individual value systems remain relatively constant over time presuming no extraordinary circumstances, and self-select into a career sector based on the assumptions and beliefs they hold on whether there will be a good organization-person fit. If these assumptions and beliefs are incongruous with the organization or sector in which they work, they are likely to leave for other, more agreeable, career opportunities. If they do stay despite the disparate value systems, either through lack of other opportunities or superseding needs that take precedence over the incongruity, they can suffer physically and psychologically, their families and social networks can be negatively affected, and they could engage in organizational sabotage behaviors (Jurkiewicz and Giacalone 2017).

Just as the birth years vary slightly across multiple sources, so too do the labels and descriptions of the generations. Table 1 identifies the extrinsic influencers for each cohort as they are commonly known today, along with the characteristics considered most relevant for each in terms of political, social, and economic impact.

### Values-Ethics Connection

The descriptors used to delineate generations are generally rooted in cultural models and tend to be self-reinforcers as individual within and between groups seek to fit the generalizations and identify with others who share those orientations and age cohorts (e.g., Jurkiewicz 2000). Further, evidence suggests that generational values are cyclical in nature (Strauss and Howe 1973). It is a reactionary model wherein generations rebut their parents' views and more closely embody the values of their grandparents, and their children in turn will more closely resemble their parents' parents; essentially, it is an ebb and flow of value preferences over time (Jurkiewicz 2000). Results from US national studies suggest that, comparing generations at similar points in time, such as when each was a young adult or at retirement age, they are much more alike than not (cf, Jurkiewicz and Bradley 2002).

Most individuals are unaware of the foundational values that direct their behavior, and only bring it into awareness when their value systems acutely conflict with others in a position of authority, either referent or positional (Jurkiewicz and Bradley 2002). Values develop from our experience in the world in our formative years, including authority figures, media, schooling, age cohort, and socioeconomic status (Jurkiewicz 2020). Some argue that values and ethics have a biological source, although the evidence lacks robustness. Generational cohort is believed to influence an individual's value system (Jurkiewicz 2013a). One's beliefs and attitudes fuse into systems reinforced by selective perception and self-reinforcing behaviors. At the core of this system is a set of values that can be measured using Rokeach's (1973) preeminent Values Survey (RVS) (cf, Jurkiewicz 2000; Jurkiewicz and Bradley 2002). The Survey is grouped into 18 instrumental and 18 terminal values. Terminal values represent the goals to which an individual strives, and the instrumental values are the moral standards s/he implements in achieving the desired end states; each are ranked in order of preference. The values are the foundational blocks of ethical decision-making and the behaviors that



**Age Diversity and Generational Ethics, Table 1** Perceptions of generational cohorts

|                           | Gen Z<br>Born 1995–2015                                                                                          | Millennials (aka,<br>Gen Y)<br>Born 1982–1994                                                                                                                         | Gen X<br>Born 1961–1981                                                                                                     | Boomers<br>Born 1943–1960                                                                                                                                 | Matures<br>Born<br>1925–1942                                                                            |
|---------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <i>Political</i>          | Conservative, factional                                                                                          | Separatist, issue-focused, conservative                                                                                                                               | International force, idealism, political upheavals, decline in government trust                                             | Cold war, Vietnam war, growing economy                                                                                                                    | WW II, patriotic appeals                                                                                |
| <i>Economic</i>           | Economic downturn, debt avoidance                                                                                | Great recession, high student debt, spend freely                                                                                                                      | High debt, trade \$ for leisure, economic stagflation, mergers/bankruptcies                                                 | Prefer cash transactions, focus on providing for kids, first two-income households                                                                        | Trade \$ for leisure, home ownership, frugal                                                            |
| <i>Social</i>             | Fluid gender roles, hopeful about future and ability for society to change, social networks, distrust of others  | Structured childhood, helicopter parents, taught to believe they're always winners, self-confident, increased violence, less altruistic                               | Values leisure time, not concerned with prestige, self-reliant, need for achievement, recognition, status, self-development | Spiritual awakenings, psychedelic drugs, student protests, fast food, dinner parties, suburban growth, consumer fads, increased emphasis on public health | Traditional gender roles, hard work, subjugate self for family, socially conformist, trusting of others |
| <i>Work</i>               | Facetime interaction, multiple social media accounts, change jobs often                                          | Prefers in-person contact, views self as contractor not employee                                                                                                      | Seeks work/life balance, loyalty to career not employer                                                                     | Obedient to employer, focus on family, early tech adopters                                                                                                | Loyal to employer, minimal turnover, paternalism                                                        |
| <i>Historical markers</i> | Global focus, climate change, wiki-leaks, cloud computing, hackers, create own media presence, COVID-19 pandemic | 9/11 attacks, wars in Middle East, reality TV, social protests, dot-com busts, primacy of internet, second gulf war failures, First gulf war, silent spring published | Live aid, toppling of Berlin wall, rise in single parenting, latch-key childhood, increase TV watching, watergate, bank     | Cold war, Vietnam, drug culture, Woodstock, post-WW II financial boom, moon landing, civil rights                                                         | WW II, rationing, nuclear power, fixed gender roles, disconnected from tech, rock and roll              |

result; they remain relatively stable over a lifetime (Rokeach 1973; Jurkiewicz 2013; Jurkiewicz 2020). Individuals do not consistently make decisions that will maximize their opportunities to achieve their values, as leaders, situational circumstances, social networks, and physical/psychological states that weaken one's willpower all play an intervening role (Jurkiewicz 2013a, 2020). In an array of studies (cf, Jurkiewicz and Bradley 2002), employees report that the

competitive pressures in their workplaces require ethical comprises that are counter to their value systems, and that this is a key source of stress and ill health (Jurkiewicz and Giacalone 2017). Ethical codes, at best, are but a general statement of aspirational values for an organization, it is the ethical culture that inductively determines its operational values. Table 2 outlines the value systems associated with the generational cohorts, in terms of what they desire in their workplace,

**Age Diversity and Generational Ethics, Table 2** Anticipated workplace values by generational cohort

| RVS terminal values                                      | Gen Z | Millennials | Gen X | Boomers | Matures |
|----------------------------------------------------------|-------|-------------|-------|---------|---------|
| A comfortable life (a prosperous life)                   |       | X           |       | X       |         |
| A sense of accomplishment (a lasting contribution)       | X     |             | X     | X       |         |
| A world at peace (free from war and conflict)            | X     |             |       |         | X       |
| A world of beauty (appreciating nature and the arts)     | X     |             |       | X       | X       |
| An exciting life (a stimulating, active life)            |       | X           | X     |         |         |
| Equality (equal opportunity and treatment for all)       | X     |             | X     |         |         |
| Family security (taking care of loved ones)              |       |             |       | X       | X       |
| Freedom (having independence, free choice)               | X     | X           | X     |         |         |
| Happiness (being content and fulfilled)                  | X     |             |       |         | X       |
| Inner harmony (freedom from inner conflict)              | X     |             |       | X       |         |
| Mature love (sexual and spiritual intimacy)              |       |             |       |         | X       |
| National security (no threats of terrorism or attack)    | X     |             |       | X       | X       |
| Pleasure (an enjoyable, leisurely life)                  |       | X           | X     |         |         |
| Salvation (spiritually saved, anticipating eternal life) |       | X           |       |         | X       |
| Self-respect (self-esteem)                               | X     | X           | X     | X       |         |
| Social recognition (respect, admiration)                 |       | X           |       | X       |         |
| True friendship (close companionship)                    |       |             | X     |         | X       |
| Wisdom (a mature understanding of life)                  | X     | X           | X     |         |         |

Hypothesized assumptions culled from research reported in Jurkiewicz and Bradley 2002, extrapolated from Campbell et al., and compiled from multiple reports in the general media

framed by Rokeach's terminal value constructs (Rokeach 1973).

## Generational Values

The literature asserts what the generations likely value most from their work. While there is some empirical evidence that tests these assumptions (e.g., Campbell et al. 2017), it is primarily cross-sectional and focuses mostly on Gen X and Millennials, and is in great need of longitudinal studies. It is the perception of generations that is the focus here, toward the end of building a foundation for these needed studies, to test the accuracy of public perceptions against the reliability of the Rokeach Values (1973). Along with what is detailed in Table 1, Matures are presumed to be trusting, loyal to their employers (whether referring to past or current employment patterns), accepting of paternalistic management, and unlikely to change jobs over their careers. They are said to value career and financial security above family time as a demonstration on their

commitment to provide for their families; earning and saving money are key goals. Boomers are viewed as obedient to employers' dictates and receive high levels of job satisfaction but place their primary focus on family and warm relationships with co-workers. They are also flexible in adopting new technologies, both as a means to stay in contact with their children and also to continue in their careers beyond the customary point of retirement (Jurkiewicz and Bradley 2002). Gen Xers are thought to receive greater satisfaction working as independent contractors rather than as employees, with a pronounced desire to learn new skills and work in teams, yet act autonomously. They also seek security through compensation and flexibility, need recognition, status, personal development, and require a balance between work and leisure. Their orientation is toward flattened hierarchies, they tend not to trust in institutions, and are not employer-loyal; they offer respect only after it is earned. They are not concerned with prestige and respond best to a coaching leadership style (Jurkiewicz 2000). Millennials (also known as Gen Y) are believed to

prefer in-person contact although they have high levels of technological literacy. They view their work role as one of contractor rather than employee yet need career security through keeping skills updated; they are issue-focused and fluid across employers and sectors. They are confident and enjoy being challenged, and emphasize social good over leisure. Affluence is important to them and they earn money to spend it, rather than save; they do not place trust in the future. Reported characteristics about Gen Z include changing jobs often, creating multiple social media accounts and their personas online, and gender fluidity. They prefer interacting on media platforms rather than in person, and are socially and globally focused. They desire structure, collaboration, clear goals, rewards, and mentoring. They are concerned with the environment, climate change, and equality; they have a strong drive to contribute positively to society.

Testing these perceptions using an instrument that allows for symmetry across studies is the next step toward understanding generational ethics. This will allow for the development of proactive models to reverse the decline of ethicality over time in the USA (Jurkiewicz 2013a). Such models will not only provide a foundation for parents and other adult value-influencers but also to guide content in ethics education across the sectors. The effectiveness of specific types of ethics education in reducing corruption has been demonstrated (Jurkiewicz 2020). Essentially, it demonstrates for students a critical thinking approach to translate values into action, and how to measure effectiveness in approving ethicality in both the short- and long-terms. Beyond the individual-level impact, individuals within a social and organizational network influence each others' value system, for better or worse (Jurkiewicz and Giacalone 2004). As leaders are the primary impact of how values are translated into ethical behavior in the workplace, ethics education at varying levels of higher education is essential to meet the goal of arresting corruption and widespread distrust. Beyond the espoused values, an objective examination of the impact of leader behaviors is required; subordinates learn values by what the leader does rather than

what s/he says. The values demonstrated by leaders unconsciously lead to unquestioned institutional practices, in turn defining acceptable behavior and limited individual ethical autonomy. The common belief that individuals instinctively know what is right and wrong, and then can effectively employ that judgment, has no basis in fact (Jurkiewicz 2002c). The first step to reverse this ethics engine is to understand if generational value sets are objectively measurable, and then how to implement what we know actually works in terms of values education. Once the theory and processes are in place, it is easier to both predict and respond to the imposition of environmental events on values development.

### Effects of COVID-19 on Value Change

The onset of COVID-19 infections in the USA, arguably in January 2020, has dramatically shifted individual lifestyles, the amount of time spent with others or alone, and exposure to media and experiences. At the time of press, the USA is amidst a growth in infection and death rate, a 38.6% unemployment rate, and nearly 100% closures of schools and universities. Food shortages are rampant with over 40% of families with children experiencing food insecurity due to COVID-19; at the same time, farmers are forced to destroy crops and feed animals (U.S. Census Bureau 2019). Nearly every reliable news source warns it will get worse.

What effect a pandemic has on value development is a topic not represented in the literature, and one that will be an important avenue of study once the world has moved past the current crisis. What effect sequestering with specific groups of people over a long period will have is another key question with regards to value development in children; tangential research in related areas suggests it could have deleterious or beneficial effects depending upon the value systems and psychological sturdiness of those with whom they sequester (e.g., Jurkiewicz and Giacalone 2017). Perhaps they will develop values similar to those associated with Matures who grew up in the Great Depression, such as exhibiting employer loyalty,

job security, income generation, and social conformity. Or perhaps not. The growing distrust in others, government, and organizations among members of each successive generation is pronounced, from 19% of Matures, 31% of Boomers, 39% of Millennials, to 46% of Gen Z (Jurkiewicz 2020). Gen Z views others as selfish and exploitative, and unlikely to respect others. Given the patterns of trust in institutions over time, it is likely the impact of COVID will contribute to a further decline in trust (Jurkiewicz and Grossman 2012). One thing that is certain is that the generation following Gen Z, not yet tagged with a moniker, will carry the imprint of the pandemic on their value systems.

On a more uplifting note, the experience of sequestering with one's family affords parents the time to teach and demonstrate the importance of values, and what values are most desirable; of these two, demonstrating values through the adults' behaviors will have the greater impact (Jurkiewicz 2002b). How the parent and other adults forced to isolate together adapt to and protect the child from the impact of the pandemic will have a lasting imprint upon the psychological development of the child and their emergent value systems (Jurkiewicz and Giacalone 2004). The longer the period of isolation, the more pronounced the impact, positive or negative.

## Implications and Conclusion

A number of key next steps have been outlined above. Updates to the age cohort of generations needs to be investigated given the shifts in population and education and their impact on biological reproduction. Research employing the Rokeach Value Survey needs to be extended across all generations and used in both cross-sectional and longitudinal studies to determine if the assumed values for each group are those in operation. The language in the Rokeach Survey needs to be examined for change in meaning over time, and whether tweaks be needed to implement those and establish new reliability and validity measures. With increasing diversity and globalization, the accuracy of the generational

assumptions across varying cultures both across geographical boundaries and ethnic groups with the USA should be examined. Variables that affect the translation of values to ethics to behavior would benefit from greater clarity. Finally, the impact of the COVID-19 pandemic on value systems, ethicality, and work ethic are of critical importance. Given the importance of value constructs, more resources are required to more fully understand their development and impact.

## Cross-References

- ▶ [Aging and Ethics](#)
- ▶ [Core Values](#)
- ▶ [Ethical Climate and Ethical Culture](#)
- ▶ [Ethical Leadership](#)
- ▶ [Normative Ethics](#)
- ▶ [Professional Ethics in Healthcare](#)
- ▶ [Work Ethic](#)

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## Agency Theory

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## Synonyms

Agency costs; Agency dilemma; Agency problem; Agency risk; Principal-agent problem

## Definition

Agency theory is concerned with problems that arise where one party (the agent) is expected to act

in the interests of another party (the principal), but the agent's own interests may conflict with the principal's interests, and the principal cannot fully monitor and discipline the agent. Agency theory is widely referenced in business, economics, and political science, where it is often identified as the "principal-agent problem." In business applications, the emphasis is usually on "agency costs," which are the costs borne by either the agent or the principal as a consequence of agency problems.

## Discussion

Agency problems arising from **conflicts of interests** between the principal and agent are greatest under **information asymmetry**. Here, the relevant form of information asymmetry is where the agent has more information than the principal regarding opportunities or the agent's intentions and actions that are pertinent to the principal's interests. If the principal is not fully aware of the agent's intentions or actions or is constrained by resources from acquiring the information, then the principal cannot directly monitor the agent's behavior and ensure the agent is always acting in the principal's best interest.

An agent's incentives to act counter to the best interests of the principal may be a consequence of the agent's inherent personal preferences (e.g., not working sufficiently hard or favoring the interests of other related parties) or adverse incentives such as those arising from bribes, commissions, or poorly structured reward schemes.

In business ethics, irrespective of whether the principal-agent relationship is implied or expressed through a formal contract, it is assumed the agent has a fiduciary duty to the principal. In corporations, directors and other officers of the corporation have a fiduciary duty to the corporation that is usually expressed in statutes or legal codes. The legal treatment of relationships between managers and other stakeholders in the corporation, including shareholders, is more variable. While there may be differences between jurisdictions as to the legal nature and enforceability of the fiduciary duties attaching to an agent, the ethical dimensions and implications of the

relationship, such as those pertaining to trust, stewardship, and accountability, may be more generalizable across jurisdictions and markets.

Agency theory is often the source of central tenets in issues concerning **corporate governance**. In this regard, the most common application of agency theory in relation to business and professional activities pertains to the relationship between corporate management (as agents) and shareholders (as principals). This is particularly evident in the accounting and finance literature, where "corporate management" refers to both directors and executives. The most cited reference in the development of agency theory in the corporate governance context is Jensen and Meckling (1976). This work is informed by problems described in Berle and Means (1932), but the recognition of the agency problem in corporations is much older; Adam Smith discusses concerns about corporate managers (as economic agents who are mere self-interested individuals) in *The Wealth of Nations*, which was first published in 1776, but it is likely that the relevant ideas were not originated by Smith.

Applications of agency theory in relation to corporate governance are typically focused on shareholders' interests in the corporation, as represented in the valuation of equity (variously called shares or stock) in the corporation. A major concern in this regard is that, if managers can profit from changes in share prices, the managers have incentives to misrepresent corporate performance or opportunistically manipulate the timing of the release of good and bad news to the market. This may mislead external investors as to the value of the corporation at various points in time in ways that enrich the managers. For example, when executive remuneration (also referred to as executive compensation) includes equity options in the corporation, the executives might obtain financial gains by manipulating the reported performance of the corporation. In this context, an equity option is the right to buy a share in the corporation at a predetermined "exercise price." This creates an incentive for the prospective option holder to temporarily depress the share price, prior to the option award date, to lower the exercise price of the options. When the share price later recovers, the option holder profits by the

difference between the option exercise price and the current market price of the shares.

More generally, central issues addressed in agency theory include agent effort, risk tolerance, and expropriation. These are not limited to the corporate governance context, as demonstrated by some of the examples below.

*Agent effort:* If an agent's effort is not fully observable by the principal, and there are not adequate compensating monitoring mechanism or performance incentives, the agent may enjoy more leisure or less stress by not providing sufficient appropriate effort to protect or serve the principal's interests. For example:

- Managers may spend less effort (shirking) on protecting or serving corporate interests than they would if their actions were fully observable or if their remuneration contracts were more appropriately structured.
- Managers may direct corporate assets to non-productive uses that provide utility to managers from the overconsumption of perquisites (or perks), such as extravagant offices, luxury motor vehicles, and superfluous travel and entertainment expenditures.
- An employee may engage in private activities during work hours without the employer's agreement.
- Lessees that are usually responsible for safeguarding leased assets have less interest in protecting and maintaining the assets than the legal owner.

*Risk tolerance:* In situations where an agent utilizes the resources of a principal, the agent may incur little to no downside risk because all losses are the burden of the principal, but the agent benefits more from upside risks through performance bonuses. This is seen when shareholders bear the residual risks by providing financial capital that corporate managers use at their discretion. Managers may exhibit a risk tolerance that differs from the shareholders' risk tolerances because of the uneven distribution of risk. This agency problem is a manifestation of **moral hazard**. Conversely, a consequence known as the "agency cost of debt" emerges when the cost of debt

increases because management engages in projects or behaviors that benefit shareholders more than bondholders, for example, taking on riskier projects that offer a high payoff may benefit shareholders but the higher risk the probability of default on debt obligations.

*Expropriation:* In the context of principal-agent problems, expropriation occurs when an agent transfers or diverts wealth from the principal to another party that the agent wishes to benefit (this can include the agent and related parties). This includes the cases identified below in relation to controlling shareholders. Other examples include:

- A manager purchases (sells) an asset at an inflated (deflated) price from (to) a party in which the manager has a vested interest. This is direct expropriation.
- Financial planners are expected to act in the best interests of clients but may have financial inducements to recommend products that are not best suited to the client's risk and return preferences. Although indirect, this can be regarded as expropriation because the agent is enriched by their actions but at the client's expense.

Applications of agency theory in corporate contexts also include problems where the preferences of individual shareholders differ from the best interests of the corporation as an entity and where interests can differ between shareholders. These may have the ethical implications for the actions of either shareholders or managers. For example:

- A shareholder's short-term liquidity needs may be best served by high dividend distributions that can reduce the corporation's ability to invest in profitable opportunities or create liquidity problems for the corporation, thus adversely affecting the value of the corporation (conflicting with the interests of some other shareholders) or the future survival or growth of the corporation. This conflicts with the interests of the corporation as an entity and may conflict with the interests of other shareholders.



- Some corporations have controlling shareholders and minority shareholders. Controlling shareholders can usually determine board membership and thus appoint executives and influence management decisions. Through these means, controlling shareholders can act against the interests of the corporation as an entity or against the interests of other shareholders. For example, a controlling shareholder might use their power to have family members appointed to managerial positions when they are not the best choices for such roles (**nepotism**), facilitate the **expropriation** of corporate assets, or cause the corporation to invest in projects that enrich the controlling shareholder or related parties but which are not the best investment options in terms of corporate value (a form of expropriation known as tunneling).

Because potential agency problems create uncertainty for principals as to agents' behaviors, market forces (including those in capital markets, managerial labor markets, and product markets) may provide incentives for the principals and agents to agree to monitoring arrangements designed to reduce that uncertainty. If markets fail in this regard, there may be regulatory responses intended to reduce the uncertainty if it is perceived by regulators that this is in the public interest. This is the basis for many regulations that are associated with information asymmetry, including restrictions on "insider trading" of shares, and corporate disclosure requirements and related **audit and assurance** requirements.

The regulation of corporate financial reports to shareholders is intended to reduce the information asymmetry problem by requiring management to report on their financial performance and stewardship. Requirements for independent audits of those reports are intended to reduce the uncertainty that attaches to the corporate financial reports, which are prepared and presented by management. The multilateral relationships between managers, shareholders, the corporation, and auditors give rise to a complex set of agency issues. In most jurisdictions, the auditor is effectively chosen by management; in jurisdictions requiring shareholder ratification, the auditor

selection process and contract negotiation are nonetheless controlled by the board of directors (or its equivalent). The auditor has contractual and statutory obligations to the corporation and its shareholders but is chosen by directors who oversee the auditor's contractual and remuneration arrangements. In addition, the auditor engages closely with corporate employees, including executives, in the conduct of the audit. The processes for selecting and remunerating auditors, and their working relationships with officers and employees of the corporation, are threats to **auditor independence**, which is fundamental to their role in alleviating the uncertainties attaching to the corporate financial reports provided by management. This concern receives substantial attention in the codes or standards concerned with the ethical conduct of auditors.

## Summary

Applications of agency theory are broadly concerned with economic consequences and contracting behavior that are examined in the context of rational expectations. The ethical implications of agency theory are largely concerned with agents' breaches of their duties to principals. Agency theory informs many discussions and debates in business and professional ethics and has substantially influenced developments in corporate regulation.

## Cross-References

- [Conflict of Interest in Research](#)
- [Corporate Governance](#)

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## Aggressive Tax Avoidance and Business Ethics

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### Synonyms

Aggressive tax minimization; Aggressive tax planning

### Introduction

In a purely economic view, corporate taxes reduce the profit that can be distributed to shareholders. Insofar as the owners of the company and the managers who run the company on its behalf pursue profit maximization, measures are implemented that maximize the present value of cash flows after taxes considering legal and reputational risks. Strategic and operational business decisions are made taking into account their tax consequences; for existing investment and production programs, opportunities are sought to represent them for tax purposes or to exercise tax options in such a way that tax payments are minimized. It is generally assumed that the owners or management comply with the relevant legal framework, i.e., do not deliberately violate legal regulations in order to increase profits.

For both empirical and normative purposes, it is helpful to define different forms of tax minimization or tax avoidance to distinguish the term “aggressive tax avoidance” from other modes of tax avoidance. For empirical purposes, a purely quantitative definition of the extent of tax avoidance measured by the effective tax rate is usually sufficient. However, for a qualitative case-by-case analysis or a normative analysis, a more substantively precise definition is needed that addresses the motivations and instruments behind the tax planning action.

## Aggressive Tax Avoidance and Other Forms of Tax Avoidance

*Aggressive tax avoidance* is defined as the artificial (non-genuine) arrangement of transactions undertaken predominantly by rational agents with the objective of tax optimization, leaving the actual value creation process of the involved economic entities, i.e., the economic substance, essentially unchanged. In interpreting tax laws, the letter of the law dominates over the law’s democratically legitimized intent or spirit (see for the following Lenz 2020).

If aggressive tax avoidance steps over the line, which marks the boundary of tax laws, such a behavior is called *abusive tax avoidance*. Many tax jurisdictions contain General Anti-Abuse Rules (GAAR); see for a recent example the European GAAR in Article 6, Paragraphs 1 and 2, of the EU Council Directive 2016/1164, which explicitly requires that the purpose of such a tax arrangement is contrary to the spirit or purpose of the respective tax law. Moreover, abusive tax avoidance is illegal, i.e., the tax declaration is not recognized by the tax authorities, and therefore the desired tax consequences do not occur. Still, such tax planning behavior is regularly not a criminal offence.

In contrast, *responsible tax avoidance* or *tax compliance* considers the intent and economic substance required by the respective tax laws in a specific jurisdiction. Therefore, such a tax planning behavior is perfectly legal and operates within the letter and the spirit of the tax laws. On the opposite side, *tax evasion*, i.e., illicit, deceptive, and fraudulent behavior, violates the letter and spirit of the law and may be punished by imprisonment in severe cases.

So far, tax avoidance and tax evasion have been distinguished according to their respective degrees of legality. However, there is also an increasing debate in the public sphere and subsequently in the business ethics literature about how the various forms of tax avoidance are to be evaluated according to *ethical criteria*. First, this can be investigated purely by empirical-explicative means: What are the criteria by which people morally judge corporate taxpaying behavior, and

what are the reasons and consequences of such behavior? Second, normative questions can be asked: Are there any reasonable and justified philosophical arguments for judging certain forms of tax avoidance as socially undesirable? The empirical and normative dimensions in a business ethics analysis of tax avoidance must be strictly distinguished because no normative judgments follow from purely empirical research. For example, according to Hume, it is not possible to derive an “Ought” from an “Is,” i.e., to argue the group tax rate of Apple Inc. in its consolidated statement for the fiscal year 2019 is only 13%, and that is morally wrong and, therefore, should be prevented.

### **Empirical Observations: Large Multinational Companies as Tax Avoiders**

Several studies show that huge multinational companies (MNCs) use their profit-shifting opportunities to avoid taxes. Based on macroeconomic data, Torslov et al. (2021; see also for details and data <https://missingprofits.world>) assessed in a cross-country analysis that 36% of MNCs’ profits were shifted to low-tax countries in 2015. Commonly adopted modes of profit shifting are transfer mispricing, location of intellectual property in low-tax countries, international debt shifting, tax deferrals, and preferential advanced tax-rulings. A meta-analysis shows that the tax sensitivity of MNCs reported profits to tax rates are high: A one-percentage-point higher corporate tax rate will decrease the reported profits of an MNC subsidiary by 1% (cf. Beer et al. 2020). Thus, it can be concluded that tax avoidance by MNC is a fact.

### **The Normative Evaluation of Tax Avoidance and Tax Evasion**

Because the obligation to pay taxes is laid down in tax laws, the ethical assessment of corporate tax-paying behavior is closely linked to general statements about the interpretation of and compliance

with regulations (duty to obey the law). In principle, all forms of tax avoidance and evasion could be subject to ethical evaluation. From a business ethics perspective, it is *prima facie* undisputed that responsible tax avoidance in a democratically legitimate state is morally unobjectionable, and tax evasion is mainly seen as not only illegal but also ethically reprehensible. Responsible tax avoidance is acceptable, among other reasons, because the state often grants explicit tax advantages to steer investments in a specific direction. For example, the state desires the use of tax reduction opportunities by companies to achieve allocation targets, i.e., more investments into green technologies.

On the other hand, tax evasion is not only illegal but also ethically reprehensible because the tax-collecting state is deliberately deceived, and ethical approaches will generally evaluate fraudulent actions as morally wrong. The whole argumentation so far is based on the equation “illegal = illegitimate,” but this is only valid if the tax laws themselves can be morally justified, i.e., they are part of a democratic, liberal, and at the same time fair and just tax system. Even in well-functioning democracies, the tax system can be deemed unjust, and in corrupt and criminal states, there can be good philosophical reasons to evade taxes (cf. McGee 2012).

However, the central normative ethical problem predominantly discussed in the literature lies in evaluating aggressive or abusive tax avoidance practices. Thus, consequentialist (utilitarian), deontological, or virtue ethical approaches are mainly used for justification purposes (cf. Scarpa and Signori 2020).

### **Utilitarian Evaluation**

Utilitarianism is the best-established form of consequentialist ethics. In consequentialism, the moral evaluation of action depends exclusively on assessing the consequences of this action for the concerned stakeholders. A utilitarian analysis actually requires a quantitative assessment of the benefits and costs of aggressive versus responsible tax avoidance for stakeholder groups, i.e.,

government, management, shareholders, creditors, employees, and so on. The sum of utility and disutility must be calculated for each stakeholder group and summed up. From an economic perspective, corporate taxes are borne by individuals, not by the artificial legal entity of the company; this is shown theoretically and empirically by tax incidence studies. Therefore, tax avoidance may benefit shareholders via share price increases, employees via higher wages, and consumers via lower product prices. These benefits must be offset against the cost of foregone taxes. A utilitarian analysis must solve many intricate problems: (i) defining the concerned stakeholders; (ii) predicting the consequences of tax avoidance; (iii) measuring of benefits and costs requires knowledge of the preferences of the people affected; (iv) ensuring that maximizing utility does not lead to unacceptable inequalities in society. According to their own assessment, Payne and Raiborn (2018) give only a rough qualitative estimate of the positive and negative effects of aggressive tax avoidance.

## Deontological Evaluation

In deontological ethics, acts per se are characterized as dutiful (right) or non-dutiful (wrong) regardless of their non-moral consequences, which are not directly part of the description of the act; they are thus commanded or forbidden relative to a justified moral imperative. The ethical evaluation depends on specific act characteristics, not primarily on consequences. The best-known form of deontological ethics is Immanuel Kant's ethics of duty, in which moral obligations are justified with the help of the Categorical Imperative (CI, *universal law of nature formula*) as a formal test procedure: "so act as if the maxim of your action were to become by your will a universal law of nature" (Kant 1786/2012, p. 34). Concerning tax avoidance, the central normative question in this approach will be: Is aggressive tax avoidance as a maxim of action in tax planning situations conceivable, or can it be willed as a maxim of action applicable to all in the society (cf. for details Lenz 2020). If the strong

universalization of this maxim leads to a contradiction in conception or will, the action is prohibited; otherwise, it is permitted. A contradiction in conception arises if a world with widespread, pervasive tax avoidance practices is inconceivable because such a practice would destroy the tax system and the rule of law; acting according to the generalized maxim is then no longer possible. A contradiction in the will results when people do not want to live in a world in which all act according to this maxim.

The following example demonstrates the Kantian procedure for a *contradiction in conception test* in four steps (cf. Lenz 2020):

### Step 1:

The formulation of the maxim (from purposes and a hypothetical imperative): In type S situations (= a relevant and applicable legal norm with interpretation opportunities exists), I will do act A (= *abusive or aggressive legal interpretation*, e.g., of tax laws) to achieve objective O<sub>1</sub> (= personal advantages, e.g., minimization of taxes), and I wish to simultaneously pursue objective O<sub>2</sub> (= use of a tax-financed stable, predictable, easy to administer and just legal system).

### Step 2:

The formulation of the corresponding (natural) universal law: Of necessity, every person who pursues objectives O<sub>1</sub> and O<sub>2</sub> undertakes act A in situations of type S.

### Step 3:

Does a practical contradiction in conception arise if one wants the maxim to be a general (natural) law?

### Step 4:

If the previous step results in a practical contradiction, act A (= abusive or aggressive legal interpretation, e.g., of tax laws) corresponding to the maxim would be prohibited; otherwise, it would be allowed.

In decisive step 3, a world is imagined in which all – adverse parties, judges, civil servants, lawyers, tax consultants, financial statement auditors, tax auditors – use abusive and aggressive legal interpretations. This could lead to a practical

contradiction in conception, because the presumed concept of a fair and just system of law (purpose O<sub>2</sub>) would then be destroyed *at least in the abusive case*, e.g., the institution of the rule of law (including letter and spirit) would be endangered.

The group of deontological ethics also includes Rawls’ contractarian approach. Rawls’ (2001) conception is predominantly part of political philosophy; its primary purpose is to establish the principles of a free, liberal, and just society. This includes the difference principle: inequalities in a society are only justified if they improve the position of the least advantaged. A fair tax system can contribute significantly to this. Rawls (2001, p. 160 et seq.) himself makes only parsimonious remarks about fair taxation; even a purely consumption-based tax system can also be designed to be fair. Moral psychology stabilizes such a system based on reason: If institutions, e.g., the tax system, are perceived as just or fair, people are willing to contribute and develop trust provided that free riders are sanctioned appropriately. This results in sound “tax morale (tax compliance),” which supports and stabilizes the system (cf. Alm and Torgler 2011). On the other hand, tax morale can erode if taxpayers feel that too many individuals and companies are abusing the system through aggressive tax avoidance.

Virtue Ethics

Virtue ethics approaches emphasize forming and strengthening a person’s character, which should contribute to a meaningful and flourishing life within a cooperative society. Virtues are character traits acquired by education and habit formation that contribute to the success of communities. Following the Aristotelian tradition, they try to identify and justify personal qualities that serve this purpose. The approach is beneficial because it focuses on the individuals acting on behalf of the companies, the tax practitioners, and tax advisers. Concerning tax avoidance, the central normative question in this approach is: what virtues should tax practitioners and tax advisors have? Candidates for such excellent virtues are courage, justice, honesty, and integrity (cf. West 2018). For example, a virtuous tax advisor could ask: Is a particular tax avoidance scheme based on a balanced, fair interpretation of the tax laws considering their letter and spirit, and do the tax authorities have all the necessary information to assess it appropriately?

Conclusion

The major ethical approaches discussed in the literature on tax avoidance, their normative

**Aggressive Tax Avoidance and Business Ethics, Table 1** Major ethical approaches in the normative tax avoidance literature and their normative and empirical research questions

| Ethical approach          | Business ethics research questions                                                                               |                                                                                                                         |
|---------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
|                           | Normative criteria                                                                                               | Empirical                                                                                                               |
| Utilitarian               | Comparing utility for responsible, aggressive, and abusive tax avoidance for impacted stakeholders.              | Assessment of benefits and cost of responsible, abusive, and aggressive tax avoidance for different stakeholders.       |
| Deontology: Kantian       | Is aggressive or abusive tax avoidance permitted or prohibited under the Kantian Categorical Imperative test?    | What duties actually influenced decisions about whether to engage in responsible, aggressive, or abusive tax avoidance? |
| Deontology: Contractarian | Identification and justification of criteria for a just and fair tax system of a liberal and democratic society. | Reasons and consequences of real tax attitudes (tax morale) in different societies.                                     |
| Virtue Ethics             | Identification and justification of virtues for tax practitioners.                                               | Reasons and consequences of observable intellectual and moral character traits of tax practitioners.                    |

criteria or cores used, and the empirical questions they raise are summarized in Table 1.

For future tax avoidance research, it is fruitful to clarify open fundamental normative questions within and between ethical theories and, secondly, to keep normative and empirical analyses clearly separate but nevertheless connected. For example, this is necessary to determine the potential gaps between normative requirements and actual behavior.

## Cross-References

- [Ethical Analysis of Tax Avoidance](#)
- [Ethics of Tax Reform](#)
- [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- [Good Tax Governance](#)
- [Piketty and Wealth Taxes](#)
- [Tax Compliance in a Voluntary Reporting Environment](#)
- [Tax Havens](#)
- [Tax Justice Network](#)

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## Aging and Ethics

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## Synonyms

Aged population; Ageism; Aging workforce; Elderly; Gerontophobia

## Introduction

The salience of ethics in relation to aging is more pronounced in advanced economies, particularly Western, for three reasons: the relative size of the aging population is increasing because of fewer births; longevity has increased and the vitality of the aged in terms of physical mobility and health has greatly improved; and financial security, largely because their working lives occurred predominantly in a period of sustained economic growth, has significantly increased. In fact, people aged over 65 – the category which previously implied old, retired, and in a process of physical and mental decay awaiting death – have now been re-categorized in the “young-old” and the “old-old” (those aged 85 and above). Four major ethical concerns emerge in relation to the contemporary phenomenon of aging: (1) an aging workforce, (2) the social contribution and cost of a large aged population, (3) the impact on government expenditure of increasing healthcare costs, and (4) end-of-life decisions. The first three are considered below, while the fourth requires an entirely different ethical debate.



While it is still largely true that there is greater respect for older people in non-Western countries, this varies in intensity among countries and regions and appears to be slowly declining as these more traditional countries are impacted by Western cultural mores.

## Ageism

Age becomes an ethical concern when some form of ageism occurs. Ageism is defined as casual or systematic stereotyping and/or discriminating against people on the basis of their age. At the lower end of the scale, prejudice manifests when people are prejudged or an opinion about them is formed before taking into account the facts and context of a case. Systematic bias, a second level of ageism, often occurs because of this prejudice by limiting people's potential to show their capability and thereby contradict cultural assumptions. Another level of ageism in practice is discrimination, which refers to actions denying or limiting rights and opportunities to people on the basis of age: an example of this is a compulsory retirement age. The most extreme form of ageism is elder abuse. This is defined by the World Health Organization as "a single or repeated act or lack of appropriate action, occurring within any relationship where there is an expectation of trust, which causes harm or distress to an older person." Studies indicate that elder abuse primarily manifests as psychological abuse and neglect. However, financial abuse and, to a lesser extent, physical abuse also occur. Psychological abuse, such as the lack of emotional warmth and care, and neglect are often not so much willful as the outcome of patterns of family organization and lack of respect or filial responsibility. As well as elder abuse, which largely happens within families or aged-care facilities, an extreme form of ageism is hostile prejudice, stereotyping older people in a hateful and aversive way, to the extent of gerontophobia, that is, hatred based on a fear of growing old.

## Ageing in the Workforce

The impact of aging on the workforce varies considerably across cultures. For example, Organisation for Economic Co-operation and Development (OECD) countries, regarded as representative of advanced economies, will experience a considerable aging of their workforce. Between 2000 and 2020, it was predicted that the number of people of pensionable age will have risen by 70 million while those of working age will have increased by about five million. It is also predicted that, in 2020, 25% of the US workforce will be 55 years or older – a phenomenon called The Silver Tsunami. The proportion of people over 65 is highest in Japan (26.3%), but in Europe it is also significantly high (e.g., Italy 22.4%; Germany 21.2%). The effect of aging on the workforce varies according to diverse factors such as a livable pension, the level of social security, and the demand for particular skill sets. Despite the potential demand for older workers to remain in the workforce, negative stereotyping continues to be a major obstacle. This negative stereotyping is deeply culturally engrained. This has been shown in word association tests where "old" is negatively associated with various traits.

According to the research by Gringart et al. (2013), the many characteristics of such stereotyping can be grouped in three domains – all based on an implicit or explicit comparison with younger people. The first domain is interpersonal. From a positive perspective, older people are seen as more reliable and harder working. However, negatively, they are considered as less cooperative, less willing to subordinate, and too cautious. The second domain, work performance, incorporates beliefs such as being less capable with new technology, more accident-prone, and indecisive. The third domain is not work specific but includes ageist misconceptions that older people are less healthy, less creative, less mentally alert, and less efficient. In contrast to these stereotypes, research by Roberts et al. (2006) on patterns of mean-level change in personality traits across the life course shows a different story. The "Big Five" trait of agreeableness appears to spike upward from around age 45 and then continues with slight increments from 55. The trait of conscientiousness rises

dramatically from age 20 and continues to rise strongly to age 65 before plateauing. Moreover, optimum levels of emotional stability from 55 to 65 suggest the potential for positive organizational cultural influence of older workers. However, the stereotype is partly supported by a slight decline in openness to experience from about age 60, although this may be due to diminishing social circles with retirement, children's departure from the home, and deaths of friends and family.

The main ethical concern in appointing or retaining older people in the workforce appears to relate to stereotypical attitudes and beliefs held by employers and fellow employees.

### **Social Contribution and Cost of an Aged Population**

With older people's withdrawal from paid employment, an attitude concerning their lack of usefulness to society can implicitly emerge. Yet there is good evidence that older people contribute significantly to social capital understood as relationships that contribute to the number and quality of social ties, which in turn contribute to trust, reciprocity, and community benefit. It is true that as people age, and particularly as they reach the "old-old" category, they are likely to be more dependent on their adult children for support. However, this varies considerably with the socioeconomic status of the older person, ethnicity, cultural norms of obligation, and family situation (e.g., divorce or spousal death).

Despite the growth of aged care facilities and families' geographical dispersion, many older people express a preference to age in their own home. Allowing this to happen does involve ethical decisions by families, communities, and governments because with increasing physical frailty, greater levels of in-home support will be needed to ensure medical directives and appropriate nutrition are maintained as well as to provide assistive technologies. This comes at a price that is funded by taxpayers. Within a neoliberal political economy of low taxes and low government expenditure, there is a high likelihood that sufficient levels of care for in-home aging cannot be maintained,

thus raising political-ethical concerns. Diametric to in-home aging is the retired persons' gated community which restricts entry to particular types of people, mostly by age, but very likely (and implicitly) by ethnicity and socioeconomic status. According to Blakely and Snyder's (1997) *Fortress America*, these communities can produce a sense of collective citizenship and provide salubrious spaces and activities. Yet the ethical question of reverse discrimination by older people arises, and the social question of the potential loss of wider community diversity is also a consideration.

### **Impact of Increasing Healthcare Costs on Government Expenditure**

It is incontestable that, collectively, as people age they acquire more illness, disease, and/or disabilities. For example, in a developed economy like Australia, with a universal healthcare and subsidized pharmaceuticals, older people living in households have been found to have significant levels of medical conditions: almost half had an arthritic condition, about 40% had hypertensive disease (38%), 22% had heart and vascular diseases and stroke, 15% had diabetes, 7% had cancer, 10% had potentially disabling age-related vision problems, and 35% had hearing loss. About 93% of dementia cases occurred in the over 65 age group. Forty-nine percent of people aged 65–74 had five or more long-term health conditions, increasing to 70% of those aged 85 and over. Not only will the number of older people with these conditions increase, but there also may be increases in expectations about the standard of health services. As older people will comprise a growing proportion of the voting public, it is possible that they can skew already limited welfare spending toward them. For example, 60% of the public healthcare cost was spent on 15% of the European population aged 65 and over as their healthcare costs are three to five times higher than for those under 65.

There is a growing sense of intergenerational injustice favoring the older population in developed countries. The evidence about this is mixed and fairly difficult to determine because, among other factors, older people may not necessarily vote for



their own age group's interests but for fiscally conservative or pro-environment parties, for example. Research by Tepe and Vanhuysse (2010) shows that the countries most heavily biased toward the elderly in public policy spending are the USA, Japan, Switzerland, Austria, and all Southern European welfare regimes. On the other hand, Scandinavian and Anglo-Saxon countries (except USA) had the least pro-elderly regimes. Complicating the picture further are the changing structures of government policy in the "post-welfare" era and the emergence of more recent social phenomena such as women in full-time career-based employment. Another complicating factor is the political psyche of those aged 45 and under. These are people who grew in an age where neoliberalism replaced the welfare state as the prevailing political ideology – thus becoming more cognitively constrained (as suggested by Goerres and Vanhuysse 2011), namely, that they may have more limited expectations of what a state could or should provide.

Community decisions about where to spend the shrinking social welfare budget present ethical problems at both individual and government level. For example, should those who lived in a time of increasing GDP/head and relatively full employment be expected to have shown sufficient responsibility to fund their own retirement? Would this even have been possible considering the amount needed to be set aside each year of one's working life? Should the social norm or expectation of governments providing retirement income and health benefits, which existed until the 1990s, be retrospectively changed? While these are concerns about our current aged population, the question will be one faced by those who are currently 45 or younger. The average rise in life expectancy at birth within OECD countries rose by 6 years between 1983 and 2008 to an average of 79.3 years (with Japan highest at 82.7). Notably, the USA (77.9) is below the OECD life expectancy average.

Related to this concern is the cost of maintaining life, particularly in cases of extended morbidity (such as Alzheimer's disease) and terminal disease. Given the capability of modern medical technology to sustain life beyond what was formerly possible, several ethical questions emerge.

The most obvious question is to define life and death. However, from a business perspective, a major concern is the extent to which the state has a responsibility to use taxpayer money for expensive treatments and hospitalization to maintain life, particularly in terminal cases.

Not only is this a state responsibility in terms of legislation regarding end-of-life decisions, but it is also likely to be played out in thousands of individual situations where families will need to make decisions where the boundary conditions will be strongly determined by the policies of public and private hospitals and the families' financial status. While private hospitals may have the legal right to exclude or terminate entry to extended end-of-life treatment, public hospitals will most likely not have that option. Consequently, thousands of private anguished decisions will ultimately have a public impact. An Australian study found that care of people aged 65 years and over in their last year of life represented almost 9% of all hospital inpatient costs (Kardamanidis et al. 2007). Paradoxically, hospital costs fell with age (in the 65 and over age group): people aged 95 years or over cost less than half the average costs per person of those who died aged 65–74 years (AUD 7028 versus AUD 17927). Costs rise almost nine times from 6 months prior to death (AUD 646 per person per day) to the last month of life (AUD 5545 per person per day). Costs also vary by disease (e.g., cardiovascular diseases cost AUD 11069 in inpatient costs while genitourinary system diseases cost AUD 18948). Given the capacity for hospitals and insurance companies to determine likely costs for different medical conditions, it is plausible that some private hospitals may choose to exclude certain types of patients according to their disease type.

## Benevolent Prejudice

A borderline ethical issue related to age-based prejudice is benevolent prejudice, which occurs when older people are pitied or patronized because they are seen as incompetent or deficient. Although often well-intentioned, benevolent prejudice is nonetheless founded on stereotypes and produces

feelings of disrespect and diminution in older people. Typical of such behavior is speech overaccommodation when younger people, often carers, talk to older people. This is characterized by speaking more loudly and more slowly, with excessive politeness and intonation, and using simple sentences (baby talk). At a more serious level is the tendency to withhold information or the expression of serious thoughts and feelings for fear of upsetting the older person.

## Possible Futures

While aging brings physical decrements, it is also clear that, with the emergence of the concept of the young-old in particular, aging people have much to offer to organizations as paid workers or volunteers and to society in general. For example, a characteristic of older people is generativity (first identified by Erikson 1950), namely, a personal inner desire to support the next generation based on the motivation of a conscious concern for their welfare. This characteristic is associated with belief in human goodness, according to researchers McAdams and De St Aubin (1992). It is also known that older people are capable of better moral reasoning than younger people. By allowing this generative desire to be expressed, organizations and society can provide experience-based knowledge to assist younger and less experienced people in dealing with difficult situations.

Changing family and work structures as well as geographic mobility leads to increasing disconnections between children and their grandparents. Despite the increasing longevity of grandparents, the potential for older people to develop strong relationships with their grandchildren may be limited by social class. Evidence shows that children from the most advantaged families are most likely to access this valuable grandparent resource. On the other hand, children in single-parent families and those with less educated mothers will be far less likely to access their grandparents. Not only is this an indirect social deficit for the child, but it also contributes to the social alienation of older people.

In each of these cases we see the problem that underpins the ethical concerns about ageism listed

at the start, namely, that of inaccurate and unfair perceptions and evaluations of older people. Thus, developing more ethical approaches to the aged might well be assisted by challenging the often implicit assumptions that we hold about aging. At the same time, particularly as greater numbers of older people move into the old-old category, these more localized and interpersonal problems of aging will most likely spread to the public sphere forcing governments and those who vote for them to make significant decisions, some of them deeply existential, about caring for the infirm aged and about where the boundary of life ends.

## Cross-References

► [Human Dignity and Business Ethics](#)

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## AI and Corporate Responsibility

### *How and Why Firms Are Responsible for AI*

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### Synonyms

AI; Artificial intelligence; Big data; Technology

### Introduction

When companies develop and use technology, who is responsible for the moral implications design during development and impacting stakeholders during use can be contested. This entry explains how we think about corporate responsibility around the design, development, and use of AI.

### AI and Corporate Responsibility

When a firm develops an AI program, that firm makes value-laden decisions as to who is important, who should be considered, and who can be ignored in a given decision. For example, in a mortgage approval program, the computer scientists train the algorithm on previous applicants including who was approved and rejected over a number of years. The AI program “learns” the

attributes of individuals who are more likely to be approved. In any given data set, some people will be well-represented with all the data filled out and some will not have all their data included. Some types of people will be completely missing from the data. Data and computer scientists need to decide how much to punish people who are not represented or not well represented in the data. In addition, these same data and computer scientists make assumptions about missing data, how to treat outliers or edge cases, and how morally important it is to include more people in the model. In other words, if the predictive mortgage approval model does work well with certain people, should we care? Does it matter? How much should a bank care?

All this is to say that the firms that develop AI programs make value-laden decisions during design and development (Martin 2019). And that these decisions have moral implications for the firms that adopt the AI program and the users who are subject to a particular AI program. This runs counter to the mistaken belief that AI is somehow neutral or operates outside human involvement. In fact, these data and computer scientists have to make value-laden decisions throughout the development process.

- *Training and Live Data.* When algorithms are developed from training data, who is represented in the training data and how the data is labeled directly impacts the creation of the algorithm. For example, when facial recognition is trained on primarily white men, the result is an algorithm who identifies white men moderately well but identifies black women incorrectly the majority of the time (Buolamwini and Gebru 2018). The model that is developed on a specific training data set may also be tailored to that training data and ineffective when applied to live data, causing harms, breaking rules, and reinforcing existing power dynamics.
- *Development of the Model.* Computer scientists make assumptions about the type of data, how the data is distributed, whether data is missing (and how bad is it for data to be

missing), and whether the algorithm should care about outliers (and how much should it care). These are all value-laden decisions about individuals.

- *Outcome Chosen.* How does a particular outcome favor certain groups of people and how well does the outcome represent the phenomenon of interest? For example, we use GPA as a measurement for “good student in college” sometimes, but that does not mean that the GPA as an outcome is a good measurement of the phenomena we are interested in.
- *Mistakes.* All AI programs generate mistakes – people are mischaracterized and misidentified. Sometimes AI predicts someone will commit a crime and they do not, which is a false positive. Other times AI programs will predict someone will not commit a crime and they do which is a false negative. The types of mistakes (false positives versus false negatives) vary across decision contexts as well as which mistakes are more preferable for a given decision. For example, in the criminal justice system, we *prefer* false negatives: we prefer in the United States that someone be falsely set free rather than falsely imprisoned. Not only do computer scientists influence that types of mistakes that are more common with a given AI program, but they also influence whether or not the inevitable mistakes are able to be identified, judged, and fixed by users of the AI program. AI programs that are developed to be inscrutable, e.g., declared proprietary or designed to not be accessible by the firm that uses the AI program, allow the inevitable mistakes to continue by not allowing users to identify, judge, possibly fix mistakes.
- *Contestability.* While people like to think that AI and related computer programming approaches are inscrutable, computer scientist Joshua Kroll notes that “inscrutability is not a result of technical complexity but rather of power dynamics in the choice of how to use those tools” (Kroll 2018). In other words, making a program difficult to use or making the mistakes created by the program difficult to identify, judge, and correct is a design decision.

In fact, developers of AI programs should make their programs contestable (Mulligan et al. 2020), where subjects of the AI program are able to contest any decision made about them. This would require a certain amount of transparency and accountability in the design depending on the context of the decision and the types of users subjected to the program.

- *Assessment of AI.* The computer scientist influences how the AI program is assessed that it “works.” While we regularly, in the popular press and in academia, claim that AI is “accurate” or “efficient,” these measurements are actually constructed in the design for many programs. For example, one might need to know for whom is the program accurate and for whom is it not accurate. And, the efficiency gains for a company implementing AI programs may also mean that a bad decision is being made faster. We normally do not see mere efficiency as a goal for decision making. If we are hiring or arresting the wrong people, making those types of decisions faster with the aid of AI does not make the entire organization more efficient and may offload some of the work onto others. In fact, even the idea of prioritizing claims of accuracy and efficiency is a value-judgment that may work for the developing firm but not for the firm adopting and using the AI program.

### Why Firms Are Responsible for AI

While the data and computer scientists make value-laden decisions in developing the AI program, the firm that *uses* the program is responsible for the ethical implications of their business decision. In other words, the bank is still responsible for making mortgage decisions, insurance companies are still responsible for adjudicating insurance claims, and firms are still responsible for their hiring decisions *even if* they augment their decision with an AI program. This places a distance between the moral decisions of development and the ethical implications in use.

Hence, the introduction of AI to decision-making increases what scholarship has called moral distance. Scholars use this concept to

explain why individuals behave unethically towards those who are not seen. With AI decision-making, face-to-face interactions are minimized, and decisions are part of a more opaque process that humans do not always understand. Therefore, the issue regarding AI and moral distance is that firms miss the moral implications of their decision, for which they are responsible, being blinded behind the veil of AI (Villegas-Galaviz and Martin 2022).

Firms are responsible for the development, deployment, and use of AI in the same manner these same firms are responsible for the many business decisions they make about the products they develop, the materials they purchase, and the decisions about individuals that they make. Firms are responsible for the products and services they sell in that they have an obligation to not cause harm, act in a manner that does not further disadvantage the less fortunate, abide by the values and norms of society, and follow the law. Firms are similarly responsible for the decisions, augmented with AI, they make about individuals, employees, and users in that they have an obligation to treat people with dignity and respect, act as if individuals are an end and not a mere means to be used merely for the firms benefit, and to not create harm or diminish rights. The introduction of AI into an organization does not remove their responsibility for their actions.

### Approaches to Take Responsibility for AI

Our ethical concepts, traditions, theories, and approaches can be seen as a way to close the gap between those making value-laden decisions and the ethical implications of those same decisions. In other words, these theories and approaches help the data and computer scientists understand better the ethical implications of their work. And, for firms adopting AI, these approaches provide a roadmap of the types of questions one should ask about the design and development and use of a specific AI program. Here we focus on more than mere consequentialism, which would only ask firms to calculate the possible net benefits or harms caused by the development, deployment, and use of AI. Consequentialism has the same

deficits as an ethical tool when applied to AI decisions: the harms to the few who are considered marginalized, without a voice, or “edge” cases can be ignored in order to benefit the more powerful. Instead, we focus on those ethical approaches that would help firms take responsibility for AI and decrease the moral distance exacerbated by the use of AI.

#### 1. Deontology

In the field of AI and business ethics, much work has been done to find the right set of principles or AI ethical guidelines. Deontology, or principle-based ethics, bases the rightness of the action in that it follows the duty of those who act. Hence, individuals should decide according to their principles or rules rather than considering the consequences or context. These attempts within AI ethics usually follow the line to bring ethical frameworks from other disciplines, especially the four essential principles traditionally used in bioethics: beneficence, nonmaleficence, autonomy, and justice. However, scholars have brought out the fact that principles are not sufficient to guarantee ethical AI and the limitations of a principled approach to AI ethics (Mittelstadt 2019).

#### 2. Justice and Fairness

Fairness and AI has become almost synonymous with ethical AI, primarily when AI has been used to sort individuals, the program reinforces existing injustices captured in the data. For fairness and justice approaches to AI, initial works focused on how algorithmic decision-making processes do not lead to more objective and or more fair decisions than those by humans, who are seen as influenced by prejudice or emotions. In fact, AI has the potential to exacerbate issues regarding discrimination, bias, and fairness. In applying fairness approaches, best practice is to distinguish questions about discrimination and questions about justice. Fairness and justice theories highlight how being predicted or categorized should not be more likely for particular groups of people and that the system of

allocating goods (the AI program) should not harm the less fortunate. Other approaches focus on equity, parity merit, and even the appropriateness of using particular attributes of individuals for a decision (Martin 2019). Discrimination law, on the other hand, focuses on ensuring the individuals are not treated or impacted differently based solely on a protected attribute (nationality, race, ethnicity, sexual orientation, gender, religion, etc.), and problems of discrimination are best examined throughout the process of design, development, and use of AI (Barocas and Selbst 2016).

### 3. Virtue Ethics

Within virtue ethics approaches to understanding AI, the character traits of the agent or subject/user is the focus. Shannon Vallor's proposals lead the way to bring virtue ethics to answer the critical ethical questions of the current era. In her book *Technology and the Virtues* (2016), Vallor proposed a virtue-driven approach to the ethics of emerging technologies, such as AI, and a kind of ethical strategy for promoting the moral character needed for the challenges of recent times. In her framework, she adapted Aristotelian, Confucian, and Buddhist ethical reflections to create a set of what she calls are the *technomoral virtues* needed for the twenty-first century. The *technomoral virtues* framework is proposed to specify how humans should act to flourish in an uncertain future, where the uncertainty comes from the changing nature of emerging technologies. There, in search of a *technomoral wisdom*, the framework proposes an adaptation of 12 virtues to the new techno-social environment, in there are virtues like honesty, self-control, humility, or civility.

### 4. Ethics of Care

More recently, the ethics of care has been used to better understand the moral implications of AI. The ethics of care is a contextualized moral theory focuses on interdependent relationships, individuals' vulnerabilities, circumstances, and the voice of the other in ethical decision-making. In AI ethics, the

contribution of the ethics of care comes in line with the understanding of how AI models may marginalize those who do not fit within the pattern created and used by those who develop and deploy AI. In its critical aspects, the ethics of care can help in the comprehension of how algorithm decision-making can create harm and ignore the needs of individuals, especially the most marginalized groups (Villegas-Galaviz 2022).

### 5. Critical Approaches

Critical theories attempt to understand the power dynamics and seeks to question not only the presumed objectivity and neutrality of analytics (Johnson n.d.) but also the power dynamics at play in building the algorithm, collecting and using the data, and deploying AI and analytics. Critical approaches seek to understand who gains and who is marginalized by the status quo. Langdon Winner (1980) is perhaps the most well-known scholar to take this approach to technology more broadly. Winner argues that technology, designed and used by society, has politics or "arrangements of power and authority in human associations." In regards to AI, critical approaches examine the development and use of AI through the lens of power – who retains power and who is marginalized – and usually makes the case for the lifting or emancipation of those who are being undermined by the use of AI.

### Conclusion

When considering the ethical implications of development or use of AI to augment decisions, business practitioners and business ethics scholars have the tools to better understand how AI can be developed and used within the given values of the firm. AI does not fundamentally change how we think about ethics and responsibility.

### Cross-References

- [Artificial Intelligence and Business Ethics](#)
- [Artificial Intelligence and Ethical Journalism](#)



- Artificial Intelligence and Teaching Values in Science
- Big Data Ethics
- Ethics and Artificial Intelligence

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## Alienation

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## Synonyms

Absence of control; Anomie; Exclusion; Isolation; Powerlessness

## Definition

Alienation refers to the *social* phenomenon where people are dominated by forces of their own creation, yet may fail to recognize their own authorship relative to institutions and processes at hand. The reification of these social constructs contributes to human alienation in all spheres of life. From a classical conflict perspective, alienation is to be found in all major institutions that comprise the superstructure of capitalist societies (e.g., religion, family, the state and state functions) and political economy. As Marx writes, “Objectification is the practice of alienation” (Marx in Bottomore 1963: 39).

## Description

Unlike more contemporary usages wherein alienation (and powerlessness and normlessness) are framed in more social psychological terms, classical conflict approaches to alienation frame the concept firmly in the relationship of people to their work and the extent to which they have control of the practice of work and the outcomes of their labors. Simply put, persons are alienated when they do not control how they work, what they produce, the value of what is produced, and its possible distribution. In this sense then, persons may define themselves as having a high quality of life and at the very same time be engaged in alienated labor. The perspective of the actor is less important within classical approaches than is the structure of work and the relationships of production.

There is a dialectical process in play here. Marx conceives of human actors as *Homo Faber* (human as the maker/worker/tool user). To be human is to work and by working is to gain some form of control over the state of nature, but at the same time, this work produces a history of the increasing alienation of humans from the natural world that their work attempts to control.<sup>1</sup> As alienation pertains to the world of work, there are four keys aspects of alienation identified in Marx's early

<sup>1</sup>For a discussion of this theme, see Tolman (1981).

writings: (1) alienation from the process of production, (2) alienation from the objects produced, (3) alienation from the self, and (4) alienation from the “species being” (or the community of others).<sup>2</sup>

Of alienated labor Marx writes, “Work is external to the worker . . . It is not part of [their] nature; consequently [they do not] not fulfill [themselves] in [their] work but deny [themselves]” (Marx in Bottomore 1963: 124). Marx frequently argues by analogy that the alienated worker is like a *homeless* person. But since we all seek to find *home* (a place where we can be who we are and find meaning and some form of comfort), the alienated worker seeks a home elsewhere – in leisure, in family, and in religion perhaps. While this may provide a home of sorts, it does nothing to resolve the homelessness of work itself. It is in this context that Marx’s famous rendering of religion as being the opiate of the masses is to be understood. For the church provides a home for those made homeless through alienated labor. Religion is not just analogous to an opiate, but it is also the *heart in a heartless world*.<sup>3</sup> Religion becomes a salve to the worker who experiences his/her “own activity as something alien, not belonging to (them), activity as suffering, (and) strength as powerlessness” (Marx in Bottomore 1963: 126).

The message here for contemporary professionals and managers is not a cheery one. The relations of the means of production that are endemic to modern capitalism are inherently problematic. That is, they treat the other as a means to an end (e.g., surplus value), and alienated labor is the very real-life manifestation of relations within the workplace. As Coser (1971: 52–53) writes, “In an alienated society the whole mind-set of (people), their consciousness, is to a large extent only the reflection of the conditions in which they find themselves and of the position in

the process of production in which they are variously placed.” Therefore, while alienation is not contingent upon the perspectives of individual actors, alienation is in and of itself a social determinate of knowledge. And if that is the case, then there is a whole social psychology of alienation implied in Marx’ writings that have provided a valuable point of departure for more contemporary theorists.<sup>4</sup> Those interested in pursuing alienation and professional ethics would be well served by post-Marxian efforts to develop related concepts that extend well beyond relationships or production. These include (1) powerlessness, (2) anomie, and (3) exclusion.<sup>5</sup> I will comment briefly on each.

## Powerlessness

Powerlessness refers to a perceived lack of ability to exercise direct control of the happenings of everyday life. It is meaningful as a source of alienation only where there is some expectancy of control. The poet might note our powerlessness against the incoming tide, but this is not alienated powerlessness, unless the person holds some expectation of control. For example, Rodman and Rodman (1991) observed that rain may be considered a socially caused phenomenon produced by those occupying the specialized role of rainmaker. In such cases, there would be a culturally based expectation of control of rain and therefore the corresponding possibility of the experience of alienated powerlessness in such a context.<sup>6</sup>

Given the potential breadth of the notion of powerlessness, Seeman (1959: 785) suggests that “in the case of alienation, I would limit the applicability of the concept to expectancies that have to do with the individual’s sense of influence over socio-political events (control over the political system, the industrial economy, international

<sup>2</sup> See Tucker’s (1978) excellent edited volume *The Marx-Engels Reader* for a fine collection Marx’s writings on these themes.

<sup>3</sup> This is paraphrased from Marx’s essay *A Contribution to the Critique of Hegel’s Philosophy of Right* in Tucker (1978). See the edited volume, *On Religion* for an extended discussion of religion in the writings of Marx and Engels.

<sup>4</sup> See, for example, Archibald’s (1989) *Marx and the Missing Link: “Human Nature.”*

<sup>5</sup> I am indebted here to Seeman (1959) however take considerable liberty with his original framing.

<sup>6</sup> See Rodman and Rodman (1991). In *The Court of the Rainmaker: The Willing Deviant* in Longana, Vanuatu.



affairs, and the like).” This limitation is consistent with the neo-Marxian interest in the extent to which people come to understand their role as history makers, even though the circumstances of that history making can never be of their own choosing. When embraced as a part of a worldview, powerlessness shifts the perspective of actors away from agency and toward determinacy (e.g., a sense that participation in democracy is a futile effort).

The experience of powerlessness is distinct from the matter of whether or not the actors at hand in fact have access to power or its legitimated form *authority*. People can and do fail to recognize the extent to which power as a social resource is available within various interactions and settings.

## Anomie

Emile Durkheim directs our attention to the experience of relative normlessness through the concept of anomie.<sup>7</sup> The modifier *relative* is rather crucial here. For anomie is not so much a condition of the absence of norms, but rather there may be so many normative options available that participants may perceive that there are no *shared* expectations of behavior. Anomie addresses the breakdown in social regulation in a community and encourages an attentiveness to the individual experience thereof. Much as Marx encourages an appreciation of how alienation can be experienced within relationships of production, Durkheim focuses on how anomie is expressed through the link between the social experiences of relative normlessness and (1) how we organize our communities and our work and (2) the social aspects of suicide (and suicide rates).

Durkheim was very much familiar with the works of the French philosopher Jean-Marie Guyau, who considered himself both a philosopher and a sociologist.<sup>8</sup> It is from Guyau’s work that Durkheim borrowed and modified the concept of anomie. Guyau and Durkheim were both influenced by positivism – holding to a greater or lesser extent

that ethics based upon theology and/or metaphysics would yield, eventually, to reason based upon the human sciences (but not exclusively so). To paraphrase Guyau, the morality of future will not only be autonomous but it will also be anomic. In this sense, anomie is not an inherently problematic concept, but rather accurately captures the transition of ethics in everyday life – from the pre-industrial moral authority of the church to the more morally autonomous and scientifically informed actor. As Orru (1983: 503) suggests:

Modern people could no longer rely on religious faith or transcendental truth. Rather, they had to find a standard of conduct within themselves, in their impulse toward life. Instead of the old aphorism ‘I must, therefore I can,’ Guyau proposes the reverse: ‘I can, therefore I must.’ The essence of human life is its impulse for action, which not only creates physical fecundity, but is the fountainhead of moral fecundity as well.

Given the strong link between the concept of anomie and the moral and normative choices of actors, it is consistent with this interest that in the hands of US-based researchers, the concept proved particularly useful in the theoretical examination of deviance and deviant designations. In his essay, *Social Structure and Anomie*, Merton (1938) makes the case for attending to the structurally situated sources of anomie and the various adaptations that individuals may make in light of structural barriers in accessing the established cultural goals and the accompanying institutionalized means. In this context deviance is associated with innovation (e.g., drug dealing), retreatists (e.g., cult members), rebels (e.g., revolutionary leaders), and ritualists (e.g., those who “go through the motions” without embracing the beliefs associated with the role).

## Exclusion

Merton’s work was influential in extending the study of alienation to the experiences and processes of social exclusion and isolation. As Seeman (1959: 788–789) suggests, “The alienated in the isolation sense are those who, like the intellect, assign low reward value to goals or beliefs that are typically highly valued in the given society.”

<sup>7</sup> See Durkheim (1979) *Suicide: a Study in Sociology* and Durkheim (1984) *The Division of Labor in Society*.

<sup>8</sup> Durkheim wrote book reviews of Guyau’s work that predate his own classics sourced above.

This argument makes a clear link between alienation, anomie, and the social isolation and exclusion of individual actors. However, isolation is profitably to be framed as the outcome of the social process of exclusion. As Lemert (1962) has so carefully argued, the dynamics of exclusion are collectively enacted by others toward the target so excluded. In process terms, exclusion is experienced as (1) identities are transformed, (2) information flows change, (3) there is an increasing disjunction between word and deed, and (4) the target directly experiences exclusion from interaction sequences in everyday life. In this sense isolation and exclusion are enacted, both formally and informally. As Garfinkel (1956) notes, we may usefully cast more formal rites of exclusion as *degradation ceremonies*. Stressing the collective nature of the exclusion of others, we thereby clearly locate the alienation that is associated with the isolation of the other as the outcome of exclusion processes. This usage of alienation holds contemporary relevance for the examination of such diverse substantive issues as employee engagement (Chiaburu and De Vos 2013), self-injury (Adler and Adler 2005), and workplace bullying (Behery and Al-Nasser 2016).

## Summary

Alienation and its related concepts continue to inform discussion of quality of life, the nature of work, employer and employee relations, and the relationship between human alienation and human rights.<sup>9</sup> The link between the social science of non-alienated work and questions of the ethical workplace are intertwined, as are issues related to management and the everyday life experiences of all in the workplace.<sup>10</sup>

<sup>9</sup>For example, Turner (1993: 493) develops a sociological approach to human rights that resists Marx' scepticism concerning rights as being "merely an ideological mask of individual property rights" of elites (1993: 493).

<sup>10</sup>See, for example, Michaelson et al. (2014).

## Cross-References

- Authenticity
- Ethics of Meaningful Work
- Marxism
- Meaningful Work

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## Altruism's Moral Heuristics

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### Synonyms

Compassion; Empathy; Eusociality; Moral motivation; Moral reasoning; Prosocial behavior; Virtue

### Introduction

The salience of moral reasoning with respect to altruistic motivation and behavior has become increasingly evident as a number of measurement scales have succeeded in distinguishing traditional moral frames. There remains, however, ongoing debates as to (1) whether perceived altruism ever counts as genuine altruism given the motivational power of the “warm glow” agents feel from their altruistic actions; (2) whether ordinary agents – as opposed to moral experts – ever truly act for philosophical reasons, as opposed to purely emotive ones; and (3) the extent to which traditional moral frames can be accurately measured and distinguished through heuristic means. Despite these debates, there is mounting empirical evidence in favor of all three suppositions. (1) The warm glow may not be the sole motivator and may be eclipsed by greater sacrifices made, (2) traditional moral framing has become ubiquitous in core college curricula within populations increasingly college educated, and (3) heuristic evaluations have been found to be effective in predicting myriad behaviors in psychology, sociology, and evolutionary biology.

Just as agents will act with varying levels of altruism depending on degrees of social bonds, risks, and sacrifices entailed, they may also act for other reasons not yet considered by current measurement tools. For example, one particular moral motivational frame that has received increasing attention is the ethics of care approach. Although this frame is not generally treated in the predominant research on altruism heuristics per se, it is sometimes considered a subset of the virtue ethical frame within this domain.

### Motivation and Behavior

Most altruism research is based on subjects' reported preferences and intentions under hypothetical scenarios. While such data are useful in assessing the extent to which agents think along emotive and philosophical lines, they are less helpful in establishing correlations between motivational framing and actualized altruistic behavior. Indeed, there has at times been shown to be some disconnection between how agents expect themselves to act in such instances and how they actually do act when the situations present themselves in reality. While there has been substantial research indicating that agents widely purport to employ moral heuristics supporting and justifying their altruistic actions, the extent to which these heuristics have been correlated with actual behavior is considerably more limited. Still, numerous independent studies have shown that agents purport to employ moral framing heuristics consistent with traditional theoretical constructs. And while behavioral data under real stakes conditions is less extensive, it broadly confirms the conceptual framing preferences revealed in hypothetical scenarios.

The traditional moral heuristics shown to most strongly support altruistic intent under hypothetical scenarios are deontology and virtue theory to a roughly equal extent, with utilitarianism in third place and egoism a strong inhibitor. When real stakes are present, the frames are somewhat less clearly distinguishable. For example, when subjects have been observed behaving altruistically in economic dictator games, the organizational

science literature has tended to extrapolate it as motivated by deontic justice framing. Alternately, when law and economics scholars have observed altruism in real-world civic contexts, i.e., voting, taxation, sustainability, etc., they have extrapolated it as motivated by virtue ethics framing. They have also found that as economic incentives become pervasive, they tend to corrode or “crowd-out” altruistic civic behavior. More recent behavioral data has found that deontological and virtue-ethical heuristics overlap as strong predictors of altruist actions, with utilitarianism in second place and egoism as an inhibitor unless the actions are made public, in which case egoism becomes a social status incentive to be perceived by others as altruistic.

## Theoretical Foundations

Traditional moral frames should not be considered as having no overlapping definitions of goodness. They naturally do, given that they are alternate perspectives of a common prescriptive reality. Their differences are therefore mainly a matter of degree and emphasis on certain aspects or poles of the moral landscape. Further, when reduced to heuristic shorthand, the more subtle distinguishing features tend to disappear, especially in the minds of non-experts. That said, the following are essential aspects of the “Big 4” western moral frames that have been found to be heuristically salient in observed altruistic behavior.

### Deontology

Deontology is defined etymologically as the logic of duty. Goodness is thereby conceived as a matter of strict rule-based principle as opposed to consequences. The theory, originally attributed to German philosopher Immanuel Kant, takes goodness to be an objective aspect of reality governed by the logic of universalizability, meaning all good acts must be logically universalizable and not self-defeating. For example, deception is always immoral since if everyone were to lie when it benefitted them, there would be no more

advantage to be derived from deception since trust – the social glue that liars exploit – would evaporate.

Moral imperatives are dictated by our own rational self-consciousness aimed at emulating the best possible world. It is this ability to acknowledge our own moral conscience together with the logical fabric of goodness that makes each of us into autonomous agents or “ends in ourselves.” It is therefore at once irrational and immoral to neglect or exploit thinking beings, for to do so would be to treat them as pawn-like objects with no intrinsic aims of their own. As such, all persons should expect to receive reasonable altruistic consideration in times of basic need, so long as others are materially disposed to provide it without thereby sacrificing their own basic needs. This norm is commonly implied in the deontic “golden rule” of doing unto others as you would have them to do unto you.

### Virtue Theory

Virtue theory defines goodness functionally as that at which all things aim, namely, self-actualization or fulfillment. It is the oldest Western moral frame, originating in Ancient Greece, notably in the works of Plato and especially Aristotle. Its approach is uniquely psychological, as it is focused on what makes a person good as opposed to what makes an action good – which other frames address directly. As such, what makes an action “good” is measured less by how it affects the world than how it shapes and reveals the character of the individual engaging in it. Essentially, one becomes good by cultivating virtues just as one learns to excel at piano by practicing the piano. The most important virtue is temperance or moderation, as immoral acts are seen as the result of placing excessive or deficient importance on certain desires.

Virtue theory is altruistic because it considers human nature as essentially social, thereby rendering virtuous development impossible in isolation. Incidentally, a growing sociobiological literature suggests that altruism has been biochemically embedded as an adaptive trait in species defined as “eusocial” including our own.

Since moral virtue is only achievable in harmonious relations with others, egoistic persons who only pursue their own self-interest are seen as conflicted, self-loathing, and ultimately unable to reach fulfillment. If such persons claim to be happy, they are thought to be confused about the nature of both goodness and happiness, which go hand in hand.

### Utilitarianism

Utilitarianism defines goodness as what is most “useful” for achieving the greatest happiness for all concerned, where happiness is conceived as pleasure absent pain. As such, and counter to deontology, it is a form of consequentialism, in which end results always justify means. The theory is most closely associated with the British enlightenment, originating in Scotland with David Hume and Adam Smith, and further developed by English philosophers Jeremy Bentham, John Stuart Mill, and Henry Sidgwick. Utilitarians believe everyone’s interests should be considered equally and that achieving the greatest balance of pleasure over pain for all is the absolute aim. While there exist more sophisticated forms of utilitarianism, including rule utility and preference utility, heuristic approaches are usually limited to the act utilitarian approach expounded by Bentham.

The utilitarian frame is extraordinarily selfless since it requires that we choose whatever action effects the greatest happiness for the greatest number. None can privilege their own position unless doing so would turn out to increase total net happiness for everyone. Utilitarianism is particularly helpful in situational dilemmas in which costs and benefits must be tabulated in order to arrive at the most “optimific” outcome for all concerned. Although its adherents take it to be just as egalitarian as deontology, it is not as deeply rooted in fairness because it upholds the consequentialist doctrine that the ends always justify the means. Thus, it may be necessary to inflict lesser harms to some to avoid greater harms to others – an option deontology rules out. Utility admits no categorical rules since any action is theoretically permitted in some hypothetical

scenario. Recent work suggests that a two-dimensional model of utilitarian psychology may exist – in lay respondents but not moral philosophers – opposing impartial beneficence and instrumental harm when considering sacrificial dilemmas.

### Egoism

Egoism is traditionally defined as the self-interested point of view. While psychological egoism has been influential in evolutionary theory and economics, ethical egoism has had few adherents in the philosophical literature. While some may postulate that Adam Smith, inventor of the “invisible hand” theory, was an adherent, he was in fact a proponent of virtue theory, only defending the profit motive as a more effective economic driver than benevolence or altruism. The German philosopher Friedrich Nietzsche is perhaps the only great thinker directly associated with egoism in both ethical and psychological forms. According to his account, human behavior is primarily motivated by the will to power. Still, Nietzsche was also heavily influenced by Aristotelian virtue theory, recognizing human nature as social.

Ethical egoism is never a direct motivator of altruistic behavior. It is not necessarily antisocial however, since apparent altruistic behavior will still be carried out either unwittingly or cynically as an indirect means of leveraging instrumental advantage. When taken to its extreme, psychological egoism can become sociopathy, namely, the clinical inability to experience empathy. Research suggests that an egoistic corporate culture has more than doubled the proportion of executives with sociopathic tendencies in corporate America than in the wider population. Some have taken this as evidence to suggest that the Great Recession of 2008 was caused in part by such a culture.

### Frame-Specific Heuristics

In the most comprehensive study of its kind, those most likely to act altruistically and to give higher amounts were found to think along *both*

deontological *and* virtue-ethical frames, espousing the following values:

### Deontology

1. I try never to break any moral rules.
2. I try to think and act logically in every situation.

### Virtue Theory

1. When I choose to act ethically, I am also choosing to become a better person.
2. Acting ethically is more personally fulfilling to me than acting unethically.

The next heuristic frame also found to be predictive of altruism and of giving higher amounts in certain instances is the utilitarian, espousing the following values:

### Utilitarianism

1. I try to do whatever brings the most happiness for the most people.
2. It matters more to feel good than to think and act logically.
3. A good intention is more important than a good result.

While the focus on intention in utilitarianism's statement 3 is traditionally more reflective of deontology or virtue theory, it was found to correlate with the utilitarian heuristics in several manipulations and demographic groups. This could reflect that respondents were thinking about the practical importance of acknowledging the goodness of right aims regardless of whether targets are reached due to extenuating or unforeseen circumstances or respondents were simply not espousing an entirely consequentialist mindset.

Conversely, the next heuristic frame, egoism, was found to be predictive of decreased altruism and of giving at lesser amounts. Interestingly, this was only the case when the giving was anonymous. When it became public, it actually predicted higher rates of altruism and giving at higher amounts, suggesting that the associated

potential for increased social status acted as a powerful motivator.

### Egoism

1. I tend to place my own interests above those of others.
2. I sometimes break a moral rule to achieve the best result.
3. The results of my actions matter more than how or why I go about doing them.

The only statement uniquely reflective of traditionally egoistic framing is statement 1. However, statements 2 and 3 were espoused along with it in several different manipulations and demographic groups. This highlights the consequentialist aspect of egoism that was notably absent in the utilitarian heuristic.

The study seemed to uncover a fifth heuristic framing not anticipated, namely, what appeared to be a kind of self-abnegation, which was consistently predictive of altruism and sometimes higher rates of giving.

### Self-Abnegation

1. Too much of anything is bad.
2. I think no one should have to suffer for the benefit of others (reversed).

These statements were originally conceived as measuring virtue-theoretical framing. However, the second reversed finding seeming to imply that some *should* have to suffer for the benefit of others. And the fact that it appeared consistently with the first statement in several different manipulations and demographic groups seemed to indicate a potential self-abnegation heuristic that is also strongly predictive of altruism. It may be indicative of internalized Judeo-Christian norms. More study is needed to substantiate these possibilities.

## Implications for Business Culture

Such findings broadly confirm that altruistic behavior is associated with moral framing



heuristics consistent with traditional philosophical approaches. Practically, however, behavioral findings indicate that moral frames may present in more nuanced manners than theoretically conceived. Specifically, there is clear evidence that deontological and virtue-theoretical norms are intertwined. As such, virtue-theoretical framing may provide a kind of psychological payoff to deontically oriented persons. Other research suggests that moral priding can function as a particularly effective motivational tool for socially conscious workers and consumers. Additionally, literature on moral crowding out has shown that instrumentally egoistic appeals tend to discourage those with moderate to high intrinsic motives. Therefore, alternate motivational avenues for such persons, directed at aims of deontology and virtue, may help to optimize socially responsible marketing strategies. Alternately, utility-oriented persons may be more moved by empathic concern for the general well-being of all. Ultimately, all four frames (excluding egoism) could be harnessed together as more effective appeals to inspire and crowd-in civic and altruistic behavior than any frame working on its own.

There is also some indication that altruism can be activated to an extent via empathic priming or experiences of awe inducing a small sense of self. Unfortunately, once altruistic dispositions fade within a cultural environment in which economic incentives are ubiquitous, they are difficult to effectively re-instill over the long term through empathic priming alone. Empathy may cloud moral thinking and its overemphasis may result in compassion fatigue. This raises the possibility that heuristic moral framing together with empathic priming might help crowd-in altruistic behavior more durably than empathic priming alone. On the other hand, it is rather more difficult to turn those with a strong sense of egoism away from what they consider self-important. It may however be possible to convince them that helping others is ultimately in their own self-interest. Evidence suggests that introducing motivational nudges rewarding those who act for the greater good with positive encouragements such as praise and social status benefits can be highly effective at least in the shorter term. But for less egoistically

oriented persons, evidence strongly suggests that appealing to moral-philosophical heuristics such as deontology-virtue and utilitarianism may be more effective than instrumental appeals to power and social status in instilling a professional and consumer culture of altruism.

## Cross-References

- [Deontology](#)
- [Egoism and Libertarian Ethics](#)
- [Materialism, Well-being, and Ethics](#)
- [Moral Self-Awareness](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Animal Ethics

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## Synonyms

Responsible treatment of animals, in accordance  
 with their moral status

## Definition

Animal ethics deals with the question how non-human animals should be treated. This implies a discussion about whether animals are morally important for their own sakes and, if so, what consequences follow for human action. Traditionally, animal ethics is concerned with individual animals and their inherent value, their interests, and their preferences.

## Approaches

As in business ethics and many other ethics disciplines, the most common approaches of animal ethics are consequentialism, deontology, and virtue ethics. What these approaches have in common is that they include sentient animals in the sphere of the morally relevant. This means we should take them into account for their own sakes when deciding about the rightness or wrongness of our actions.

### Consequentialism and Utilitarianism

In 1780, the father of utilitarianism, Jeremy Bentham, wrote down a short but famous fragment on what we would now call animal ethics: “The question is not, Can they reason? nor, Can they

talk? but, Can they suffer?” With these words, he creates the inclusion of sentient animals (animals who can experience pleasure and pain) in the sphere of the morally relevant. If a utilitarian – a consequentialist who sees welfare or happiness as the central value that should be maximized – is calculating the added or diminished value for all affected, the added or diminished value for affected animals counts as well. To put it simply, as soon as we know other creatures can be harmed by the experience of pain, we should take them into account, because being sentient is why we as humans count morally too. In our times, this approach has been developed further by Peter Singer, theoretically as well as practically. He examines how we should weigh the different value changes for animals and humans in different situations and argues that by the above definition, at least all vertebrates (without ailments that prevent them from feeling pleasure and pain) are morally relevant and that their interests should receive equal consideration.

### Deontology and Rights Ethics

According to Immanuel Kant, humans have direct duties toward other rational beings, who have moral agency. Toward animals, who are non-rational beings without moral agency, humans have only indirect duties, meaning the following. People who behave badly toward animals, by these actions, could hurt the feelings of humans or start behaving badly toward humans too. Although the first is very plausible by intuition, and the latter today is supported by social psychology, there have been many calls for additional recognition of direct human duties toward animals. Korsgaard, for example, has argued that animals are rational beings as well, which means that we do have direct duties toward them, although they are of another nature than the ones we have toward humans. Tom Regan developed a deontology-inspired rights approach to animal ethics, by which he claims that humans have direct moral duties toward animals of the same nature as our duties toward humans. His approach is based on the inherent value of what he calls subjects of a life: sentient individuals who have, apart from their sentience, extra violable abilities,

like memory and belief. They are aware of the world and of what happens to them, and they act intentionally. These subjects of a life are moral patients: whereas they lack the capacity of moral agents to do right or wrong, or to reflect on their deeds, they can undergo right and wrong. Therefore, they have inherent value and a right to be treated respectfully and not to be harmed. There are circumstances where it is permitted to override this right: if not harming them would harm an even greater number of moral patients. On these grounds, Regan includes in the moral realm mammals from around the age of 1 year (like he does with young children and mentally handicapped people with an intellectual disability). At the same time, he remarks that it is difficult to draw the line and that the group of subjects of a life might be larger, including, for example, birds.

### **Virtue Ethics-Inspired Capabilities Approach**

Martha Nussbaum developed a virtue ethics-inspired capabilities approach for animal ethics (although she denies the existence of any such unitary approach as “virtue ethics”). Her approach holds in short that based on an attitude of wonder and respect toward other creatures, we should allow animals the capabilities of flourishing in their own specific ways. She translates the list of capabilities this approach assigns to humans to a list of capabilities animals should be allowed. These are life, bodily health, bodily integrity, access to sources of pleasure, emotions through attachment to others, practical reason (to the extent to which the capacity is present in the animal), non-humiliation, relationships with other species, play, and control over their environment. Nussbaum does not go very deep into differences between animal species but acknowledges that priority should be given to changing the situation of animals who suffer from the way they are treated.

### **Which Animals to Include: Some Consensus**

Departing from differing ethical strands, the philosophers mentioned above seem to agree that vertebrates are the first to be taken into consideration: mammals in the first place and probably

also fish, birds, reptiles, and amphibians. Apart from that, research shows that more species can have experiences they evaluate as positive or negative and recognize stimuli for which they take an effort to encounter or to avoid them. To begin with, crustaceans and octopuses were added to the list of animals with sentience. Today, there is discussion about, for example, shrimps and bees. Knowledge about the biological systems of animals is increasing rapidly. Animal ethicists are pleading for giving more animal species the benefit of the doubt and treat them respectfully by avoiding the risk of making them suffer.

### **Worlds Apart**

In businesses, animals are often treated as an instrument for human goals. They are bred, caught, and fished to serve as food. Special breeds are formed to obtain laboratory and companion animals. In circuses and dolphinariums, animals are taught tricks for human entertainment. Others are trained to do agricultural, rescue or guide work for humans, etc. Apart from that, companies have an indirect impact on animals, through, for example, habitat destruction, road kill, food policy in company restaurants, and pollution, including noise and light. From an animal ethics perspective, it is disputable whether business activities involving animals are ethically sound and, if so, under which conditions. The issue here is to what extent a company is morally allowed to use or harm animals for its own benefit. Though awareness is growing, many companies lack an ethical stand toward animals.

This is reflected in business ethics. In this academic discipline, there is hardly any systematic attention to animals. In animal business literature, animal issues are not often listed among corporate responsibilities. Theories of business ethics in many cases ignore the issue of animal ethics or touch upon it no more than shortly. Rather than as an independent question, the issue of responsibility toward animals is often addressed as a commodity or as a dimension of a public health or an environmental issue. This

situation disregards the academic debate on what we owe to animals and hardly pays attention to the moral problems that occur when companies deal (directly or indirectly) with animals. Based on what is achieved in animal ethics, the discipline should have its own position in corporate responsibility and professional ethics.

### **Different Roles of Animals in Relation to Companies**

Including animals into ethical reflection of companies is complicated, not only because of the huge variety between animals and animal species but also because humans relate to animals in very different ways. Animals can be classified in six categories of relatedness to people: farmed animals, research animals, wildlife, animals in entertainment, working animals, and companion animals. This is not a static categorization. Animals can change categories. Wildlife can be captured and put in a zoo to continue its life as an object of entertainment. A farmed animal can be purchased by a private person and be kept as a companion animal. The largest numbers of animals owned by companies are farmed animals and research animals. Smaller numbers of animals are found in entertainment, as working animals (on small farms, in service dog organizations, police forces, and rescue organizations), and in companion animal breeding businesses. The relation between businesses and wildlife is in many cases not ownership but indirect impact.

### **The Extent of Corporate Responsibility**

Where the legal responsibilities of a company toward animals are relatively clearly defined, the moral responsibilities are not. What a company owes to animals in moral terms depends on its relationship with animals. Companies that own animals bear a primary responsibility, resulting in a duty of care, both legally and morally. However, moral responsibility is not limited to owners; it is passed on through the production chain and affects the responsibility of business partners. Each company who buys animal-based products bears a shared responsibility for the animals the products were derived from. And even outside the

production chain, procurement is a responsible activity. In this way, every company has an impact on animals, be it by serving animal-based food in its company restaurants. Therefore, it is important that each company determines the extent of its own responsibility and the relative proportion of it among other responsibility issues. To accomplish this, it is wise for companies to be open to the opinions of all stakeholders. One can think of investors, partners in the production chain, customers, employees, animal welfare NGOs, the general public, etc. Apart from that, there are good arguments to say that the animals themselves are stakeholders too. They are affected by certain actions of companies, although they cannot express themselves – but neither can young children, and still allowing child labor is not done.

### **Implementation of Animal Ethics in Business Practice**

To make the moral responsibility operational, companies often refer to the attention paid to animal welfare and especially to the so-called five freedoms. These were formulated by the Brambell Committee as an ethical guideline for better treatment of farm animals in 1965. The Farm Animal Welfare Committee of the UK reformulated them as:

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury, or disease
- Freedom to express normal behavior
- Freedom from fear and distress

Although these five freedoms are widespread and reflected in legal texts, they tend to be insufficient to deal with the range of responsibilities of companies in the context of animals. They are a “moral floor” rather than a “moral ceiling” that one could strive for. They offer no handles for determining the extent to which these freedoms should be provided. Secondly, the five freedoms are highly utilitarianism inspired and lack room

for notions like respect for animals and rights of animals.

### Ten Steps to Dealing with Corporate Responsibility Toward Animals

To include animal ethics in the accountability of a company, there are several steps a company can take:

1. Start a think tank for animal ethics.
2. Identify the impact of the company on animals. Organize a brainstorm with the help of independent ethicists. Listen to animal welfare NGOs during the process.
3. Identify the corporate ethical position toward animals. What is the view of the company on animals? Are they things, resources, or living beings? Does their welfare count? Do their rights count? Do their capabilities count? Invite an independent ethicist to moderate the process.
4. Do a materiality analysis and identify the importance of animal ethics for the company, in the light of its responsibilities.
5. Search the corporate website for the word “animal” and have a look at how the company is talking about animals there. (You can also do a Corporate Commitment to Animals scan; see Janssens and Kaptein 2016.)
6. Adopt animal welfare as an official corporate responsibility issue. Include it in the business code and the responsibility report. Tell the public about it on your website and in other documents.
7. Connect goals to new insights and plans, design programs, and implement them.
8. Dare to be a leader in your industry.
9. Tackle challenges in partnerships with relevant partners (NGOs, researchers, the government, industry partners, etc.).
10. Inform the media honestly and transparently, in cooperation with your partners.

### Summary

Animal ethics is not just an add-on for business ethics. Based on what is achieved in the field of

animal ethics, any professional in any organizational context has moral reasons for being aware of special responsibilities toward animals. Although there are different accounts in animal ethics, they all agree on the importance of taking the life and welfare of sentient animals into account in decision-making. This can be done by taking steps from identifying an ethical stance toward animals to taking action and communicating transparently about the actions taken and the results achieved.

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## Animal Ethics and Autonomy, Agency and Selfhood

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### Synonyms

Animal Agency; Animal Autonomy; Animal Ethics; Animal Self-Awareness

### Introduction

Animal ethics studies the various ways that we value nonhuman animals and examines the fundamental question of whether or not, and to what extent, we owe them moral consideration and obligations (Thomas 2016). Many theories and positions within this discipline pay close attention to the developments in the study of animal minds with an understanding that many of the morally relevant features humans possess are shared with other species, especially mammals. Such features include but are not limited to agency, selfhood, self-awareness, and autonomy. If animals are autonomous and self-aware agents, then we ought to take their lives and the quality of their lives much more seriously than we do now, and we ought to reassess our treatment of both wild and domestic species and our relationships with them.

### Animal Ethics

Derived from the philosophical study of ethics, many views on animal ethics are based on moral principles that characterize the main theoretical positions such as utilitarianism, care ethics, virtue ethics, and Kantian and post-Kantian deontology. These theoretical positions, while often sharing similar conclusions in terms of the need to recognize the moral value of nonhuman animals, differ in their approaches to answering the question of

why animals ought to be morally considerable. Some, such as deontology and utilitarianism, focus on shared mental or cognitive capacities between humans and other animals, such as the ability to experience suffering, sentience, or self-awareness as the source of moral obligation (Singer 1975/2009; Nussbaum 2007; Regan 1983). Others, such as care ethics and empathy perspectives, focus on the relationships between humans and animals themselves, and the resulting entanglements (Gruen 2015). These various positions on the morally relevant capacities of animals lead to different types of ethical positions on the actual treatment of animals. Such positions include animal rights, animal welfare, and animal abolitionist perspectives that differ from each other quite dramatically in application. As such, any theoretical clarity regarding both what mental and cognitive capacities animals possess, along with an informed analysis of how these capacities underlie our moral obligations to animals, is fundamental to the study of animal ethics. Through the use and analysis of research on animal minds from the fields of psychology, neuroscience, cognitive ethology, and other related scientific areas, it is possible to glean a cumulative body of evidence to support the claims that nonhuman animals (mammals, birds, and possibly other species) possess cognitive capacities such as agency, selfhood, and autonomy. As the moral relevance of these capacities is already established within ethical theory, particularly from a deontological perspective, a theory of animal ethics based on these particular capacities is scientifically informed and morally robust.

### Animal Agency

#### Agency and Its Features

Agency is considered to be a morally relevant feature of humans as it makes intentional action possible, which entails the rights to certain forms of treatment, including the respect for one's choices. As we must assume that many nonhuman animals possess beliefs in order to be considered appropriate subjects of study in cognitive studies (Andrews 2015), we can also infer from this that

these beliefs underlie intentional action. If this is true, then both humans and nonhumans are agents, even if animals are only minimally so (Thomas 2016). Animal agency, and what constitutes it, has become of more interest in recent years to animal ethicists looking to establish the moral value of animals and which specific mental capacities might be relevant to the endeavor to do so (Sebo 2017; Wilcox 2020a; Korsgaard 2018). There are of course different types or degrees of agency and intentional action that are further dependent on the degree to which nonhuman animals possess capacities like rationality and intentionality, as well as the ability to have beliefs, desires, goals, and preferences that motivate action (Thomas 2016). For example, rationality is what allows for a creature to have reasons for acting. Rationality does not need to be extremely advanced or complex in order for it to play the necessary role in directing intentional action. Rather, it is justifiable to explain and predict an animal's behavior by assuming that it possesses beliefs and mental representations of the world around them (Thomas 2016). Taking an intentional stance toward animals simply means that it can be assumed to be an intentional agent so long as its behaviors can be explained and predicted by ascribing certain beliefs, desires, and preferences to them. This is enough to accept that animals are agents (Dennett 2009).

### Animals and Moral Agency

More recent work on animal agency questions whether or not animals can also be moral agents, in addition to being acting agents, and although there is still considerable debate, it is possible to identify ways that some social mammals might be acting on the basis of moral reasons, even if they are minimally so. For instance, Rowlands (2012) believes that if an animal acts from moral emotions such as empathy, then the animal can be said to be a moral subject. Without the ability to fully evaluate their own moral emotions, animals cannot be said to be moral agents, although the evolutionary basis of moral agency is clearly demonstrated in other social species. On the basis of these arguments, there is good reason to

believe many animals, including mammals and birds, are acting, intentional agents.

## Animal Selfhood

### Self-Awareness and Self-Consciousness

Self-awareness or self-consciousness is a feature of agency, insofar as it's what allows for a creature to be aware of its own beliefs, desires, and preferences, and this need only be in a minimal sense for it to be constitutive of selfhood (Thomas 2016). It is also what allows a creature to base its choices on its preferences, so self-awareness has moral significance as the basis of autonomy. Evidence to support the existence of self-awareness in many species, including mammals and birds (and potentially others), comes from a variety of research sources as well as various types of arguments, such as evolutionary continuity and the logical requirement of self-awareness for the exhibition of intentional behaviors (DeGrazia 2009; Griffin 2001). Some specific forms of evidence include mirror self-recognition tests, the use of tools, the ability to communicate within and across species, the ability to learn and to solve problems, the ability to exhibit self-control, and the possession of episodic memory, among others (Thomas 2016). The challenge is that without spoken language, animals cannot possess the concept of 'I' in the same sense that humans do and thus cannot develop the concept of personal identity to the same degree as humans. However, self-awareness admits to degrees of complexity, both among humans of different ages and cognitive abilities, as it does between nonhuman animal species (Thomas 2016).

### Minimal and Rich Selfhood

The most minimal sense of self can be described as phenomenal or as a felt sense of "body-ness" or "mineness" (Zahavi 2005). Self-awareness can be minimal or richly complex and this is dependent on other relevant cognitive capacities, just as we see with agency. Of course, this means that there is great difficulty in identifying where the line between a minimal sense of self and a more complex and rich sense of self-identity can be drawn,

but this is not necessary to draw the conclusion that conscious animals are self-aware to varying degrees, and this means that they have experiences that matter to them. This is morally relevant. It means that animals can act in accordance with their beliefs, preferences, and desires and that they are free to do so as acting agents unless otherwise restricted or harmed, meaning that there is value in liberty for both humans and other animals (Thomas 2016; Wilcox 2020b). Selfhood exists on a continuum across species, with more minimal forms in animals that possess phenomenal self-awareness as well as richer forms that include more reflective concepts of self-identity and desires for self-improvement. As new ways of studying self-awareness in animals evolves, so too will our ability to identify selfhood across species.

## Animal Autonomy

### Concepts of Autonomy in Animals

Autonomy is an important moral concept often considered to be a unique human feature that is possessed by full persons. Generally, it refers to someone's ability to make choices freely and based on their own reasons (Thomas 2016). It is also a concept that is defined in a number of different ways that can range from self-control, moral or normative autonomy, to complex and ideal conceptions of autonomy as heroic or authentic forms of being (Arpaly 2003). Despite the wide range of possible definitions, it is clear that most conceptions rely on an assumption that reflection on reasons for acting is required, and that only humans are capable of such reasoning. This means that only humans can be autonomous. However, as the knowledge of animal minds and their cognitive capacities has grown, so too the concept of autonomy has been drawn into deeper examination. If animals can be acting, intentional agents who possess self-awareness, then it's possible that they are capable of acting freely, and for their own reasons, however minimally rational they may be (Thomas 2016). Autonomy then can exist in both minimal and rich forms, depending on the extent to which an animal is

self-aware and able to direct its own actions toward fulfilling its goals, desires, and preferences. Minimal autonomy can be as simple as the freedom of a mouse to choose which path to follow through the field (Waller 2002), or the freedom to direct one's actions toward attaining goods as a result of being self-aware and having self-directed behaviors (Thomas 2016). Animal autonomy is increasingly considered to be plausible for those investigating animal minds and behaviors (Andrews 2013), and animal personhood (Rowlands 2020).

### Moral Relevance of Animal Autonomy

Animals that possess self-awareness must also be autonomous to the extent that they can act freely. Animals may not be moral agents, as they cannot rationally reflect on their reasons for acting, but because they can be autonomous, even if minimally, they are owed respect for their autonomy in both negative and positive ways (Thomas 2016; Gewirth 1978). This is morally relevant for answering questions about whether or not animals deserve certain types of rights and whether or not they should be considered persons (Rowlands 2020; Regan 1983). How humans treat other species is then dependent on whether and to what extent they possess agency, self-awareness, and autonomy. Different species will have different desires, capacities, and interests or "goods" that they strive to attain, and this will inform the ways that we can both harm and help them in pursuing their own goals and living autonomously to the greatest extent possible, as is dictated by the respect of autonomy (Thomas 2016). Treating animals with respect to their autonomy would radically change many of our current relationships with them, including keeping animals in captivity and using them as objects for profit rather than as autonomous individuals, even if minimally so.

## Summary

As research on animal minds and cognition increasingly provides us with the understanding that many species are capable of agency and self-awareness, theoretical perspectives in animal



ethics continue to evolve. Once thought of as a characteristic of only humans, autonomy can exist in both minimal and rich levels in other animal species, and this has implications on the theories of animal ethics as well as the practical aspects of our relationships with them. More detailed knowledge of the beliefs, desires, and preferences of nonhuman animals through future research can assist us in determining which ones possess agency, self-awareness, and autonomy, as well as informing us how to respect their autonomy to the greatest extent possible, even if it exists in a more minimal form than what we find in most humans.

## Cross-References

- ▶ [Animal Ethics](#)
- ▶ [Animal Ethics and Business Ethics](#)
- ▶ [Animal Rights and Business Ethics](#)

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## Animal Ethics and Business Ethics

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## Synonyms

Animal ethics; Animal welfare; Business ethics

## Introduction

Animal ethics is interdisciplinary and includes a wide range of views on the moral value and treatment of nonhuman animals (animals), forming a continuum from animal welfarism to abolitionism (Thomas 2016). Moreover, the use of animals in business is widespread and the types of use diverse, such that ethical analyses and consideration of harms caused to animals and the humans who work with them bring together aspects of

both animal ethics and business ethics. Positions on the use of animals in business practices vary according to the theoretical dispositions available via animal ethics, and the situation evolves as business practices involving animals evolve.

## Animal Ethics and Perspectives

### A Continuum of Views on Animal Ethics

Animal ethics theories provide rational bases of various kinds in favor of the moral consideration of animals and they can be placed on a continuum. On the one end of the continuum are animal welfarists, who assume that it is morally acceptable to use animals for human purposes provided their welfare is taken into consideration. For instance, research in animal welfare might include things like enriching the farm environment to reduce stress responses in the confined animals, thereby increasing efficiency and production, or finding more humane and less painful ways to end animals' lives for meat production (Dawkins 2012). Occupying the middle of the continuum are theories that consider the extent to which animals are intrinsically deserving of greater moral consideration, and the most common of these theories include utilitarian, deontological, virtue-based, and feminist care perspectives (Korsgaard 2018; Nussbaum 2007; Regan 1983; Singer 1975/2009; Thomas 2016). Utilitarianism and deontology focus on the importance of the inherent traits or characteristics animals possess, such as cognitive capacity, sentience, the ability to suffer, and degree of agency, that allow for animals to flourish or live according to their interests and preferences. Virtue ethics approaches are aimed at the development of virtues that take into consideration the appropriate ways to treat animals given their capacity to be harmed, while feminist care perspectives focus on the nature of the relationships between humans and other animals and consider various types of entanglements that inform our ethical dispositions and actions, such as the emotional bonds that can develop between a human caretaker and an animal intended for slaughter, for example (Gruen 2015). On the other end of the spectrum,

abolitionists and strong animal rights advocates generally argue that we ought not use animals for human purposes at all, regardless of the reasons (Francione 2008). Also worthy of note are religious views of animals that fit into the continuum at various points on an individual basis (Linzey 2009). For instance, the value of animals and views on how they ought to be treated and used from a Jain perspective differs considerably from a Catholic perspective, and each finds its own place on the continuum accordingly.

### Interdisciplinary Perspectives on Animal Ethics

Although animal ethics originated in the discipline of philosophy, the study of animal ethics is becoming increasingly interdisciplinary as more scholars recognize ways that their own academic disciplines contribute to the body of knowledge that informs the ways we understand, value, and treat other animals (DeMello 2012). Moreover, research from other disciplines, such as the behavioral sciences (comparative psychology and ethology, for example), has a direct bearing on the moral status of animals, insofar as such research supports claims that animals possess certain traits or capacities such as agency, intentionality, consciousness and self-consciousness, and rationality, thereby reducing or eliminating the perceived gaps between humans and other animals in such a way as to make animals deserving of moral consideration. Additionally, the social sciences and arts and humanities disciplines are increasingly including the study of human-animal relations in such areas as animal studies and critical animal studies. Subjects such as sociology, religious studies, political science, film, and even theater now consider "the animal question" in terms of how animals are to be valued, used, and depicted. Each distinct academic discipline brings something unique to the study of animal ethics and this allows for issues and topics that might not otherwise be identified or considered to come to light. This shows the relevance of animal ethics to more issues than just some of the more abstract moral considerations that can occur within a philosophical perspective, which enriches and expands the applied aspects of this area of study.

## Animals and Business Practices

### Uses of Animals in Business Practices and Industries

Many businesses and industries exist solely because of animals, while others indirectly affect animals. Animals are directly used in the agriculture, tourism, research and experimentation, clothing (leather and fur), entertainment (zoos, aquariums, film/television and circuses), working and service animals (as a form of labor), and companion animal industries as sources of profit (Thomas *In Press*; Linzey and Linzey 2018; Fennell 2012). Businesses in such industries rely on the use of animals bred and kept in captivity of various forms, which can, under many circumstances, cause physical, mental, and emotional suffering (McMullen 2016). Transportation of live animals, slaughter, experimentation, forced performance, breeding, forced milking, and forced laying of eggs are just a few examples from an indefinitely long list of practices resulting from the human demand for animal products that cause animal suffering and strip animals of dignity. Indirectly, companies can impact ecosystems through the exploitation of natural resources or the creation of pollution, for example, and can also impact the lives of wild animal species by destroying wild animal habitats directly or by contributing to climate change, leading to the eventual endangerment or extinction and displacement of wild animal species. Deforestation is one example of such practices that can impact ecosystems, species habitats, and climate change, thereby increasing the reach of harmful effects to animals on a much larger scale. The introduction of invasive species and diseases can occur through the shipment of materials and products leading to reduced biodiversity both in the home country and abroad, and where there are multiple companies in functioning in the same vicinity, collective harms to biodiversity and wild animal populations can be magnified. Businesses and industries can thus cause harms to local and remote ecosystems, both directly and indirectly, resulting in harms to wild animal species and reduction in biodiversity which can ultimately run counter to the pursuit of profit.

### Humans in Animal-Related Business Practices

Businesses and industries that use animals rely on human labor to perform the work that goes into the care, maintenance and processing of those animals. Some jobs involve direct work with animals, such as farm laborers, technicians, veterinarians, truck drivers, laboratory workers, slaughterhouse workers, trainers, and zoo and circus keepers, for example. There are also jobs that involve indirect forms of work with animals, such as the processing of animal parts into food or clothing products and materials. Because many of these jobs involve causing harm to animals or witnessing the suffering of animals, there are negative effects on the psychological well-being of human laborers (Coulter 2016; Porcher 2017; Stull and Broadway 2004). Desensitization to the suffering of others, animal or human, can lead to the repression of natural responses such as empathy and compassion, which can in turn lead to mental and emotional suffering. Both post-traumatic stress disorder (PTSD) and perpetuation-induced traumatic stress (PITS) can result from causing harm and suffering to animals and these disorders can have serious effects on the well-being of workers and those around them. There is also the possible inducement of moral stress and trauma created by the infliction of suffering and pain on animals through their slaughter and generally inhumane treatment. These effects impact not only the individuals and who work under these conditions but also radiate outward from one's psyche to society at large. Additionally, there are many physical and health-related harms for workers caused by the exposure to harmful gases and other occupational injuries. In many cases, the exploitation of animals within these industries is inextricably tied to the exploitation of human workers, creating mutual forms of suffering.

## Business Ethics and Animals

### Ethical Issues for Businesses Using Animals

Many basic issues in animal ethics pertain to the use of animals in business, such as the suffering of animals themselves both as individuals and

species caused by economic exploitation of animals, the suffering of human laborers within these industries, the environmental impacts of economic activity on animals directly or through loss of habitat, and the moral challenges posed by the creation of new technologies that can exacerbate harms to animals (Thomas [In Press](#)). In addition to these are concerns raised by consumers about the ethical implications of purchasing animal products. Environmental impacts of animal agriculture include the production of greenhouse gases created not only by the animals themselves, but also through the destruction of forests to create land for grazing, making the meat production industry one of the leading drivers of climate change and global warming (Kimmerer [2015](#)). In turn, climate change leads to the loss of biodiversity, including the extinction of insects and other wild animal species. New technologies, such as gene editing, may provide innovative ways to modify animals to reduce their suffering and potentially their environmental impacts, but these types of technologies give rise to more complex ethical issues involving questions about animal dignity and new forms of suffering for both animals and the humans working with them (Coulter [2016](#); Porcher [2017](#)). Some believe that new technologies providing humans with the ability to create meat in laboratories (in vitro or cultured meat) may solve both the environmental issues and animal suffering concerns related to animal agriculture, but this turns on the ability to mass-produce these products at a price point that consumers will agree to, along with the ability to overcome consumer distaste for such products. Whether or not consumers are willing to pay more for more “humane” or ethically produced animal products is inconclusive, although there is an increase in those adopting vegan and vegetarian diets, as well as a rise in related food companies and businesses. Addressing the key ethical issues of harms to animals, harms to human laborers within animal-related industries, environmental impacts of animal agriculture, and the implementation of new technologies that are used to modify animal bodies are key issues that must be addressed by

businesses directly and indirectly using animals for profit.

### **Areas of Business Ethics Relevant to Animal Ethics**

Business ethics has not, so far, addressed concerns raised by animal ethics in much detail. As the interdisciplinary study of animal ethics grows, so too does the application of these views to business ethics and business practices (Wang and Chan [2017](#)). Some of the specific topics in business and professional ethics that relate to animal include social and corporate responsibility, concerns involving the commodification of animals and the exploitation of them and human laborers in related industries, as well as the development of codes of ethics and clear statements and disclosure of corporate policies related to the treatment of animals (Janssens and Kaptein [2016](#); Thomas [In Press](#)). For example, animal ethics raises the issue of whether or not animals should ever be commodified, and if so, if commodification is always or necessarily harmful to them. There have been many undercover operations that have exposed the cruel treatment of farm animals in some facilities, which has led to calls for the companies involved to be voluntarily transparent in their level of care towards their animals and their employees, and one way to do this is to provide clear statements of company values and how these are incorporated into guidelines and policies. This would also require that companies clearly identify their own position on animal ethics, regardless of where their views might lay along the continuum of beliefs about the moral value of animals and how they ought to be treated. Another aspect of social responsibility involves environmental sustainability, and as such, companies using animals can also better address such concerns for their stakeholders. Only by implementing effective social responsibility reporting related to the treatment of animals, humans and the environment can animal-related industries demonstrate their ethical commitments and actions to the public and their consumers. Finally, stakeholder theory has thus far mainly ignored the obvious issue of whether animals can be considered stakeholders. As animal

interests and preferences can be impacted in beneficial or harmful ways by the companies that use them, as well as those humans and organizations who advocate for them, it only makes sense that more developed applications and formulations of stakeholder theory should account for this.

## Summary

Entire industries exist solely to use animals for their body parts and their labor. Because such use causes harm and suffering to animals as well as the humans who work with them and in some cases care for them, animal ethics and business ethics are importantly tied together. Moral consideration for animals is increasingly being incorporated into business policies and practices, and many key issues in animal ethics pertain to the use of animals in business or to the indirect effects of economic activity on animals. As these fields are increasingly populated by interdisciplinary perspectives, a growing diversity of approaches to the ethical issues raised by the use of animals in business practices will provide new opportunities for businesses to improve their ethical stances toward animals and humans affected by their practices.

## Cross-References

- [Animal Ethics](#)
- [Animal Rights and Business Ethics](#)

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## Animal Rights and Business Ethics

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## Synonyms

Animal protection; Animal welfare

## Introduction

The topic of animal rights covers a broad spectrum of viewpoints. Many who speak of animal rights are actually concerned with animal welfare. Others seek complete animal liberation. Animal welfarists believe animals should be treated humanely and their pain and suffering should be limited as far as is possible. Extreme animal rights advocates believe animals are entitled to the same rights as human beings for man is just one type of animal different but no better than a dog, cat, pig, or tiger. Most animal rights advocates fall somewhere in a spectrum between these two viewpoints.

## Anthropomorphism

Throughout history most cultures have had an anthropomorphic view of animals. This philosophical viewpoint is human centered. Everything in the universe is placed there for the benefit of mankind. The environment and animals are only important as tools that can be used to improve the condition of human beings. Most religions particularly Western religions promoted this view. At best animal cruelty was reviled as being of bad moral character and contributing to depravity. There were exceptions to this human-centered ethos. Ancient Egyptians considered cats to be sacred. Other ancient religions worshipped certain types of birds, dogs, horses, cattle, and reptiles. Most famously, in Hinduism cattle are sacred. Hinduism promotes great regard for animal life partly because it is related to the belief in reincarnation. In many parts of India, pets are treated as family members. Buddhists also regard animal life as sacred. Many Buddhists are vegetarians so that animal lives are not harmed. In Jainism all forms of animal life are sacred. Many Jains carry brooms in order to sweep away insects and avoid stepping on them (Ahimsa 2019). Native American religions practiced animism – the belief that humans were connected to animals. Every human had a corresponding animal spirit. While Native Americans hunted, they did so only for

food and made sure to use every part of the animal as a sign of respect.

## Philosophical and Ethical Views

Animal rights have been dominated by two philosophical viewpoints – utilitarianism and the deontological view characterized by Immanuel Kant. There have been two primary animal philosophers who have dominated the field in the last 50 years – Peter Singer and Tom Regan. Singer is a utilitarian. Singer published the manifesto of the animal rights movement *Animal Liberation: A New Ethics for Our Treatment of Animals* in 1975 (Villanueva 2016). He challenged anthropocentric views of animals and revealed the horrors of factory farming and animal experimentation. Singer believes animals should be treated well not because they have rights but because they are capable of both suffering and enjoyment. Singer argues that because animals are sentient beings that are capable of feeling pain and suffering, they have “interests” which must be considered (Villanueva 2016). Failure to consider these interests is speciesism which is just as morally wrong as sexism and racism. While personally a vegetarian Singer believes animal suffering should be minimized to the greatest extent possible. The move toward pasture-raised beef and cage-free eggs is an outcrop of this philosophy. Organic and antibiotic-free meat and egg products also rise from this tradition. Singer’s main goal was to improve the conditions of intensively raised animals subject to factory farming methods (Villanueva 2016). Utilitarians believe in the greatest good for the greatest possible number recognizing that some animal husbandry and slaughter is necessary for the good of mankind.

The more extreme animal rights view can be characterized by the writings of Tom Regan. Regan published *The Case for Animal Rights* in 1983 which heavily influenced animal rights organizations, such as People for the Ethical Treatment of Animals (PETA). Extending the categorical imperative views of Kant, Regan believes that all animals have rights. Man as an animal has no more or less rights than any other animal. Regan



advocated for the total abolition of all use of animals in experimentation, all commercial animal agriculture, and all hunting and trapping (Regan 1987). Regan believed it is fundamentally wrong to view animals as a resource to be used for man's pleasure – whether for food or research purposes or exploited for sport or money (Regan 1987). Regan had little respect for animal welfarists; he wanted laws that would guarantee the rights of animals on a par with human beings. To Regan because animals are “subjects of a life,” they have equal inherent value with human beings (Regan 1987).

## Legal Rights

Animals have virtually no legal rights under current US law. The legal system has always regarded all animals, even beloved pets, as property. Under tort law the value of your pet dog or cat is related to its breeding. A purebred dog is more valuable than a mixed breed. There are no damages for pain and suffering or loss of consortium for the loss of a pet. In tort, recovery for the death of a pet is based on “fair market value” usually under a \$1,000 unless the animal has value as a breeder. In a few cases, judges have awarded damages for negligent infliction of emotional distress in egregious situations involving the loss of a cherished pet (Epstein 2001). However, this is a distinctly minority view in most jurisdictions. California recently passed a “best interests of the pet” law in divorce cases. Judges will award custody based on what is best for the animal rather than treating the pet as property (Gregorian 2018). Alaska and Illinois have similar laws. These are the only US laws that give animals, in this case pets, actual legal rights. Most states have anti-cruelty laws on the books covering any domesticated animal, but enforcement of these laws is almost uniformly lax and punishments weak. Most animal cruelty cases result in loss of custody of the animal and a small fine. Punishment with a jail term is extremely rare.

Despite the growth of factory farming in the United States, there are currently few federal laws regarding animal welfare. The Animal Welfare Act of 1966 does not regulate how animals are

used for research purposes, but only set standards for how they are obtained and maintained at research facilities. It also totally excludes farm animals from coverage under the Act. The Humane Methods of Slaughter Act of 1958 requires the proper treatment and humane handling of all food animals slaughtered in USDA-inspected slaughter plants but does not apply to poultry. The Endangered Species Act of 1973 protects fish, mammals, and birds – as well as plants – listed as threatened or endangered in the United States. Some states, including California, have passed ballot initiatives banning the use of “battery cages” for egg-laying chickens and gestation crates for pigs (Trusts and Hopkins 2013). Similarly voters in Massachusetts banned greyhound racing through a ballot initiative in 2008. California passed a law requiring all eggs come from free range hens in 2010. In 2016, Massachusetts voters passed a ballot question that will prohibit the confinement of pigs, calves, and chickens in tight quarters and prohibit the sale of meat and eggs from animals that have been confined. The law is set to take effect in January 1, 2022, and so far has withstood legal challenges from 13 other states (Schoenberg 2019). The trend at the state level is toward legislation that ensures animal welfare through humane treatment.

## Business Ethics of Food Animal Production

Since the end of World War II, the United States has moved from a system of diversified, local food animal husbandry on small family farms to a massive intensive system of factory production concentrated in the hands of a limited number of giant agro-businesses. This shift resulted in much lower food prices for the consumer but in much worse conditions for the animal raised for slaughter. Most consumers have little knowledge of the inhumanity of this production system, and most don't want to think about it or even to consider the ethics of eating animal flesh. While most American consumers favor ethical treatment of animals, the question becomes one of “willingness to pay.” In 1984, Simpson and Rollin investigated the



economic consequences of treating food animals more humanely. Virtually no decline would occur in total beef consumption if cattle feeding was moved from uncomfortable concrete lots to dirt lots as expense would be passed onto producers (Simpson and Rollin 1984). The authors found that consumers would pay 7–17% more for chicken meat if space for hens was to double (Simpson and Rollin 1984). The entry did not address willingness to pay but suggested that consumer purchases would be largely unaffected by such changes. A more recent study found that poultry produced humanely costs on average 15–20% more than factory-raised poultry (Adams 2008). The success of several companies in retailing cage-free poultry/eggs and pasture-raised beef suggests that there is a growing market for humanely raised food animals.

Schröder and McEachern (2004) found a strange disconnect between an individual's concern with animal welfare standards and their purchase actions. Consumers interviewed in the study believed animals should be treated humanely and that farming practices such as intensive confinement and caging were wrong. Outdoor and organic production methods were highly favored. However, when shopping, animal welfare considerations fell far below cost, freshness, color, and leanness in purchase determination (Schröder and McEachern 2004). Most consumers chose to suppress all thoughts about production systems and considered the purchase as an inanimate object rather than a once living being (Schröder and McEachern 2004). While this study was with UK consumers, most American consumers are similar preferring to either ignore the issues associated with meat consumption or pass the responsibility on to government regulatory controls.

As with factory farms, animal rights activists often focus their attention on the fast-food industry as one of the biggest contributors to animal suffering. Activists believe fast-food corporations have the greatest power to monitor animal welfare on factory farms and to use their purchasing power to improve conditions for food animals (Adams 2008). In response to such efforts, many fast-food producers have made pledges to treat

food animals humanely. For instance, KFC on its website pledges to “deal only with suppliers who provide an environment that is free from cruelty, abuse and neglect” (Adams 2008). Despite such pledges underground videos of shocking instances of animal cruelty on factory farms and slaughterhouses often are obtained and circulated by animal rights groups such as PETA.

The Pew Commission on Industrial Farm Animal Production was established in 2005 to study this system and to make recommendations for reform. The Commission examined the issue of animal welfare from a scientific, legal, and ethical point of view. The Commission found that the present system of producing food animals in the United States was not sustainable. Factory farming practices created an unacceptable level of risk to public health and caused environmental damage, as well as being inhumane to the animals raised as food (Trusts and Hopkins 2008). Animals were routinely kept in conditions that severely restricted movement. Natural behaviors were impossible, and animals often could not turn around or walk at all (Trusts and Hopkins 2008). Other factory farms raise huge numbers of animals in extremely confined areas. The Commission made 24 recommendations for reforming food animal production including:

- Banning use of nontherapeutic antimicrobials and antibiotics
- Improving disease monitoring and tracking
- Phasing out intensive confinement

In a follow-up report published in 2013, the Commission found these recommendations had been completely ignored at the federal level, with some small improvement at the state level, mostly on intensive confinement legislation and regulation. There had been little momentum except at the grassroots level for animal rights. Most legislative reforms were undertaken for the purpose of protecting agro-businesses from scrutiny, and positive industry changes mainly resulted from pressure from advocacy groups, especially in the form of state-level grassroots campaigns (Trusts and Hopkins 2013).

## Conclusion

Those concerned with animal rights and animal welfare have proposed measures that would treat animals, particularly food animals, more humanely. Animal scientists in Europe proposed principles to create basic animal welfare standards such as feeding regimens that do not create prolonged hunger or thirst, housing that ensures resting comfort, good thermal environments, freedom of movement, health management that limits pain and disease, and appropriate means for allowing the animal to engage in appropriate social and species-specific natural behaviors (Bonafos et al. 2010). Enactment of such standards and movement toward a system of smaller sustainable operations instead of factory farms would be the first steps toward granting animals natural rights.

The ultimate solution to the issue of animal rights, particularly with food animals, is a move toward vegetarianism or consumption of laboratory-created meat. No matter how humanely treated, the eventual result of raising animals for food is their slaughter. An average person living in a developed country who is not a vegetarian or vegan will consume approximately 7000 animals during his or her lifetime (McAfee 2015). Meat, poultry, and dairy farming is responsible for 8–10% of greenhouse gas emissions worldwide (Thornton 2019). The production of just 1 pound of beef requires the consumption of 7 pounds of corn (Lavelle and Garber 2008). A shift to vegan diets would free large stores of plant proteins currently consumed by animals for human consumption (Pluhar 2010). For those who still prefer the taste of animal flesh, the void may be filled by laboratory-created meat. If widely accepted, laboratory-grown meat could eliminate much of the cruel, unethical treatment of animals raised for food (Schaefer 2018). Several companies are heavily investing in the production and retail sale of plant-based meat substitutes. It is quite possible that in only a few generations, humans will look back on current meat-eating practices with disdain as they dine solely on plants and lab-grown flesh.

## Cross-References

- Deontology
- Utilitarianism

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## Anonymity, Confidentiality and De-identified Data

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### Introduction

Anonymity is defined in the Oxford English Dictionary as “of unknown name, unknown or unclear sources or authorship, without character, featureless, impersonal.” However, within the social sciences, the concept of anonymity can have a less absolute interpretation allowing for a person's identity to be disguised by pseudonyms. Some research council funding policies encourage this practice by mandating the storage of anonymized data for future unspecified research. Yet qualitative research data can only be stripped of identifiers; it cannot be anonymized. To understand the difference between an unknown anonymous source and a disguised confidential source, it is important to consider four nuances of data collection; first, how differently the process of informed consent is enacted in quantitative and qualitative research; second, while the concept external confidentiality appears in ethical

guidelines, its inverse internal confidentiality does not, for example, the failure to recognize the practicalities of confidentiality in focus group research makes their participants vulnerable; third, the use of pseudonyms in qualitative research is the source of many historic ethical breaches; and fourth, subpoena of data threatens confidential data only.

### Informed Consent and Anonymity

In quantitative data collection, a participant information sheet may advise participants that completing a questionnaire will imply informed consent. As there is no written consent form to reveal the participant's identity, data provided to the researcher comes from an unknown source, and so in this context, anonymity can be a watertight ethical assurance. However, this assurance has caveats; it assumes the data collection instrument acquires no unique identifiers such as the subject's name, social security number, or driver's license number. Also if the survey sample size is small in number or based on a region or an occupation, demographic questions can threaten to expose the identity of participants and disclosure of their data. For example, a questionnaire asking military personnel to provide their rank, gender, and theaters of war served may identify the very few females in the military's upper echelons.

Qualitative researchers do not, for good reason, have the same assumed consent process. Not only may qualitative researchers provide an information sheet, but they also routinely ask participants to provide their identity by signing a consent form to demonstrate their willingness to accept the ethical provisions offered by the researcher. Anonymity is not a valid provision as at least one other person, the researcher, knows the identity of the person and what the person said. This knowledge can never be unknown, and offering this ethical surety is ethically flawed, promising a participant something that cannot be achieved. Many researchers claim when reading a transcript decades after the interview they can hear the informant's voice. The original ethical assurance

to this person to disguise their identity and what they said endures.

The definition of confidentiality is simple: it refers both to the identity of the person and the information disclosed. The researcher knows the name of the person being quoted and promises not to tell other persons the identity of the person when reporting this information. However, there is a major relational caveat manifest as internal confidentiality can undermine this assurance; this stems from other participants sharing a relationship to the participant interviewed.

## External and Internal Confidentiality

The distinction between external confidentiality and internal confidentiality reveals a major threat to confidentiality in qualitative research ethics. External confidentiality is traditional confidentiality: the researcher knows the name of the person who said the quote and what they said but promises not to tell other persons the identity of the person when reporting this information (Tolich 2004). This assurance can be undermined relationally. If a researcher interviews friends of the participant, family members, fellow workers, or a member of their small town, the threat to confidentiality is sourced not by strangers but fellow residents, occupants, or workers. Each of these can identify themselves and by default others.

Internal confidentiality is endemic in focus group research. Focus group researchers cannot offer participants internal confidentiality because it is outside of their control: the researcher can place few restrictions on focus group members. There is no ethical sanction on a participant should they reveal outside the focus group what was disclosed by another focus group member. Thus, promises of confidentiality must be limited to external confidentiality, that is, that the researcher will not identify any participant or what they said in any publication. Yet external confidentiality cannot limit focus group members from repeating other participants' disclosures to a person outside the group. It does not matter if the participants are known to each other or strangers. Both are problematic and render participants

vulnerable susceptible to harm from internal confidentiality. It makes sense if the participants were informed of their responsibilities and these limitations. At least the participant would know his or her own role in the minimization of harm.

In comparison, focus groups pose more distinctive ethical problems than one-on-one interviews. A participant in a private interview has opportunities to withdraw a remark during the interview or sometimes, if the participant reads an interview transcript, they can delete the remark. In focus groups verbal statements cannot be taken back and harm may result from the limits of internal confidentiality. Thus to use the word confidentiality without clarification may be taken as offering a layperson more than the concept can deliver.

## Historical Ethical Breaches

Breaches of internal confidentiality are not uncommon in qualitative sociology and anthropology. Street Corner Society (1981 [1943]), William Whyte's seminal text, is a case in point. In Whyte's original text, he gave pseudonyms to the region (Cornerville) and its inhabitants (e.g., "Doc"), to protect external confidentiality. The appendix of his 1981 edition captures the everyday world of doing ethnographic study, but also provides an insight into the harm caused by breaches of internal confidentiality. Participants told Whyte about how insiders recognized themselves and other insiders in the text:

Pecci (Doc) did everything he could to discourage local reading of the book for the possible embarrassment it might cause a number of individuals, including himself. (1981, 347)

Despite promises of external confidentiality, when his participants read the book, they saw themselves and those close to them.

A similar case of a publication reporting an anthropological study in a rural US town caused anger and dissension among those whom they have studied. Muchmore (2002, 10) reported:

When the [anthropology] book was published, many townspeople were highly disturbed to see

some of the most intimate details of their lives recorded in print. Even though the author had attempted to protect his informants by using pseudonyms, their true identities were easily recognizable to anyone familiar with the area. Fifteen years later, another anthropologist who visited the town was surprised to discover that the local library's copy of the book had the real names of all the individuals pencilled in next to their pseudonyms. Even after all those years, some of the community members were still visibly upset about the ways in which they had been portrayed.

When Scheper-Hughes returned to the site of her 1979 study of the mental health in an isolated Irish village, she found villagers had deciphered her attempts to provide pseudonyms as ethical assurances. She described her use of pseudonyms as ineffective:

I would be inclined to avoid the 'cute' and 'conventional' use of pseudonyms. Nor would I attempt to scramble certain identifying features of the individuals portrayed on the naive assumption that these masks and disguises could not be rather easily de-coded by villagers themselves. (2000, 128)

What Whyte, Munchmore, and Scheper-Hughes graphically expose is that pseudonyms cannot make the known unknown. They are especially ethically weak solutions for qualitative researchers when the sample interviewed is relational.

### **Are Pseudonyms a Genuine Ethical Assurance?**

Saunders et al. (2015, 617) claim "anonymity" has commonly been used either interchangeably with or conflated with "confidentiality." They muddle the known and unknown stating "anonymity is one form of confidentiality – that of keeping participants' identities secret." The essence of this confusion is mistakenly separating the identity of the person and the information they shared. Once collected, qualitative data is known, and by virtue of that fact, it cannot be unknown. This finding is important as it is out of step with policies on data archiving that tie funding for qualitative data collection to its archiving for future unspecified research.

The Economic and Social Research Council guidelines in the United Kingdom promote the archiving of data and tie funding to a practice that is inherently not risk-free for qualitative researchers. For example, the British archive collective Qualidata (Corti et al. 2000) with over 7 years' experience anonymizing datasets and preparing qualitative data for archiving state:

Anonymisation of data is a traditional option used for removing identifying information or disguising real names. ...The key issue here is that it is important to arrive at an appropriate level of anonymisation to ensure that data are not distorted to a degree which lessens their potential for reuse.

Yet once confidential data is collected, it cannot "nearly be made" anonymized. At best the data can have identifiers removed. In fact, de-identification proves a more practical and a more ethical term for qualitative researchers especially in the storage of data. A definition of de-identified data would be data given to another researcher or stored in an archive after any identifiers had been redacted from the data. At no time should a qualitative researcher promise participant's anonymity. The term anonymity has to be used in its dictionary sense when discussing consent with participants to collect qualitative data as that is how they will understand it. In other words, there are limits to confidentiality, and these are exposed below within focus groups and by the threat posed by a subpoena.

### **Subpoena**

Any subpoena served on a quantitative researcher would compel the researcher to provide raw data to law enforcement officials knowing any respondent is protected by anonymity. This adheres to the statement that filling out this questionnaire implies informed consent which does not identify the respondent or what they said. The researcher and the respondent are protected from the subpoena as the researcher does not know how each individual respondent responded to the questionnaire. On the other hand, the qualitative researcher is vulnerable given their awareness of the limits of confidentiality, not only in terms of internal



confidentiality but also that failure to provide data following its subpoena would expose researchers to a charge of contempt of court given that they know both the identity of the informant and what each individual said.

In sum, clarity of ethical concepts is essential. Researchers cannot offer participants ethical assurances of both confidentiality and anonymity interchangeably, as if the double assurance were better than one. It is not; the concepts of anonymity and confidentiality are mutually exclusive especially in terms of the distinct informed consent process. Once quantitative data is collected, the relationship between the researcher and the respondent is ephemeral. However, the relationship between the qualitative researcher and their informant endures. There are limits to confidentiality for qualitative researchers. Internal confidentiality for relational informants makes them vulnerable, so too does the use of pseudonyms to make data unknown. These limits are exposed in focus group research where membership creates relational problems; the researcher may promise external confidentiality, but they have no control over what the other participants say after data collection. Finally, the threat posed by a subpoena for any qualitative researcher demonstrates a fundamental difference between ethical assurances of anonymity and confidentiality.

## Cross-References

► [Autonomy and Informed Consent](#)

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## Anti-corruption Education

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## Synonyms

Business ethics education; Integrity education

## Introduction: The Context of ACE

ACE is a subset of *business ethics education* (BEE). Most of the issues discussed under that entry form the base of ACE as a specific, applied field of BEE. Almost all the dilemmas educators face in the field of BEE pertain to AC educators. The central dilemma is whether to follow a value-based education or an instrumentalist approach. Thus ACE can also rely predominantly on the application of moral philosophy with value judgments or on the application of legal and compliance driven governance theory with utility calculations. The moral approach refers to a philosophical framework or a religion or social norms; the instrumental approach refers to rational calculation of benefits.

In the context of a *moral philosophy* centered ACE, corruption is defined as inherently bad and immoral and the individuals and the firms are positioned as moral agents. The applied moral philosophy can be universalist or particularist: the former operates with universally binding principles, the latter emphasizes that ethics and moral judgments are rooted in the individuum; or

relativist, emphasizing the role of local cultures that determine very different perceptions of what is right and wrong (cf. Olsen 2010, p. 157). In the context of an *instrumentalist* approach-based ACE, corruption is defined as a market failure and/or public policy failure and the individuals and the firms are positioned as performers of law-imposed minimal compliance (when not complying harms the individuals and the firms). Both approaches are normative: The moral approach requires you to do it [i.e., anti-corruption] because that is *right* and/or *good*; the instrumentalist approach requires you to do it [i.e., anti-corruption] because that is *useful* (cf. Jones 1996; Fleming and Jones 2013; Frederick 2006).

The choice significantly influences both the ways ACE is organized and the approaches to *what* and *how* to teach. ACE is part of a complex system that includes business, governmental, and other nonbusiness drivers such as an increasingly globalized market economy, national and international formalized legal systems, institutional and administrative governance structures, formal and informal social and cultural factors, including educational systems.

This complex system has several spatial and temporal variations that generate further challenges and require the continuous review of ACE. Some of the most important variables are the following:

- The changing business-and-politics interface: The impact of globalization on business education
- Market instruments for regulating international business activities, including international standards and voluntary best practices
- Political influence on business and markets: international treaties and regulations and the emergence of global anti-corruption norms

## The Purpose and Starting Points of ACE

ACE is aimed at preventing and/or solving the problems and distortions generated by corruption. As corruption reduces growth and increases inequality, ACE ultimately influences the macro-economic effectiveness of business and politics

(cf. Mauro 1997 in Elliott 1997). Its main implicit presumption is that education is a necessary (though not sufficient) condition for eliminating (or, as a minimum, reducing) corruption. Thus the first starting point for every form of ACE is the *analysis of corruption* and the understanding of the distortions and perceived damages it causes in business and society. Effective ACE is impossible without a thorough understanding of the causes, institutions, and mechanisms of and motivations for corruption. ACE is one of the responses to the need for countering the challenges of corruption that “reach far and wide,” to the “scale of the problem” and to its harm to “established and trusted relationships” (Amann et al. 2015, pp. 1 and 2). In the narrower sense of ACE in business schools, corruption is considered a serious impediment on business transactions and a leveled playing field. “The point on transparency and predictability is particularly important. Time and time again, we see that while at certain points in time corruption may help resolve individual transactions, once it becomes institutionalized, companies suffer because it is impossible to predict how markets will work. In other words, in a corrupt environment, it is impossible to predict how a legislation will be enforced, who will make decisions, and why certain decisions will be made. How can you plan your business activities and decide on resource allocation and investment in such an environment?” (Olsen 2010, p. 154).

The second starting point in ACE is the definition and analysis of *anti-corruption* in order to design appropriate and efficient strategy and content for ACE. The analysis of corruption helps define the appropriate forms, mechanisms, and efficient tools of anti-corruption activities. Anti-corruption is defined as “the opposition to or prevention of corruption” (Collins English Dictionary) or as an activity “designed to eradicate or prevent dishonest or fraudulent conduct” (The Oxford Living Dictionary). The UN Convention Against Corruption defines the purpose of anti-corruption activities primarily as prevention and punishment. A central objective of every kind of ACE is prevention: “To promote and strengthen measures to prevent and combat corruption more efficiently and effectively... To promote,



facilitate and support international cooperation and technical assistance in the prevention of and fight against corruption.” Additionally, it defines the purpose of these activities as “to promote anti-corruption, accountability and proper management of public affairs and public property” (UNCAC 2004, Article 1); and punishment by the criminalization of corrupt practices and effective law enforcement: [The Parties] “shall adopt such legislative and other measures as may be necessary to establish as a criminal offence, in accordance with its domestic law, participation in any capacity such as an accomplice, assistant or instigator” in corrupt activities (UNCAC 2004, Article 27).

ACE’s purpose is to improve the preparedness of managers to better, more “effectively cope with the challenges of leading with anti-corruption in a global stakeholder environment” (Amann et al. 2015, op. cit. p. 28).

The third starting point of ACE is that here is an ever-growing global demand from the public, private, and nonprofit sectors for practitioners and business managers who are well equipped with necessary knowledge, skills, and values to effectively counter the harms and negative impacts of corruption.

## The Basic Assumptions of ACE

Anti-corruption strategies have several assumptions, most notably one that anti-corruption needs a universally applicable strategy, consequently it is possible to develop a similar ACE strategy and general content globally. This assumption reflects an institutionalist approach by raising and answering to the question “whether it makes sense to assume a homogenous kind of rational and strategic action across cultural settings” (Hall and Taylor 1996). Hence there is a need for an overarching framework for ACE that is capable to organize the increasing knowledge on anticorruption, synthesize the rapidly growing experiences and best practices worldwide (cf. Lambsdorff 2007, p. 225). An addition to this assumption is that broad based mass education and the specific targeted ACE are the right

tools for reducing and/or eliminating corruption (cf. Uslaner and Rothstein 2012).

The possibility for leveling the playing field by anti-corruption education is another basic assumption. The importance attributed to the leveling the playing field reflects a liberal interpretation of the economy where free competition and equal entry conditions determine markets. Corruption is perceived as an intervention into the free market that distorts fairness and equal entry conditions (OECD 2014). A further assumption is that leveling the playing field also depends on leadership approaches. “The human factor is perhaps the greatest challenge to leveling the playing field in the global marketplace. Until management sets the right tone at the top and is willing to stay the course when others do not, we will continue fighting an uphill battle” (Olsen 2010, p. 158).

## ACE Frameworks

The need for an overarching framework in ACE is further supported by the fact that in a globalized economy business practices and accounting principles are becoming increasingly uniform (Olsen 2010, p. 157). At the same time, the emergence of global anti-corruption norms also strengthens the argument in favor of a globally applicable ACE framework. Major international organizations such as the UN, the World Bank, and OECD have legal and policy instruments to combat corruption. The information revolution and the emergence of new forms of social interactions and the social media contributed to “wide-spread diffusion of new information about the causes and costs of corruption, as well as strategies to combat it” (McCoy and Heckel 2001, pp. 86–87). New international educational institutions have been established, offering curricula to a global audience, see the International Anti-Corruption Academy (IACA) and its mission (IACA <https://www.iaca.int/master-programmes.html>).

A global ACE framework has several advantages, such as addressing global problems with the flexibility and adaptability to local conditions; selection of effective materials; inspiration for creating new, locally relevant content; and helping

“aligning... course objectives, content and pedagogy in the context” (Amann et al. 2015, p. 65) of anti-corruption. As ACE is part of the general management and leadership education, its framework can rely on and incorporate the insights gained in studies on motivations and learning (cf. Eccles and Wigfield 2002). When designing an ACE framework, educators can consider that the learning outcome be relevant to the context while the knowledge and skills to be taught be selected to that purpose.

Several international organizations, particularly OECD, Principles of Responsible Management Education (PRME) of the UN Global Compact, and the UN Convention Against Corruption, provide materials and methodology for ACE.

### **Multi- and Interdisciplinary Approaches in ACE**

There is a general agreement on the importance of multidisciplinary and interdisciplinary approaches in ACE because knowledge from different disciplines can allow for a more holistic understanding of corruption and anti-corruption strategies (Cotton and Alcock 2012). ACE needs a holistic perspective that includes a multidisciplinary approach (using material from business, economics, law, anthropology, sociology, and political science) and a bottom-up perspective. This perspective focuses on real needs of managers and leaders that spread over the different market, political, legal, and sociocultural environments.

ACE curricula may integrate the institutional level (faculty, university), the curricular level (course design, modules), and the instrumental level (specific methodologies) in order to create significant learning for students and generate a synergic and holistic effect on students' acquired knowledge, not only in terms of competences but also in terms of attitudes (Setó-Pamies and Papaoikonomou 2016, p. 525). Those who emphasize the importance of ethical education use a similar though distinct argument: “The nature and value of the anti-corruption capacity construct ... and its four dimensions – process, judgment, developmental and system anti-corruption capacities ... [help businesses] ...

better handle behavioral, moral and legal complexity and thereby promote moral progress in business domestically and globally” (Petrick and Quinn 2000).

### **Modular Structure**

The most effective anti-corruption curricula are organized in a modular structure that ensures instructors the flexibility and the application of the best quality content in teaching modules on anti-corruption. Two rationales justify the choice of a modular outline. First, in order to cover as many of the different topics that characterize the complex fields of corruption and anti-corruption, the adoption of a series of modules, arranged as core courses and electives in degree education or as different training blocks in nondegree education, seems to be the optimal solution. Secondly, the regional specificities of anti-corruption actions require a satisfactory degree of case studies and literature specialization on different regions. This could be, again, best achieved through a modular system.

### **Content of ACE**

The significance of ACE in degree (particularly in MBA) and executive education curricula has considerably increased in the twenty-first century. The many facets of ACE require both a multidisciplinary approach and a changed content. The most recent anti-corruption curriculum frameworks situate anti-corruption issues at the interface of the macroenvironment within which any business operates and the microenvironment inside the firm. The macroenvironment defines the different economic, legal, political, and policy issues influencing anti-corruption. It is also responsible for the social and cultural diversity of the interpretation of anti-corruption.

The microenvironment represents the management challenges for the firms and their leaders and defines leadership approaches, corporate culture, compliance systems, and the importance of risk assessment against corruption. Anti-corruption curriculum frameworks are designed as tools for

leveling the playing field, with lessons learned and recommendations for countries of emerging and transition economies as well as highly developed economies.

### Typical Course Topics in ACE<sup>1</sup>

Part of the ACE covering the macroenvironment (extra-firm areas) that determine the context within which firms operate typically includes courses discussing the following issues:

Political, policy, and legal environments of markets; the social and cultural dimensions of global management; and behavioral root causes of fraud and corruption.

Other courses covering the microenvironment (intra- and interfirm areas) that determine the activities of the firms deal with the following issues:

Legal and market instruments in controlling corruption and/or laws governing corruption; how to build an anti-corruption culture at a company; the role of corporate governance in controlling corruption; managing corruption risks in business transactions; compliance systems and enforcement.

Finally, a set of courses may cover the interface of public and private sectors, focusing on issues like:

Corruption and controlling corruption; collective actions against corruption; coordination of public and private interests.

These topics can be presented in the following matrix (Table 1) showing the relationship between the context of anti-corruption and course disciplines.

Another matrix (Table 2) presents the modular conversion of topics, showing the relationship between the nature of relevant norms and the locus of activities/transactions.

### Integrated Approaches

Educators emphasize the need for a three-level analysis in ACE: the institutional (faculty,

university), the curricular (course design, modules), and the instrumental level (specific methodologies). This approach allows to generate a synergic and holistic effect on students' acquired knowledge, "not only in terms of competences, but also in terms of attitudes" (Setó-Pamies and Papaoikonomou 2016).

### Business Relevant Materials in ACE

Availability of materials in degree and nondegree education and for company actions and trainings is an important factor in effective ACE. Text books, case studies, online and multimedia materials, training materials, handbooks, toolkits, web-based materials, videos, movies, blogs, etc. are all parts of the ever broadening offering. Materials relevant in ACE for business also include compilations of international business principles on countering corruption and bribery, compilations of anti-corruption codes of conduct and compilations of international and national anti-corruption laws, and compilations of case studies.

Course and training materials can rely on the following sources:

Text books, case studies, online and multimedia materials, training materials; handbooks; toolkits; best practice examples; compilation of international business principles on countering corruption and bribery; compilation of anti-corruption code of conducts; compilation of international and national anti-corruption laws; other Web-based materials (e.g., nonprofits' anti-corruption education websites); videos, movies (e.g., <http://ethicana.org>); materials prepared by agencies and organizations specialized on anti-corruption issues (e.g., Transparency International <http://www.transparency.org/topic/detail/education>; Open Society Foundation <https://www.opensocietyfoundations.org/voices/world-s-most-corrupt-university-system>; and anti-corruption resource centers, e.g., <http://www.u4.no>); internationally supported local educational projects against corruption (e.g., <http://www.sdcentras.lt/antikorupcija/en/tp1.htm>); blogs (e.g., <https://educationpolicytalk.com/2014/05/06/anti-corruption-education-to-be-or-not-to-be/>);

<sup>1</sup> The course topics listed here are drawn from existing courses at different universities/business schools rather than quoting existing course titles.

**Anti-corruption Education, Table 1** Context of anti-corruption course topics

| <i>Context of anti-corruption courses</i>  |                                                                    | <i>Course disciplines</i>                                                                                                                                                                                                                 |                                                                                                                                                                                      |                                                                                                                                                |                                                                                                  |
|--------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
|                                            |                                                                    | Management science                                                                                                                                                                                                                        | Political science/public policy/political economy                                                                                                                                    | Law                                                                                                                                            | Anthropology                                                                                     |
| <b>Context of managing anti-corruption</b> | <b>Macroenvironment of anti-corruption management (extra-firm)</b> |                                                                                                                                                                                                                                           | →Political, policy, and legal environment of markets<br>→Corruption and corruption control<br>→Collective actions against corruption<br>→Coordination of public and private interest | →Political, policy, and legal environment of markets<br>→Legal and market instruments for controlling corruption<br>→Laws governing corruption | →Sociocultural dimension of global management<br>→Behavioral root causes of fraud and corruption |
|                                            | <b>Microenvironment of anti-corruption management (intra-firm)</b> | →The role of corporate governance in controlling corruption<br>→Managing corruption challenges in business transactions<br>→ How to build an anti-corruption culture at a company<br>→Corporate intelligence in managing corruption risks | →Corruption and corruption control                                                                                                                                                   | →Legal and market instruments for controlling corruption<br>→Compliance systems and enforcement                                                | →Business anthropology                                                                           |

Source: Table Courtesy of Prof. Hardi

best practices (e.g., [http://www.nyc.gov/html/ia/gprb/downloads/pdf/NYC\\_Anti-Corruption%20Educational%20Campaign.pdf](http://www.nyc.gov/html/ia/gprb/downloads/pdf/NYC_Anti-Corruption%20Educational%20Campaign.pdf)); and business offerings (numerous, including general consultancies such as Ernst and Young [http://www.ey.com/Publication/vwLUAssets/Building\\_an\\_anti\\_corruption\\_program/\\$FILE/Building\\_an\\_anti\\_corruption\\_program.pdf](http://www.ey.com/Publication/vwLUAssets/Building_an_anti_corruption_program/$FILE/Building_an_anti_corruption_program.pdf), specialized training firms such as GAN International <http://www.business-anti-corruption.org/tools/training.aspx>, law offices, etc.).

One of the most comprehensive sources of teaching materials and methodologies is the UN PRME source book: *Anti-Corruption:*

*Implementing Curriculum Change in Management Education* (Amann et al. 2015, op. cit.). It provides comprehensive guidelines on how to professionalize ethics and anti-corruption education worldwide in a variety of classroom settings. It includes successful patterns and illustrative case studies and helps adapt and develop best teaching practices. Other PRME-inspired ACE teaching materials are Stachowicz-Stanusch and Hansen (2013) and Sunley and Leigh (2016).

A further major source is OECD's educational and training materials: *Anti-Corruption Ethics and Compliance Handbook for Business* (OECD-UN ODC-WB 2013).

Anti-corruption Education, Table 2    Modular conversion of ACE course topics

| Modular conversion of topics |                               | Locus of activity/transaction                                                |                                                                                                                                                                                          |                                                                                                                                      |
|------------------------------|-------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
|                              |                               | Personal                                                                     | Intra-firm                                                                                                                                                                               | Extra-firm                                                                                                                           |
| Nature of relevant norms     | Informal (ethics and culture) | →Anti-corruption and leadership<br>→Positive leadership and decision choices | →Corruption, bribery, and fraud<br>→Social and cultural factors in managing anti-corruption<br>→Anti-corruption and efficiency<br>→Prevention: Risk management and business intelligence | →Market failures and corruption traps<br>→Social and cultural factors in managing anti-corruption<br>→Anti-corruption and efficiency |
|                              | Formal (governance and law)   |                                                                              | →Codes of conduct and fiduciary duties<br>→Compliance in business environments                                                                                                           | →The macro-environment: State and politics<br>→Controlling corruption: Legal frameworks                                              |

Source: Table Courtesy of Prof. Hardi

ACE Methodologies

Methodology is important to determine how to achieve the goals of and how to teach in ACE. There is a broad variety of methods, such as traditional methods (lectures and seminars, guest presentations) and methods that apply new pedagogical tools such as the application of simulation and situation games, action learning, online teaching methods, etc. Despite the variety of methodologies, ACE is based on the assumption that, similarly to a globally applicable and relevant content, certain methodologies that have a key role in ACE are also applicable globally. These methodologies can be jointly developed by instructors and scholars with significant experience in ACE. The most relevant example for such an effort is the activity of PRME (Principles of Responsible Management Education), an initiative of the UN Global Compact. PRME established a Working Group on Anti-Corruption in Curriculum Change with an international team of business school faculties (UN PRME 2008) that, over a period of several years, prepared an anti-corruption toolkit for global use in ACE and published it in 2013 (UN PRME 2013).

Financial and Institutional Arrangements for ACE

Education to affect corruption can be publicly or privately financed and is to affect private and

public agents (players in business, politics, and administration). The purpose and content of anti-corruption education will vary accordingly. Some of the most significant institutional players that support ACE are the OECD, the UN Global Compact and its PRME initiative, and development banks.

Businesses may have an interest in ACE and play a role in financing it through trainings, by developing teaching materials and support business schools in their ACE programs.

A special case of financing ACE is the *Siemens Integrity Initiative* (Siemens 2009). As a settlement with the World Bank in 2009, after its infamous bribery case, Siemens AG agreed to establish a special fund in the amount of US\$ 100 million to support anti-corruption education and collective actions over a period of 15 years. Roughly one fifth of this fund is to be devoted to support ACE. The Siemens Integrity Initiative has had a role in strengthening institutional arrangements for ACE by supporting PRME, Transparency International, and the International Anti-Corruption Academy (IACA), among other players.

There is an increased interest among donors in funding civic education to build corruption awareness and civic virtue in schools. These efforts can be seen as both one-off and supporting wider institutional reform (cf. Marquette 2007). One example is the World Bank Institute’s Youth for Good Governance Learning Program within its

broader Governance and Corruption Program that also emphasizes that donors see this sort of education as “key” in fighting corruption (World Bank Institute 2006).

## Impacts of ACE

Research has demonstrated a positive relationship between education and political knowledge at the individual level, but it does not support this relationship between aggregate education and corruption (cf. Eicher et al., op. cit.). ACE may not have a major impact on grand corruption undertaken by political elites that implement policies to foster their own utility, either through misappropriation or distorted allocation of public funds (Eicher et al. 2009), but it may affect areas and institutional arrangements where corruption is most prevalent and where corrupt transactions are arranged. The impact of anti-corruption research and education is seen in changing the particular institutional design that is employed for carrying out corrupt transactions at projects of major development banks, in particular at the World Bank’s anti-corruption efforts. “Substantive reforms ranging from a new staff rule ... to the formal calculation of corruption risk in loan appraisal documents offer realistic ways to strengthen the anti-corruption efforts of the World Bank” (Chanda 2004).

The positive impact of ACE is expected to be seen in the emergence of a new generation of management that is trained and assigned to identify the risks of corruption and steer organizations around the pitfalls of doing business in corrupt environments (Olsen 2010, p. 159).

## Cross-References

- Bribery
- Corruption and Gender
- Global Corruption
- Leadership Integrity
- Responsible Leadership and Crisis Management

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## Apartheid and Ethics

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## Synonyms

Afrikaner political system; Nationalist government; Racial discrimination; Racial segregation; South Africa

## Introduction

The Merriam Webster dictionary (2016) defines apartheid as “racial segregation; specifically: a former policy of segregation and political and economic discrimination against non-European groups in the Republic of South Africa: separation, segregation (cultural apartheid), (gender apartheid).” Gender/sexual apartheid is defined by Chesler (2011, p. 6) as “practices which condemn girls and women to a separate and subordinate sub-existence and which turn boys and men into the permanent guardians of their female relatives’ chastity.” Cultural apartheid is more amorphous and can take various forms such as sport, school, and university segregation on racial, ethnic, or religious grounds.

The term apartheid is of South African Afrikaans origin and means “separateness”; the “state of being apart” was a socio-political-legal system of racial segregation in South Africa implemented and enforced by the National Party from 1948 to 1994. However, although of recent origin in South Africa, the practice was, and is, not unique to that country.

Varieties of racial, gender, and cultural/ethnic separateness and segregation have a long human history. For example, an early form of cultural/ethnic apartheid emerged in England in the seventh and eighth centuries between the Anglo-Saxon invaders and Welsh Britons. Thomas et al. (2006, p. 2) indicate that “In Anglo-Saxon England, elements of an apartheid-like society can also be perceived in a Wessex law code of the seventh century which distinguishes clearly between Saxons and ‘Welsh’ (Britons) and gives the former a significantly higher legal status, some two centuries after the initial immigration.” Genealogists have also suggested that the lack of DNA evidence in the current English population of the Danish Viking invaders from the population of what then constituted the Danelaw was because of a lack of intermingling between the two groups on the basis of social exclusion.

More recently there is an example of ethnic apartheid from the uniquely horrific case of systematic genocide on a vast scale, perpetrated by the Nazi German state on the racist premise that



Jews constituted an inferior race that Nazi Germany wished to expunge from the face of the earth. Racial apartheid can also be seen to exist in segregated communities to this day, such as on reservations provided for indigenous people (Canadian Indian Act, 1876) and aborigines of Australia (Steadman 2014), respectively, where indigenous groups who were granted aboriginal “status” were given free access to living in segregated communities. It would be wrong, therefore, to suggest that South Africa which provides the most infamous modern-day example was unique in this respect. Today, various forms of apartheid exist throughout the world in the form of gender apartheid where women are regarded as separate and inferior to men in many parts of the world and are denied equality of opportunity solely on the grounds of their gender. Similarly, ethnic separateness exists today in Israel between Palestinians and Israelis which is strongly, and sometimes violently, enforced by the Israeli state and where the Palestinian community is separated off from the main social and legal structures accommodating Israeli Jews. Likewise in Africa, there have been recent examples of ethnic and cultural separateness resulting in gross injustices and violence. For example, the Rwandan genocide in 1990 that resulted in approximately 800,000 Tutsis (and a significant number of Hutus sympathizers) being slaughtered in a carefully orchestrated program of genocide over 3 months and compounded by the rape of quarter to half a million women over the same period. Also in Europe, the Bosnian war between Serbia and Croatia provides a further recent example of cultural/ethnic apartheid and its unethical consequences of brutal violence and insurrection.

The above examples are merely a small number of the evils of apartheid and apartheid-like policies and cultural beliefs in human history but serve to illustrate that apartheid in substance if not name was not a unique sociopolitical institution of South African design and origin. South Africa does, however, provide a very recent example of the unethical outcomes perpetrated by this system of legal, political, and social exclusion. In any event, apartheid in South Africa deserves a brief

discussion at this juncture because of its recent occurrence, demise, and moral reprehensibility.

## **A Brief History of Apartheid in South Africa**

South African racial segregation dates back to Dutch colonial times and was then taken up by the British in 1795 when they conquered the Cape of Good Hope. The actual sociopolitical implementation of apartheid occurred after the Afrikaner government came to power in 1948. The apartheid system categorized the various populations of South Africa into four main groups: Black, White Colored, and Indian, with Colored and Indian racial classifications being further subdivided into subgroups such as Cape Malay and Cape Colored and Muslim Colored. Residential segregation was initiated systematically by forcibly removing around 3.5 million nonwhite people between 1960 and 1983 into specially designated areas allotted for this development. The Afrikaner national government also segregated secondary and higher education facilities, medical care, and other public services and amenities. Apart from spatial segregation, the nonwhite population was deprived of political representation in 1970 and stripped of their South African citizenship and became citizens of ten, tribally defined and ostensibly self-governed, Bantustans, four of which were nominally independent. The injustices of the apartheid system led from 1950 onwards to various forms of protest, strike, and violent guerrilla activity. These actions resulted in national government action involving house arrests and full incarcerations of anti-apartheid leaders. There was a progressive escalation of various forms of insurrection and repression over time that reached a climax with the Soweto Riots caused by the requirement to learn Afrikaans in Black schools. However, the main threat to the apartheid state came not from internal revolt or military incursion but from economic and political isolation. Economic sanctions and trade embargos largely instigated by Western governments made it increasingly difficult for the White National Party government to survive. In

1990, President De Klerk and large segments of South African industry, perhaps most notably, the mining industry, on which White South Africa was most economically dependent, became involved in a series of meetings and negotiations with the African National Congress (ANC) under the leadership of Nelson Mandela. Mandela himself and various other political leaders, who had been incarcerated in Robben Island prison for decades, were released by De Klerk in 1989. The official legal-political abolition of apartheid occurred in 1991 with the repeal of the last of the remaining apartheid laws, and nonwhites were given the vote for the first time in 1993.

The first nonracial democratic elections in South Africa were held in 1994 in which the ANC won an overwhelming majority of the vote and finally brought to a close a violent and unjust period in South African history.

## The Ethics of Apartheid

It may seem odd that apartheid could have an ethical justification in any shape or form, but like the SS of Nazi infamy, there were certain propagated beliefs/doctrines or attitudes among the community that tried to give terror and injustice an ethical face and rationale. As is generally known, the Nazi SS (*Schutzstaffel*) were entrusted by Hitler to put in motion his plan for the complete extermination of Jewish people from Europe. The SS were left to implement this, and in practical terms to herd, perfectly innocent Jewish men, women, and children into the gas chambers designed to destroy them in the shortest time possible. Despite this, within the SS, there was a strong code of behavior that strongly sanctioned various forms of commonly regarded ethical behavior such as prohibiting theft from Jewish victims for personal benefit. Kay (2016, p. 79) quotes Heinrich Himmler in a 1944 speech made to a group of SS generals as stating, "We had the moral right; we had the duty to our people to kill these people who wanted to kill us. We do not have the right, however, to enrich ourselves with even one pelt, with one watch, with one Mark, with one cigarette or with anything else."

Furthermore, this "moral code" was enforced and severe punishment meted out to those who transgressed at lower levels in the SS hierarchy, although corruption in the SS was a widespread fact. The SS brotherhood was indoctrinated to believe that they were "blessed" among people to be chosen to do this macabre but necessary duty in service to Nazi Germany. Schroer (2012, p. 38) relates the perspective of SS officer, Karl Kretschmer, who "saw himself as a representative of a cultured people fighting a primitive, barbaric enemy."

In South Africa, there were similar religious appeals to justify the apartheid state on grounds of certain specific biblical passages that seemed to warrant Black segregation. From these religious premises, and others like it, the idea of ethical racial segregation impacted the manner in which business and industry were designed and structured. It was said, for example, that Verwoerd, sometimes regarded as the architect of apartheid, is reported to have said in a speech (Venter 1999, p. 418), "We shall not act unfairly in any way. We shall not allow our understanding to let us down. For a leader who has to take care of a people ('volk'), cannot govern, driven by emotions or vengefulness. It is our task in these heavy times, while the heart often wants to speak, to let understanding dominate; understanding and faith."

## Business Ethics and Apartheid

The impact of ethics on South African business during the existence of the apartheid regime was virtually nonexistent. For example, certain, usually, higher paying jobs were not open to nonwhites and the national government to ensure that its voter base was kept intact and used a process of job reservation which benefited less well-educated section of the Afrikaner population. Job reservation was a technique enforced by law (Mines and Works Act, 1912 and the Mines and Works Amendment Act, 1926) which reserved certain jobs to Whites only. In the South African mining industry, one of the largest employers of Black unskilled and semiskilled workers at that time, only the lower paid jobs

were open, and promotion was restricted to team leader level that approximated that of a technical supervisor in general industry. Blacks were not allowed “blasting certificates” which effectively debarred Blacks from further promotion beyond the supervisory level. Like the notion of no taxation without representation, it became clear that there could be no ethical business in an unethical society. From the late 1980s to the early 1990s, as trade and embargoes became progressively tighter, the already poor state of ethics in business worsened further. South African corporations now found themselves debarred from participating in the world economy and, as a consequence, tried to find other, usually immoral and illegal ways of sanction busting. This led to a climate in which illicit business practices were encouraged by the government and the White-owned business community.

### **The Use and Ethics of Boycotts to Overthrow the Apartheid State**

Various forms of boycotts were initiated by various individuals and institutions which aimed at bringing the South African apartheid state to its knees. The Anti-Apartheid Movement initiated in 1959 started as a consumer boycott in which Chief Albert Luthuli appealed to the international community to boycott South African goods. In 1989, a boycott bandwagon took the message all over the UK and spread to boycotts of South African gold and coal and tourism to the country. The boycott of all things South African spread to international sport where South African sportsmen and women were either banned from competing or made to feel very unwelcome by the international community. An academic boycott was also initiated which made it difficult for White South African academics to research and teach overseas. The boycott in general was eventually lifted in 1993 when the country was on the verge of electing its first democratic government.

Many of these boycotts were successful in isolating South Africa from the international community but actually had very little effect on the White population and created little inconvenience or hardship in their daily lives because substitutes

or alternative sources of goods for the South African market could be readily obtained from less scrupulous suppliers. And it was often possible to find alternative markets for South African products, particularly mining products for which South Africa was a primary source of world supply. However, the oil embargo – which, although not strictly a boycott, was nevertheless used as an instrument of economic pressure and punishment of the South African apartheid regime by the anti-apartheid international community in the early 1980s – did noticeably affect and inconvenience the White population by restricting travel and reducing the maximum speed limit to 80 km per hour throughout the country. However, again, this was transitory inconvenience and had little political or ethical influence on Nationalist voters’ attitudes.

From an ethical point of view, boycotts could be regarded as a double-edged sword. For example, reducing markets for South African goods abroad affected Black employment opportunities and caused unemployment among unskilled workers. Boycotts also initiated a determined drive by the Nationalist government to become as self-sufficient as possible in, for example, oil requirements, which was counterproductive to the Anti-Apartheid Movement’s fundamental “raison d’être.” This and other boycotts even engendered a kind of inverse “Dunkirk spirit” among the Nationalist government’s mainly Afrikaner supporters and the result of the boycott movement as a whole, may have paradoxically, enabled the apartheid government to endure a little longer than it erstwhile might have been able to do, since the movement kindled resolve among Nationalist voters to overcome many of the hardships intended by boycott punishments.

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## Arctic Security

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## Synonyms

Security in the High North

## Introduction

Perceptions of security in the Arctic are complex and multiple. Security is about freedom from worry or care, which can pertain to various actors including individuals, communities, nations, regions, as well as globally. Security “actors” seek to protect and ensure the survival into the future of that which they value most, using practices ranging from cooperative networks to military operations. As such, Arctic security ranges from state protection and military-based security perceptions to environmental security including consequences of climate change and human security concerns for different Arctic communities and populations. Arctic security concerns cannot and should not be understood as separate from broader global politics, trends, and claims to security.

## Description

Peace and security in the Arctic is often characterized by the concept of “Arctic exceptionalism,” describing the region as one that experiences “exceptional” peace and security (Käpylä and Mikkola 2015; Heininen 2019). The institutions and regimes that manage Arctic relations, including the UN Convention on the Laws of the Sea (UNCLOS) and the Arctic Council, are considered to be among the core measures that ensure that Arctic states do not come into (violent) conflict with each other. This situation is striking, not least as two Arctic states are the former superpowers of the Cold War era, the USA and Russia (former USSR), which continue to dominate the geopolitical landscape as heavily militarized, nuclear states. In addition, outside of the Arctic context, there is a polarized disagreement, if not conflict, between Russia and the other Arctic member states over Russia’s 2014 annexation of Crimea and involvement in the conflict in Ukraine. Thus far, there has not been any *overt* spill-over effect into Arctic issues and the Arctic region itself.

## What Is Security?

The Arctic makes an important case for understanding the linkages between security and ethics. *The* concept of security is about eliminating care or worry and reducing or eliminating fear. The security concept relies on the interplay between five elements: actors, values, practices, survival, and the future (Hoogensen Gjörv 2017). Historically, the concept of security has reflected *multiple actors*, ranging from the state to individuals, with values ranging from the material (physical wellbeing) to the immaterial (identity) (Rothschild 1995; Hoogensen 2005). The *value* of human *survival* played a central role. As well, security, as noted above, pertains to the *unknown (future)*, “[f]or security concerns precisely what we do not know” (Burgess 2011: 2). Further, “[t]he unknown, in its essence, by virtue of being unknown, is the foundation of ethics” (ibid.: 4). Security therefore is about making

decisions – engaging in *practice* – in the absence of security, where one must make a choice: it is “the disquieting task of making decisions under conditions of inadequate knowledge – decisions where it is the incalculable, the unforeseeable, the passionate, zealous or perhaps even apathetic, that counts” (ibid.: 5). Arctic security is subject to a myriad of such decisions within the unknown, from within questions of traditional geopolitics to pressing issues on environment, energy, and Arctic economies.

Traditional security studies came to dominate and define security studies as a field, where the value for human survival was transferred to an abstract concept called the state, limiting both the security referent (the subject of security) and the securitizing actor, to one actor – the state. In many respects this made sense, as the state has traditionally been conceptualized as relying on the deployment of the most extreme measures, usually the military, to address issues of immediate and existential danger. The concept of human security came into use through its introduction in the United Nations Development Programme’s (UNDP) 1994 Human Development Report (UNDP 1994). Human security made explicit the possibility of thinking about security beyond the confines of the state. By distinguishing *human security* from the dominant (*state*) *security*, the fears, needs, and priorities of ordinary people were brought to the forefront, highlighting that the security (and interests) of states did not necessarily coincide with the security (and interests) of people.

### Arctic Security Traditionally Understood

Arctic security pertains to a broad range of issues from state security to human security, and the decisions made within these different security contexts are continual exercises in ethics. It is a region where traditional geopolitics and security played out during the Cold War (Tamnes and Offerdal 2014). The Arctic region played a strategic geopolitical role “because of its position between the hostile superpowers and its potential wartime role as a corridor for a nuclear strategic

exchange” (ibid.: 13). The Arctic itself was never the center of disputes or conflicts; the causes lay south of the region. The interest between Arctic states to develop and maintain peaceful relations in the region was significant. The Arctic’s importance as a space full of resources made conflict resolution and “the delimitation of Arctic sea and land areas” paramount (ibid.: 18). The “warming” in relations between Arctic states that took place after the Cold War was the evidence of this commitment to low tension and cooperation. Already in 1991, the Arctic Environmental Protection Strategy (AEPS) was signed by representatives of the governments of Canada, Norway, Iceland, Finland, Sweden, Denmark, the USA, and the Union of Soviet Socialist Republics at the First Ministerial Conference on the Protection of the Arctic Environment (Roveniemi Declaration 1991). This was soon followed by the establishment of the Arctic Council in 1996 when “institutionalized, intergovernmental Arctic cooperation began” (Heininen 2019). Though relegated to a footnote, a central element of the Declaration on the Establishment of the Arctic Council is that it will “not deal with matters related to military security” (Ottawa Declaration 1996). This vow has largely gone uncontested, though military experts have been included on discussions of search and rescue issues (Bailes 2015). Thus far, this commitment has dominated deliberations about security in the Arctic, where military tensions do not enter into the discussion and where issues of the environment play a prominent role. This constellation of priorities has tried to ensure that future uncertainties and decisions about (environmental) security are embedded within an established spirit of cooperation.

The question is whether or not this sense of cooperation and commitment to solely non-military issues and low military tension will continue. Geopolitical uncertainty between Arctic member states has been on the rise, and established norms of cooperation could be under pressure. Questions continue to arise regarding possible digital attacks/cyberattacks designed to destabilize target countries and societies (Cox and Stranley 2017). Among the “Arctic Eight” – Canada, the USA, Norway, Denmark, Iceland,

Finland, Sweden, and the Russian Federation – five states are members of NATO. NATO-Russia relations have become increasingly tense since the Russia-Ukraine conflict.

## The Environment and Human Security

Simultaneously, these same Arctic states continue their committed and cooperative focus upon environmental issues. Here too, however, the Arctic states are confronted by a balance of uncertainties confronting our collective future. On the one hand is the priority of environmental protection, and not least the prevention of and mitigation against further climate change. At the same time, natural resources, including petroleum resources, play a pivotal role in Arctic economic and energy security (Hoogensen Gjørsv 2017). Despite the severe dip in oil prices since 2014, there continues to be an increase in proposed activities regarding energy and mineral resource development in the Arctic region. Therefore even with the downturn in prices for oil and gas that threatened a number of oil companies with potential and actual bankruptcy (Fortune/Reuters 01.04.2016), as the 2015 UN Framework Convention on Climate Change (UNFCCC) COP 21 Paris agreement, many analysts claim that oil and gas (particularly in the Arctic) will still have a role to play in global economies and politics, not least replacing dependencies on coal (Topdahl and Stokka 14.12.2015). The tensions between economic security, energy needs and energy security, and environmental security continue to be heightened within the context of increasing global attention to and scrutiny over extractive industries and their potential impact on global climate change, habitat degradation, community health and welfare, and apprehensions regarding offshore drilling that powerfully resurfaced in the aftermath of the 2010 Gulf of Mexico oil spill. Environmental impacts of continued oil and gas exploration in the Arctic thus have implications globally, but also locally, where climate change and environmental contamination of territories occupied by indigenous peoples impact food and health

security, as well as the ability of communities to continue traditional economic and social activities such as hunting marine mammals (whale, seal) and reindeer herding (Huntington et al. 2016; Stammer and Ivanova 2017). At the same time, however, the reduction or elimination of oil and gas development in the Arctic has a profound impact on the economic security of regions that have become reliant on these extractive industries as a promised or actual primary source of income and way out of poverty, including the Murmansk region in northwest Russia (Goes 2018). Human insecurities in the Arctic provide important case studies for understanding the contextualized, at times competing, and complex nature of human security.

## Summary

While a human security lens is most often applied to contexts of the global south, dynamics in the Arctic region also serve to illustrate the relevance of a multi-actor, state-to-human security perspective. Theoretically and conceptually, those who argued for a less limiting definition of security were able to more loudly argue for environmental security and human security, which engaged multiple actors and multiple contexts in which “survival,” “values,” “practices,” and “future” could be understood. Within developments in human security, the values that are relevant for survival are often understood within particular categories – economy, identity, food, health, energy, or the environment. Fear, and indeed fear for our future survival, has played an increasing role in climate change narratives but can also be found in justifications for continued oil and gas extraction. In the Arctic, the preeminence of environmental and economic security issues is increasingly confronted with tensions driven by traditional security and geopolitical concerns. With these more complex definitions of security, we expect more complex understandings of the ethical security dilemmas the Arctic faces.



## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Arms Industry](#)
- [Economics, Ethics, and the Environment](#)
- [Environmental Change in the Arctic](#)
- [Environmental Conflict/Access to Natural Resources](#)
- [Environmental Ethics and Sustainability](#)
- [Gender and Food Security](#)
- [Human Rights](#)
- [Indigenous Environmental Justice](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Military Industrial Complex \(MIC\)](#)
- [Resource Extraction and Indigenous Community Consent](#)
- [Resource Extraction, Ethics, and Social Capital](#)
- [Water Security: Ethical Debates](#)

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## Aristotelian Business Ethics

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## Synonyms

Aristotle; Business ethics; Leadership; Virtues

## Introduction

Aristotle's view on ethics is rooted in the role of virtues in life and suggests that, once a person lives life with the goal of happiness in mind, that is, being a good person and living a virtuous life,



then that person will be inclined to make ethical decisions. Aristotle's focus on a person's virtues is distinct from other ethical theories, such as utilitarianism and deontology, that propose general rules or principles for moral actions (Sim 2010). Virtue ethics has its foundation in developing and acquiring virtues as the main goal of moral life. It can be traced back to Greek philosophy, particularly to Aristotle, who regards a virtue as a purposive disposition. "Disposition" indicates that a virtue is not a feeling that one has or an action that one has to take; rather, it is how we are inclined to be. As such, it stands to reason that, once we possess a certain virtue, we will always have a tendency to act in a certain way. If a person, for example, who usually does not make charitable contributions decides to make a donation in one particular instance, it does not mean that the person possesses the virtue of generosity (Willows 2013). This example makes the important point that, for people to be virtuous, their behavior must be a result of an unwavering disposition.

Virtues are understood as a way in which human beings are inclined that makes them good people and drives them to perform a function well, which further leads to the achievement of excellence. Aristotle believes that the virtue of something is whatever makes the object perform its function well, and the function is whatever makes the object what it is (Alison 2008). For example, the function of a car is the ability to move from one place to another. If a car is not able to perform its function of moving a person from one place to another, then we can correctly say that the car is not a "good" car. Human virtues follow this reasoning. They make humans carry out their distinctive function well, and the distinctive function that we have is the ability to reason (Alison 2008). This function allows us to understand universal ideas, decide between different options and control our desires (Bragues 2006). The ability to act according to reason is what sets us apart from everything else. Essentially for Aristotle, human virtues are those states of being that guide us to perform our function well, that is, to live rationally (Willows 2013). Aristotle would say that a virtuous person is one who carries out

a distinctive function well, which is living in accordance with reason, and this is a characteristic of being a good person and leads to excellence.

## Central Pillars of Aristotle's Virtue Ethics

Aristotle believes that what is good to do is also helpful in leading a good life (Willows 2013). While individuals often think of money and security among many other goals to achieve to lead a happy life, this is not what Aristotle had in mind. The epitome of a good life, and the supreme goal that actions are geared toward and can achieve, is the attainment of "eudaimonia" (Belak and Rozman 2012). The Greek word "eudaimonia" or happiness does not refer to self-gratifying pleasure, which can vary from person to person. Happiness is seen as a kind of reasonable participation: "to be happy takes a complete lifetime; for one swallow does not make spring, nor does one fine day; and similarly, one day or a brief period of happiness does not make a man supremely blessed and happy" (Nicomachean Ethics 1934: 1098a). This means that, to achieve the ultimate goal of happiness, one must live a virtuous life. However, virtues are not the only requisite for eudaimonia as resources are needed to perform good actions. Hence, to possess a virtue is to act in a rational way that is characteristic of human beings, and virtuousness is in essence a state of being that guides us to achieve happiness.

Aristotle makes a distinction between two kinds of virtues: intellectual virtues and moral virtues. Intellectual virtues relate to the mind, like having specific knowledge of subject matters and having special skills, while moral or character virtues are virtues such as justice and courage (Willows 2013). We learn intellectual virtues through education or instruction, more in the sense of an institution setting, and we learn moral virtues from an early age through socialization and acquire them through habit (Jensen 2009).

One virtue that Aristotle focuses on is actually an intellectual virtue but is necessary for the proper working of the moral virtues. This virtue

is what he refers to as “*phronesis*” or good judgment. A prudent person is considered to be someone who is able to think something through thoroughly and balance what is good and beneficial. Further, a prudent person is one who has virtues and will be able to act accordingly in each situation as a result of practical wisdom. Therefore, prudence shows a virtuous person how to act appropriately. It can be said that one cannot be a truly virtuous person without moral virtues and practical reason. To act rationally, virtues are needed, and practical wisdom allows us to act appropriately, so virtues and practical wisdom are mutually dependent on each other, meaning that one cannot exist without the other (Belak and Rozman 2012).

According to Aristotle’s theories, all human actions ought to be aimed at achieving happiness. To reach that ultimate goal, we must possess virtues and act in a rational manner, which is our distinctive characteristic that allows us to be good human beings. For Aristotle, ethical dilemmas exist within a particular context and involve particular people who have particular motives, so he would say that there is no single rule or even a few standard rules to follow. He would agree that we would need to know all the details of a particular ethical issue and then act rationally to resolve it in an ethical way (Duska 2014). Aristotle would view a corporate code of conduct implemented to guide employees’ ethical behavior as not being enough to ensure ethical decision making. He would argue that people would have to consider rationally all the things that are unique to the specific situation and act prudently in accordance with their virtues, which will ultimately lead them to make an ethical decision.

## Virtue Ethics in Today’s Business Environment

While a modern business environment differs from the environment in ancient times, Aristotle’s ideas can still be regarded as relevant today and as a valuable source of inspiration across several dimensions. To utilize them, they need to be reinterpreted and put into the current context. In

doing so, Solomon (1992) suggests several dimensions that can be interpreted in the context of Aristotle’s ideas. One of those is *community*, which refers to the corporation as being first and foremost a community. We tend to associate who we are with the community that we belong to and find our identities at our place of employment. Aristotle would in fact agree with this as he believes that we all belong to a community and our individual interests are in line with the overall interests of that community. This idea of the corporation being a community is such an important point because today more and more employees do not view their place of employment in this way. They see their workplace as somewhere to spend a number of hours every day to complete specific tasks and receive a salary at the end of a time period. With this view, there is no sense of being a part of a community aimed at promoting the greater good for society. This outlook is problematic because employees are only motivated by self-interest, potentially leading to unethical behavior. Following Aristotle, it can be claimed that a virtuous person in a “good” community is someone who will make ethical decisions. This statement makes sense in that, if employees recognize their corporations as good communities and they exercise their virtues, then it is more than likely that they will be inclined to make ethical decisions.

A further dimension is *excellence*. Virtues are not just about avoiding wrong actions and complying; rather, they involve always doing one’s best and flourishing. People should not only engage in actions that allow them to perform well and thrive in their own personal life. They should do so in a business environment as well, which will promote ethical behavior. There should be no border distinguishing personal virtues from workplace virtues. People’s virtues should guide their behavior in every circumstance in their life.

*Role identity* is another dimension to consider. Solomon (1992) makes the point that the role that one assumes in a corporation is what gives ethical issues their relevance. Each person within an organization has certain roles and responsibilities that come with the job, and several expectations must be met. As a result of different roles, with

different responsibilities and expectations, very general ethical rules will not be useful in solving ethical dilemmas within an organization since each situation will be unlike another, which is in line with what Aristotle's ethics tell us. This is a problem in the modern business world as corporations try to apply the same general ethical standards to everyone within the organization. In addition, many employees find that one role that they have may clash with another role that they have to assume, and workplace roles may clash with personal roles, so it is difficult to act ethically in every situation. This is a significant issue that corporations must address.

*Integrity* is also a key dimension in the modern business environment and a key virtue in Aristotelian ethics as it concerns a person's roles and duties in a job and the virtues that have to be in play as a result. It is common in the workplace for employees to compromise their integrity by deviating from what is required of them by their job; in so doing, they end up making unethical decisions. There are some instances in which employees have to show integrity by acting against their roles and duties. For instance, if a manager asks an employee to perform a task that the employee knows is not right, then that employee should allow the virtue of courage to shine through and let the manager know in a respectful manner that he or she is only willing to perform duties that are honest and ethical (Duska 2013). If a person employs other values and acts on what is right or good, then we can say that the person has integrity.

Aristotle places great emphasis on "phronesis," that is, practical wisdom or *judgment*. Employees face a number of ethical issues daily, and, following Aristotle, each situation is unique and it is not possible to follow a general rule. Hence, judgment is integral to ethical decision making in a corporation. It is not simply judgment but "good" judgment that is required, and good judgment is tricky. As Provis (2010) states, it is about initially recognizing that there is a decision to be made, and it then involves great deliberation about certain outcomes that results in the best possible decision given the situation. Good judgment is not simply making the decision with the fewest consequences for the corporation,

the one that will save the corporation the most money or the one that is the fastest to make, which happen to be factors that people with the authority to make decisions end up considering. These insufficient and unreasonable thought processes show a lack of good judgment by people within corporations, which easily leads to unethical behavior.

## Conclusion

Aristotle's view of business ethics is rooted in the role of virtues and suggests that, once a person lives life with the ultimate goal of happiness in mind, that is, being a good person and living a virtuous life, then that person will be inclined to make ethical decisions.

Aristotle's virtue ethics appear to be timeless and can be reinterpreted in today's business environment and utilized to promote ethical decision making not only in corporations but in everyday life. A central societal challenge that corporations should address is the growing lack of community spirit and eroding solidarity. Individuals are self-interested and focus on the potential for profits to the detriment of their morals and virtues. While it is easy to motivate employees with monetary benefits, it may lead in the long run to a culture in which no other incentives than cash will have any effect. Corporations can take action and change this situation by, for instance, taking an introspective look at their corporate culture and supporting to a lesser degree a climate that attaches performance solely to monetary incentives but rather promoting a culture of compassion and community. This is likely to help employees to achieve happiness through their connection to others and support ethical behavior.

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- [Aristotle](#)
- [Doctrine of the Mean and Business Ethics](#)
- [MacIntyre and Business Ethics](#)
- [MacIntyre, Alasdair](#)

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## Aristotle

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## Introduction

Aristotle (384–322 BCE) was a Greek philosopher who figured prominently in the Classical period of Ancient Athens. He was born in Stagira, a small town near modern day Thessaloniki, as a subject of the Macedonian kingdom. At the age of 17 years old, he moved to Athens in order to study

at Plato's already famous Academy. Under Plato's supervision, he developed the beginnings of a systematic philosophy encompassing claims in subdisciplines ranging from ethics and psychology to natural science and metaphysics, and he came to disagree adamantly with many of the central commitments of his teacher. After leaving the Academy, Aristotle went on to effectively invent many domains of inquiry, notably biology, zoology, logic, and philosophy of science. He took on famous students, including Theophrastus who would succeed him as head of the Peripatetic School at the Lyceum and a young prince of Macedon named Alexander who would emerge onto the world stage as Alexander the Great only a few years after the close of his time with Aristotle. Upon his death in 322 BCE, Aristotle was only 62 years old, but had already accomplished enough to shape the course of history.

## Written Works and Legacy

Unlike some of his philosophical predecessors such as Socrates who preserved none of their ideas in writing, Aristotle was a prolific writer, and even by today's standards. Though by some accounts only one-fifth of his writings have survived, the body of Aristotle's extant work is vast, comprising treatises in logic, epistemology, metaphysics, philosophy of mind, psychology, metaphysics, physics, biology, astronomy, meteorology, ethics, political theory, and more (Barnes 2000, p. 4). The entirety of his "exoteric" work – the treatises that were produced in a style intended for readers outside of his school – is considered lost and is known to exist only through praise heaped upon it by near contemporaries such as Cicero who is often quoted saying that Aristotle's writing was like "a flowing river of gold." Unfortunately, the extant works do not live up to this praise, reading instead like working drafts and lecture notes to be utilized within circles already familiar with Aristotle's system of thought (Barnes 2000, p. 5).

The era following Aristotle's death saw further development of his school and circulation of his

ideas, including through his exoteric works. But it was Plato's ideas and Neoplatonism that took center stage in the West at that time. Around 600 CE, Aristotle's work was effectively forgotten in the West, though continued to enjoy priority further East in Byzantium and the Arabic speaking world. It was not until the twelfth century CE that Aristotle was rediscovered in the West and, due to being championed by prominent theological scholars such as Thomas Aquinas, became entwined with Christian thought and the Thomist project of synthesizing theology and pagan philosophy. Aquinas' *Summa Theologica* is definitive of this project.

The centrality of Aristotelianism to Aquinas' theology together with Aquinas' power and influence over scholasticism and the wider scholarly community resulted in Aristotle's ideas dominating the intellectual world from the thirteenth century through the Renaissance. His theories of hylomorphic substances, the four causes, potentiality and actuality, categories and essences, the mechanics of motion, and the logic of syllogisms, were all cornerstones of the dominant scientific worldview. When Kepler, Galileo, *et al.*, advanced the scientific revolution of the Renaissance, it was explicitly Aristotle's ideas that they challenged. Two centuries later Charles Darwin's theory of the process of natural selection would unseat Aristotelian teleological explanations in the domains of biology and life sciences as well.

Aristotle's contributions outside of science have enjoyed a longer legacy. Particularly, various aspects of his ethical theory have persisted in importance, even seeing a wholesale revival in the form of modern "virtue ethics" in the twentieth century. His conceptions of (i) happiness (what he calls *eudaimonia*) as the ultimate good and purpose for human beings and (ii) performance of the human function as the means for achieving happiness are among his unique contributions. Budding from these foundational elements of his ethical theory, Aristotelian arguments and proposals for ethics in the business sphere have recently been gaining momentum.

## Eudaimonism and Purpose

The importance of happiness in human life is almost universally acknowledged. Aristotle himself notes this universality in his *Nicomachean Ethics* (*NE*), where he introduces his conception of happiness as the highest good for human beings. His argument depends on the premise that all human beings choose their actions with purpose, and that purpose is something that appears good to the agent, whether or not it is an actual good (*NE* 1.1). Because this analysis leaves open the possibility that our purposes could be nested in such a way that we are always seeking to fulfill a given purpose for the sake of fulfilling a yet further purpose, and so on *ad infinitum*, Aristotle posits a *summum bonum* ("highest good") that is complete and pursued for its own sake and is our final purpose for action (*NE* 1.2 1094a17-21). It is this *summum bonum* that he calls happiness.

Aristotle's substantive conception of happiness goes beyond this account of its position as our final end. He disputes folk conceptions that figure the maximization of pleasure or honor as constituting happiness, and he argues that happiness is better understood as a way of life (*NE* 1.7 1098a2). Specifically, it is a distinctively human way of life that is achievable through excelling in distinctively human activities such as learning, exercising knowledge, and navigating one's social world.

The Aristotelian conception of purpose has become a guiding principle in business and professional ethics through the advent of practices such as mission statements and norms governing corporate social responsibility (CSR) and fiduciary duty. The design and articulation of a purpose, often one that transcends the goal of profit-earning, builds on Aristotle's conception of flourishing consisting in the fulfillment of an end that is valuable for its own sake. A well-articulated purpose can advance public perception of an organization and also motivate employees who often tether their own identity and success to that of the organization (Hartman 2013, p. 129).

## The Function Argument and the Virtues

In arguing that the human good, that is, happiness, is a distinctively human way of life, Aristotle relies on the notion that “the good – the doing well – seems to lie in the function” for anything that has a function. This claim amounts to the idea that the flourishing and fulfillment of purpose for any sort of thing that has a characteristic activity or unique output is in the performance of that activity or production of that output. Thus, the good for a carpenter is in the production of tables and cabinets; the good for an eye is in seeing; the good for a boat is in conveying persons or goods across water. Aristotle’s next step is to establish both that human beings possess a function in their essential nature and what that function might be.

He argues that the function of human beings must be something distinctive, not shared with other organisms.

What, then, could this be? For living is evidently shared with plants as well, but we are looking for what is special. Hence, we must set aside the living that consists in nutrition and growth. Next in order is some sort of perceptual living. But this too is evidently shared with horse and ox and every animal. There remains, then, some sort of practical living of the part that has reason. (*NE* 1.7 1097b31-1098a2)

Rational activity is the human function, then, and it is in the performance of rational activity that we achieve our good. Aristotle does clarify that this function must be performed *well* if it is to deliver us to our end and that performing a function *well* requires performing it in accord with the excellences or virtues that are proper to the activity. In the case of the carpenter, the relevant excellences or virtues will be the skills necessary for producing high quality tables and cabinets; in the case of the boat, they will be the material features that enable boats to move quickly across water while remaining afloat. For human beings, the relevant virtues will turn out to be what we ordinarily think of as virtue, that is, ethical virtues of character as well as intellectual virtues that include practical wisdom. “If all this is so, the human good turns out to be activity of the soul in accord with virtue and, if there are more virtues

than one, then in accord with the best and most complete” (*NE* 1.7 1098a15-17).

Alasdair MacIntyre, a prominent philosopher in the modern virtue ethics tradition, has utilized Aristotle’s conception of the integral relationship between ethical virtue and flourishing to argue for the conclusion that “the tradition of the virtues is at variance with central features of the modern economic order” (1984, p. 254). His argument charges that modern business activity lacks what he calls an “internal good,” the pursuit of which might enable business participants to cultivate their own excellence as they practice their business activity. Effectively, on this view, business participants are made to act in ways far divorced from the excellent performance of our human function and, therefore, far divorced from our happiness.

Further implications for business ethics have been derived from Aristotle’s theory of habituation, a process by which character virtues are cultivated, as well as his “doctrine of the mean,” according to which “[character] virtue is concerned with feelings and actions in which excess is in error and subject to blame, as is deficiency, whereas the mean is subject to praise and is on the correct path” (*NE* 2.6 1106b24-25).

## Cross-References

- [Aristotelian Business Ethics](#)
- [Corporate Social Responsibility](#)
- [Doctrine of the Mean and Business Ethics](#)
- [MacIntyre and Business Ethics](#)
- [MacIntyre, Alasdair](#)
- [Virtue Ethics](#)

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## Arms Industry

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## Synonyms

Arms trade; Defense industry

## Definition/Introduction

The arms industry is a global business whose participants manufacture, sell, and service weapons, military technology, and complementary equipment. It is heavily involved in research and development, engineering, producing and servicing military material, equipment, and facilities. Arms-producing companies, also called defense contractors or collectively the defense industry, produce arms primarily for the armed forces of states. Distribution of arms is, however, a vast enterprise in its own right, in part arranged by agencies of governments and to a lesser extent by private merchants. To the extent that controls are maintained over distribution, this control is qualitative rather than quantitative. In other words, the total amount of product provided is open ended, whereas recipients, mostly forces defending or opposing developing countries, are selectively precluded from obtaining the most sophisticated equipment.

Data regarding global arms sales have for years been gathered and made available to the public by the Stockholm International Peace Research Institute (SIPRI). According to SIPRI, world military expenditure is estimated to have been \$1676 billion in 2015, this total accounting for 2.3% of global gross domestic product or \$228 per person (SIPRI 2016, p. 17). This global amount is, however, by no means evenly divided among recipients or distributors. The combined arms sales of the top 100 largest arms-producing companies amounted to over \$400 billion in 2013 according to SIPRI (2015, 10, p. 3). Still more revealing of

the locus of global military power, the ten largest arms-producing companies, all in the USA or Western Europe, generate 80.3% of the revenue that went to those top 100 companies in 2014 (SIPRI 2016, p. 19).

The mainstream arms industry provides guns, ammunition, missiles, military aircraft, vehicles, and ships, electronic systems and their complements, and increasingly the means to engage in cyber-warfare. Smaller purveyors focus for the most part on land-based small arms. For all these products, logistical and operational support is available. Producing companies typically vie for contracts with a national government, but open bidding does not always take place. The full range of products utilizable by military personnel is potentially as extensive as the totality of human needs, at least to some degree. But arms industry products more narrowly conceived have involved three categories of weapons: land-based weapons, including small arms; naval systems; and aerospace systems. An emerging category: cybersecurity.

## Principal Producers and Buyers Over Time

Humans have been making weapons since prehistoric times, and over centuries if one group developed a temporary advantage over another, the other would strive to surmount it. With the emergence of the industrial revolution, countries able to apply their technological base to engines of war had significant advantages. For example, guns capable of firing more than one round without reloading had been built by 1500 AD, but fully automatic machine guns were not perfected until the mid to late nineteenth century with the help of precision manufacturing machines (see Wikipedia, "Machine gun"). Primitive submarines appeared during the US Civil War (1860–1866); tanks and weaponized planes during WW I; and land mines, nuclear bombs, and much else during WW II and since then countless creations ranging from guided missiles to jet airplanes to unmanned drones. A group with access to any of these that remained unavailable to a foe would have a



technical advantage, and this basic datum drives the arms sales industry as we know it today.

The quest for technical advantages plays a key role in modern warfare, as illustrated by foes vying to make the first atom bombs during WWII, even as they competed routinely for access to oil for their vehicles. Possession of nuclear bombs was a key to military status during (and since) the Cold War, but so too was access to jet airplanes more sophisticated than enemy forces possessed. The demand thus generated was met, subject to self-serving constraints, by willing suppliers.

Throughout the Cold War, the principal opponents, the USSR and the USA, were first and second (40% and 28%, respectively, in 1989) in the global trade in conventional weapons to whichever less advanced countries either of them trusted. In 1995, 6 years after the fall of the Soviet Union, Russia controlled only 17% of this trade, whereas the US had come to control 42% (Anthony 1997, pp. 17, 23). This emergent dominance of the USA solidified with mergers and acquisitions at home and co-production arrangements with buyers abroad (Kapstein 1997). It retained superiority by banning sales of its most advanced weapons to all but its most trusted allies (Nolan 1997).

## Land-Based Weapons

Land-based weapons include everything from light arms and land mines to tanks and heavy artillery. The majority of producers are small. Many are located in developing countries. They produce and sell handguns, machine guns, tanks, armored personnel carriers, and other lower-cost weapons and platforms for weapons (Brauer 2002).

The Control Arms Campaign and the International Action Network on Small Arms estimated early in the twenty-first century that there are well over 600 million small arms in circulation, and that these are produced by over a thousand companies in nearly 100 different countries (Hillier and Wood 2003). Sales of such equipment is poorly regulated internationally, so many of these weapons wind up in the hands of organized

criminals, rebel forces, terrorists, or regimes under sanctions (Stohl and Grillot 2013).

## Naval Systems

Major powers have long felt a need to maintain a naval force comparable to that of their adversaries. This strategy has led to the construction of numerous aircraft carriers, submarines, and advanced anti-air defense systems. Some of these are nuclear powered and as such are not available to developing countries. Updating older vessels is a stable industry.

By any standard, the US Navy is the largest in the world, with a fleet weighing 3,415,897 tons – four times greater than second-place Russia's. Others in descending order: China, Japan, UK, France, India, South Korea, Italy, and Taiwan (Myzokami 2014). Mere tonnage, of course, does not equate to military prowess. But fire-power capabilities are being substantially enhanced on older vessels. Overall, at the end of 2016 the US Navy had 440 ships in active service or its reserve fleet, with another 70 planned or under construction. These include 234 commissioned, 104 noncommissioned, 50 support ships, and 51 in its ready reserve force (Wikipedia nd). It has the world's largest aircraft carrier fleet, with ten in service, two in the reserve fleet (Hillier and Wood 2003), and three new carriers under construction (NATO Review 2014).

## Aerospace Systems

Until recently, aerospace has been the most technologically advanced sector of the arms industry. It comprises military aircraft (both naval and land based) and its producers are minimally competitive in economic terms. The top clients and producers are mostly in the western world, principally the USA and Russia. Having endured multiple mergers, the top firms now are BAE (UK company, first outside USA in number one position), Boeing, Dassault Aviation, EADS, Finmeccanica, Lockheed Martin, Mikoyan, Northrop Grumman, Rolls-Royce, Sukhoi, and Thales Group. Several

multinational consortia have coordinated production of fighter jets such as the Eurofighter Typhoon, 599 of which are now in operation.

The military planes most in demand are prohibitively expensive: four of the top ten cost over \$100 million each, three are over \$200 million, and two are over \$300 million. Each of the 20 extant F-2 Spirits, in use since 1993, cost \$2.4 billion each. And the current

program to build F35 jets is expected to cost \$400 billion. As for purchasers of planes now being built, the market is expected to grow from \$61.2 billion in 2016 to \$88.9 billion in 2026 (PRNewswire 2016). North America will have 33% of this market, Asia-Pacific and Europe 25% each, and the Middle East, Latin America, and Africa 17% each. Types of planes to be bought are multipurpose 56.8%, reconnaissance 24%, and surveillance 8.8%.

## The Cybersecurity Industry

The cybersecurity industry, though still immature, is already important to the defense industry. The 2013 NATO review deemed cyber attacks as one of the greatest risks to defense in the next decade. A mere 3 years later apparent Russian intrusion into the 2016 US presidential election generated calls around the world to heighten the security of governmental processes. It had become apparent that higher levels of investment in the cybersecurity industry are needed to produce new software able to protect the ever growing transition to digitally run hardware. The military in particular needs better protections of the systems it uses for reconnaissance, surveillance, and intelligence gathering. This means, according to Sharma (2017, p. 1), “Huge investments in cloud network security solutions applicable for the battlefield management, data protection, & wireless security solutions along with development of network security & cloud security software stands out as the key factors contributing to the growth of the cyber security market for the defence sector.”

To protect the cyber world from attacks, there are advanced cyber protection strategies used such as content, cloud, and wireless security.

These can be intertwined to form several secure layers. In response, cyber attacks and cyber attackers have become more advanced in their field using techniques such as Dynamic Trojan Horse Network (DTHN), Internet Worm, Zero-Day Attack, and Stealth Bot. As a result, the cybersecurity industry has had to improve the defense technologies to remove any vulnerability to cyber attacks using systems such as the Security of Information (SIM), Next-Generation Firewalls (NGFWs), and DDoS techniques (Sharma 2017, p. 1).

As the threat to computers grows, the demand for cyber protection will rise, resulting in the growth of the cybersecurity industry. It is expected that the industry will be dominated by the defense and homeland security agencies which already account for 40% of the industry. In other words, governments have begun to invest and allocate funds to the cyber industry. For cybersecurity in 2016, the US government allocated \$14 billion and the UK government allocated £860 million (NATO Review 2013). A 2017 projection envisions a cybersecurity market at \$1 trillion by 2021 (Market Research Media 2017).

As these investments increase, the demand that organizations improve their cybersecurity systems for these markets increases as well. The major organizations involved in cyber defense are Intel, BAE Systems, Lockheed Martin, Northrop Grumman, Raytheon, The Boeing Company, General Dynamics, and Shoghi Communications (Market Watch 2015).

## Largest Defense-Industry Companies

Amaranda Bhushan Dhiraj (2016) has identified the top 25 defense companies in the world in 2015. His list includes each company's defense industry income and that income's percentage of the company's total intake for the year. Fourteen of these companies are in the USA, five in Western Europe, three in the UK, and three in Russia.

Dhiraj's data (DR=defense related; DK=defense contracts):

1. Lockheed Martin (US): \$40.13 billion DR; 88.00% of total revenue from DK

2. Boeing (US): \$29 billion DR; 32% from DK
3. BAE Systems (UK): \$25.45 DR; 92.80% from DK
4. Raytheon (US): \$22.23 billion DR; 97.40% from DK
5. General Dynamics (US): \$18.56 billion DR; 76.70% from DK
6. Northrop Grumman Corp. (US): \$18.40 billion DR; 76.70% from DK
7. Airbus Group (Netherlands): \$14.61 billion DR; 18.10% from DK
8. United Technologies (US): \$13 billion DR; 20% from DK
9. Finmeccanica (Italy): \$10.56 billion DR; 54.20% from DK
10. L-3 Communications (US): \$9.81 billion DR; 80.90% from DK
11. Almaz-Antey (Russia): \$9.21 billion DR; 100% from DK
12. Thales (France): \$8.46 billion DR; 49.10% from DK
13. Huntington Ingalls Industries (US): \$6.82 billion DR; 98% from DK
14. United Aircraft Corp. (Russia): \$5.43 billion DR; 22.60% from DK
15. Rolls-Royce (UK): \$5.43 billion DR; 22.60% from DK
16. Honeywell (US): \$4.75 billion DR; 11.80% from DK
17. Textron (US): \$4.72 billion DR; 34.00% from DK
18. AECOM (US): \$4.43 billion DR; 22.60% from DK
19. Booz Allen Hamilton (US): \$4.1 billion DR; 20% from DK
20. Safran (France): \$4.08 billion DR; 20% from DK
21. DCNS (France): \$4.07 billion DR; 100% from DK
22. GE (US): \$4 billion DR; 16.70% from DK
23. Russian Helicopters (Russia): \$3.96 billion DR; 80% from DK
24. Leidos (US): \$3.63 billion DR; 71.60% from DK
25. Babcock International (UK): \$3.56 billion DR; 48% from DK

**World's Largest Arms Exporters** In 2010–2014 the five biggest exporters were the USA, Russia, China (having passed Germany), Germany, and France. Each country's prioritization is historically traceable, e.g., that of the USA to President Nixon's 1969 upgrading of arms sales to diplomatic status (the Nixon Doctrine).

**World's Largest Arms Importers** For some time up to 2017, the eight biggest importers of arms were India (14%), Saudi Arabia (7%), China (4.7%), the United Arab Emirates (4.6%), Australia (3.6%), Turkey (3.4%), Pakistan (3.3%), and Vietnam (2.9%) (World Atlas 2017). Territorially, countries in the Middle East and/or on the Persian Gulf are most voluble and hence the largest purchasers. Arab countries in this region depend on quantity, comparatively small, and Israel on quality of the weapons procured (Aly 1997). South Asian countries India and Pakistan have historically been exceptionally hostile toward one another. Both are nuclear armed, proliferation prone, and (in the case of India) an independent weapons producer (Jones 1997).

**International Arms Control Treaties** Even as the institutions here named do their utmost to enlarge the market for weapons, other entities seek to contain such proliferation. By virtue of their efforts, our planet has been rendered somewhat safer by the adoption of treaties. Those with most bearing on arms trade are the following:

- Geneva Protocol on chemical and biological weapons, 1925
- Partial Test Ban Treaty, signed and in force 1963
- Outer Space Treaty, signed and in force 1967
- Nuclear Non-proliferation Treaty, signed 1968, in force 1970
- Seabed Arms Control Treaty, signed 1971, in force 1972
- Strategic Arms Limitation Treaty (SALT I), signed and ratified 1972, in force 1972–1977
- Biological Weapons Convention, signed 1972, in force 1975
- Convention on Certain Conventional Weapons, signed 1980, in force 1983

Threshold Test Ban Treaty, signed 1974, in force 1990  
 Treaty on Conventional Armed Forces in Europe (CFE Treaty), signed 1990, in force 1992  
 Chemical Weapons Convention, signed 1993, in force 1997  
 Ottawa Treaty on antipersonnel land mines, signed 1997, in force 1999  
 Convention on Cluster Munitions, signed 2008, in force 2010  
 Arms Trade Treaty, concluded in 2013, in force 24 December 2014

Some of these agreements have had more beneficent effects than others, depending largely on how well they have been adhered to. In this regard a hopeful step forward was the 1996 Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, which requires post-transaction notification of relevant sales (Pierre 1997, pp. 391–401). A potentially stronger agreement is the 2014 Arms Trade Treaty, which now has 130 signatories, 88 ratifications (<https://www.un.org/disarmament/convarms/att/>). Five of the top ten arms producers have signed; nonsigners include Russia, China, and the USA.

The latter's noncompliance illustrates regulatory priorities too well: when then US President Obama sent the 2014 treaty to the US Senate for approval, the Senate – informed and funded by the National Rifle Association – voted against signing lest it violates the gun rights granted by the Second Amendment of the US Constitution (Cox 2013). To generalize from this example, the global arms industry is far less regulated than it has to be if the world's troubled countries are ever to be constrained in their reliance on killing to effect their ends. These troubled countries, in turn, are often just pawns whose corrupt government officials are facilely manipulated by bribes they receive from the agents of arms manufacturers that routinely hawk their most expensive hardware, duly marked up, rather than what the buying country might possibly need (Feinstein 2012).

## Cross-References

- [Business and Peace](#)
- [Economics and Business of War and Responsibility for Unjust Wars](#)
- [Military Industrial Complex \(MIC\)](#)

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## Artificial Intelligence and Business Ethics

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### Synonyms

AI and business ethics

### Introduction

In recent years, the technological developments concerning artificial intelligence (AI), robotics, computer science, and the Internet of Things (IoT) and the ongoing fusion of the physical, digital, and biological worlds (the Fourth

Industrial Revolution), all in the context of the so-called metaverse, have had – and continue to have – a widespread and profound impact on all areas of human society (Gordon and Nyholm 2021; Müller 2020). This entry will examine some of the main issues related to the effect of AI on business ethics with a particular focus on its negative impacts.<sup>1</sup>

### Preliminary Remarks

AI is the main driving force and the very foundation of increasing possibilities in technology-related areas of human societies. But what is AI? One scholarly definition is offered by Copeland (2020), who describes it as follows:

the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings. The term is frequently applied to the project of developing systems endowed with the intellectual processes characteristic of humans, such as the ability to reason, discover meaning, generalize, or learn from past experience.

It is a matter of ongoing academic discussion (Bostrom 2014; Ord 2020) whether current AI systems will become so advanced by some future point as to either equal human intelligence or even outpace us and hence become superintelligent. This is called the technological singularity (Kurzweil 2005). This trajectory’s ethical, legal, and socio-political implications have been recently examined in a special issue edited by Gordon (2021). Do intelligent machines have moral and legal status, and are they hence entitled to moral and legal rights (Gordon and Gunkel 2021; Gordon 2020c; Gunkel 2018)? And if so, what about conflicting rights claims of intelligent machines and the humans who wish to use them for commercial purposes? Whose claims should prevail in cases of conflict (Chomanski 2021)?

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<sup>1</sup> A recent special issue in the *Journal of Business Ethics* on “Business Ethics and the Era of Artificial Intelligence” (Haenlein et al. 2022) substantiates the significance of research at this intersection. It offers an in-depth analysis of many issues concerning AI and business ethics.



These and related issues are of utmost significance in the long run.

Business ethics is a prominent subdiscipline in applied ethics that concerns any ethical issues that might arise in the business environment. It also encompasses individual and corporate conduct and ethical norms, moral values, principles, policies, and regulations applied in business. Business ethics has become more prominent against the background of emerging technologies, particularly in the era of AI. Many of the current problems are concerned with issues caused by the application of AI in businesses, as discussed below.

## AI's Impact on Business Ethics

The technological advances of AI have had an increasing impact on business ethics due to the possibilities that new technologies provide for businesses. In recent years, AI has offered many advantages and positive developments to companies. In this section, however, the focus is primarily on the negative implications of AI in the business world (Haenlein et al. 2022). The following topics will be briefly examined: corporations, the banking and insurance sector, marketing and advertising, blockchain and cryptocurrency, and work and existential boredom. Moral dimensions of these issues will be further discussed in the following section.

### Corporations

The application of AI in businesses is unavoidable, particularly in areas that involve monotonous tasks such as screening numerous job applications. Unfortunately, the application review practices of AI systems mirror (and even worsen) human bias in the selection process (Hunkenschroer and Luetge 2022). This problem, called machine bias, results either when the algorithm is defective or when a decision is based on inadequate historical data. In addition, teams that develop the software for applications such as employee hiring tend not to be diverse but commonly consist of white males, who are often

untrained concerning hidden human bias toward different ethnicities and women. Therefore, AI does not put an end to discrimination based on ethnicity, sex, skin color, religion, and other factors but, rather, often replicates previous injustice and inequality (Gordon and Nyholm 2021, section 2c).

Furthermore, according to Haenlein et al. (2022), reported cases reveal that employers can use AI to assist employee surveillance, which can undermine healthy company–employee relationships if employees discover that they are being spied on (e.g., the software Status Today). Another risk is that businesses may use AI-supported cyberattacks to investigate their rivals' new developments and strategies so as to gain an advantage in a highly competitive business environment.

### The Banking and Insurance Sector

Nowadays, credit decisions are made mostly by AI and only rarely by appointment with a clerk at a bank, as was common in previous years. The AI system screens the historical data, the postal codes (relevant because of socioeconomic differences between neighborhoods), names (which may reveal one's non-Caucasian heritage), education, employment history, current income, previous experience of losing jobs, whether the applicant is insured (if not, this might indicate a general lack of money), and other potentially discriminatory factors. Machine bias also affects loan decisions. People with a particular background may not get a loan or may be offered less attractive terms, often on dubious grounds (such as improperly prepared historical data).

Likewise, the insurance sector uses similar tools to determine whether certain people are more at risk than others and to deny them policies or offer less favorable terms. Reported cases show, for example, that African Americans in the USA have been systematically disadvantaged in the banking and insurance sector based on AI software (Ludwig 2015). This substantiates the continuing problem of injustice and denies many people in need of the opportunity to escape from precarious socioeconomic conditions.

## Marketing and Advertising

The widespread collection of customer information for marketing practices such as personalized advertising (including nudging) and dynamic pricing to promote impulse buying is well-known in the business industry (Haenlein et al. 2022). The data collection takes place through AI software, which determines all relevant (and even irrelevant) online and offline behavior of customers with regard to buying goods, interests, and hobbies.

This AI-supported data collection, which often happens in a legal grey zone, has already caused numerous scandals. Cambridge Analytica (CA) specialized in data analysis from 2014 to 2018, particularly with respect to influencing voters in numerous US campaigns through micro-targeting. CA acquired 50 million datasets from Facebook in 2014 (unknown to the users). The data were then used, among other ways, in the 2016 US presidential election to influence votes in swing states. CA has become a byword for the misuse of data.

Everything that supports bigger sales is of utmost significance to companies. This includes online surveillance on social media platforms such as Facebook, Twitter, and Instagram, as well as reservation tools such as [Booking.com](https://www.booking.com). The targeting and nudging of customers to arouse specific needs that previously were latent or did not exist at all are somewhat alarming. Information is the new gold.

## Blockchain and Cryptocurrency

The blockchain revolution can have positive and negative impacts. Concerning the latter, it can have a profound impact on criminal prosecution if used for illegal activities. Blockchain technology allows peer-to-peer transactions without using the bank as a mediator; the participants remain anonymous, and all transactions are transparent and accountable. The blockchain is also used as a decentralized database for digital currencies, i.e., cryptocurrency, making it very difficult or impossible to track transactions between individuals. There is no regulating authority because decentralized systems are used to record all transactions. The system runs on AI and can

provide the technological framework for illegal transactions. That does not mean that all transactions are unlawful, but criminal actors have gravitated to blockchain and cryptocurrency technologies to hide their illegal actions.

Of course, blockchain technology is used not only in the banking sector but also in many other areas of human activity. An excellent overview of the different fields of application and their pros and cons (including moral issues discussed) against the background of AI is provided by Sharif and Ghodoosi (2022).

## Work and Existential Boredom

The automation and job displacement caused by the industrial revolution in the nineteenth century had profound consequences for the labor market. The current technological developments related to AI have led to projections that most jobs will be filled by machines rather than people within the next 100–120 years. In particular, the short-term socio-political implications will create enormous problems as people lose their jobs, imposing a significant burden on the social welfare funds of many states, along with the psychological difficulties that come with losing a job to a machine. The midterm and long-term sociopolitical forecast could bring some improvement, since the use of machines could eventually provide for all necessary wealth. This is, at least, the grand vision of using AI for the good of human society.

The future of work is a hotly debated topic among scholars such as Danaher (2019) and Gheaus and Herzog (2016). They have examined, for example, whether AI will cause widespread “technological unemployment” (and, if so, to what extent) and whether less work will be generally preferable. In addition, vital questions concerning work as a meaningful and fulfilling activity that protects people from “existential boredom” are frequently discussed in the literature, most famously by Bloch (1954).

## Ethical Limits of AI-Supported Business

Using AI for various human activities offers numerous advantages and can improve our quality



of life in both professional and personal settings. However, the abovementioned examples reveal that some applications can have substantial negative moral implications. In the USA, many people have been treated unfairly by AI systems regarding employment, loan applications, and parole based on their ethnicity (Angwin et al. 2016). This is immoral and violates these people's rights to be treated without discrimination based on ethnicity, sex, skin color, medical impairment, or other factors. In other words, AI-related applications might undermine the very foundation of our society by reinforcing social injustice and thereby becoming complicit in racism (Gordon and Nyholm 2021, section 2c).

Furthermore, maximizing profit in business is not necessarily bad but provides a great utility to many people. This approach has been often related to utilitarian ethics, which claims that one should always choose those actions which bring the most utility for all sentient beings involved. However, what is the utility for people who have been rejected unjustly for a loan or a job due to personal factors that should not prejudice their opportunities? The idea that some things should never be done – e.g., we should not discriminate based on ethnicity, sex, skin color, or medical impairment – has been part of deontological ethics for many decades. It is often used as a rival proposal against the utilitarian strategy of maximizing profit. In other words, using AI software in companies in ways that lead to immoral outcomes is a crime. It profoundly undermines the moral demands of our social relations to treat each other with equal respect and fairness in society.

The task of business ethics in the context of AI is, among other things, to assess the moral values, norms, and ethical principles involved in doing business. Identifying instances of injustice and inequality is undoubtedly a critical task, after which guidance toward suitable solutions is needed. The latter point has been discussed under the heading of “programming ethics into the machine” so that the software can navigate moral problems and use proper ethical reasoning and moral decision-making for its tasks (Gordon 2020b; Anderson and Anderson 2011; Wallach and Allen 2008). It remains to be seen whether

we will be able to solve this problem effectively in the near future and thereby avoid perpetuating injustice.

## Conclusion

Undoubtedly, AI has tremendous impact on how business is done today. One way to evaluate moral problems in this context is by the application of business ethics to pinpoint the issues raised by the unfiltered application of AI software and to devise appropriate responses. This is not an easy task. Proper solutions for many of the problems mentioned above will require collaboration across different disciplines such as AI, robotics, computer science, philosophy/ethics, and law.

## Cross-References

- ▶ [AI and Corporate Responsibility](#)
- ▶ [Big Data Ethics](#)
- ▶ [Blockchain and Cryptocurrencies, the Relevance for Business Ethics](#)
- ▶ [Cybersecurity: Critical Consideration for Boards of Growth Firms](#)
- ▶ [Ethics and Artificial Intelligence](#)
- ▶ [Future of Work: Values and Ethical Issues](#)
- ▶ [Social Media Screening and Privacy Issues in Recruitment](#)
- ▶ [Technology Ethics: Origins, Paradigms and Implications for Business and Society](#)

**Acknowledgments** This research is funded by the European Social Fund under the activity “Improvement of Researchers’ Qualification by Implementing World-class R&D Projects,” Measure No. 09.3.3–LMT–K–712.

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## Artificial Intelligence and Ethical Journalism

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### Synonyms

Agency; AI; Algorithmic journalism; Automated journalism; Cyber ethics; Journalism ethics; Responsibility

### Introduction

Journalism is a mode of communication that provides the public verified facts and information in a meaningful context so that citizens can make informed judgments about society (Pew Research Center 1999). It is a journalistic task to select, process, and publish news in accordance with professional norms and values (Brosda 2010). Today, this concept is more than ever threatened. With the advent of artificial intelligence applications and the use of digital data in journalism, the nature of how news is selected, produced, distributed, and consumed is changing. Algorithms are influencing and structuring our daily life. They determine search results on Google, they decide and recommend which news stories are worth reading and how they should be consumed, and they predict the demand for specific journalistic products and are even able to create written content via natural language generation (NLG) applications like Generative Pre-trained Transformer 3 (GPT-3). The use of this technical potential in journalism as well as the observation of its challenges in journalism research has been conceptualized in numerous ways, including “computational journalism,” “computer assisted reporting,” “big data or data journalism,” or “algorithmic or automated journalism” (Dörr 2016a, b). Each of these concepts focuses on different use cases of data and levels of automation. It ranges from research methods, to story visualization and data analytics, to automated

text generation. These concepts and their operationalization show one thing. It is difficult to determine the ethical impact of algorithmic applications as the ethical discussion on technology calls for specific technical knowledge about the research subject. These research objects are dynamic in their nature. As Guzman (2021) notes, “technological change has the potential to challenge existing norms and values within journalism”; the need of an ethical discussion on how professional journalism can maintain its quality standards of objectivity, accountability, and transparency is more relevant than ever before. Thus, this chapter provides a short overview of how it is possible to assess and analyze ethical challenges of artificial intelligence applications from a theoretical perspective.

### Artificial Intelligence as Challenge for Ethical Journalism

Even though the field of artificial intelligence (AI) officially started in 1956, there is to date no all-encompassing definition of AI that satisfies every research area. From philosophy to biology and computer science, the approaches to grasp and discuss the topics are versatile (Bringsjord and Govindarajulu 2020). Following the definition of Russell and Norvig (2009) that is widely reflected across literature, AI is “the designing and building of intelligent agents that receive percepts from the environment and take actions that affect that environment.” Algorithms classify, structure, and filter digital information – depending on the function of the application – and assign relevance to it based on programmed rules.

Recently, the development of AI applications gains traction with the invention of algorithms in the subfield of machine learning. As Bringsjord and Govindarajulu (2020) sum up, “Machine learning is concerned with building systems that improve their performance on a task when given examples of ideal performance on the task, or improve their performance with repeated experience on the task.” Over a certain period, the range of actions and thus the possibilities to fulfill a specific task are growing constantly. This

increasing complexity in human-computer interaction is challenging the way in which we assess and analyze normative and ethical challenges of digital news production (Dörr et al. 2017).

Focusing on journalism, there are different levels of automation in professional news production. One development that encompasses and covers most likely forms of AI and machine learning is the area of automated or algorithmic journalism (Dörr 2016a). Closely linked to the field of computational linguistics, software applications generate editorial texts based on natural language processing (NLP) from structured data almost independently and with small differences in quality. The latest technological evolution in text automation is GPT-3. Generative Pre-trained Transformer 3 (GPT-3) is a language model that uses machine learning to perform a large range of natural language processing tasks as well as to produce humanlike texts. This software is developed by OpenAI, a San Francisco-based artificial intelligence research laboratory (Brown et al. 2020). The use of these applications – although not yet widely used – is economically driven. On September 23, 2020, GPT-3 was licensed exclusively to Microsoft (Hao 2020).

Among other challenges, high costs for training the algorithms and textual limitations due to the lack of world knowledge complicate the distribution and usage of this technology. Nevertheless, the use of this technology and the ability to write quality texts could lead to potential misuse. Examples include misinformation, spam, phishing, abuse of legal and governmental processes, fraudulent academic essay writing, and social engineering pretexting (Brown et al. 2020: 35). The researchers behind GPT-3 also address forms of bias as a potential risk as the software could generate stereotyped or prejudiced content. These are questions of governance of AI applications in journalism.

### Ethical Criteria in Journalism

In journalism ethics, the normative assessment of journalistic action always refers to the assurance of quality. Quality in journalism describes the fit

of journalistic services to defined quality standards. Ethical criteria such as respect for truth, respect for human dignity, and truthful information of the public are among the basic norms of journalism (Dörr et al. 2017: 130). Norms are generally applicable regulations for human action that follow social values. Values, on the other hand, are desired social conceptions, which are used to establish or legitimize norms. Only the truthful, transparent, appropriate, and comprehensible communication of information makes it possible to provide real orientation and is a prerequisite for opinion forming and a basic condition for the implementation of democratic principles. These core principles need to be addressed when researching AI applications like GPT-3 for editorial automation.

### Analyzing AI Applications from an Ethical Perspective

As computing technology in general is normative and expected to proceed toward a pre-defined goal, AI applications are different as the final goal is not pre-defined. This challenge leads to questions of technical design that need to be evaluated regarding ethical norms. But the challenges for analyzing ethical implications of AI applications in journalism are multilayered. Algorithmic processes are often invisible and need to be deconstructed in order to be analyzed and to provide ethical guidance. This approach is part of studies in technology assessment. The deconstruction can lead to decision trees that help to visualize decision-making rules. It can visualize questions of responsibility as it highlights who is responsible at which stage of the production process. In terms of technological design, it can be helpful to integrate ethical requirements and normative constraints while conceptualizing journalistic AI applications such as GPT-3.

In general, the influence of AI algorithms and the increasing use of digital data are addressed by various researchers (see Dörr and Hollnbuchner (2017) for an overview; Guzman 2021). They detect ethical challenges in journalism at the level of data search, origin, and use; algorithmic

accountability and responsibility; algorithmic authority; algorithmic objectivity; and algorithmic transparency (see Dörr and Hollnbuchner (2017) for an overview; Guzman 2021). While these challenges are discussed and located within media ethics, focusing on journalism ethics as reference points (Dörr 2019), researchers also focus on concepts within the fields of science and technology studies as well as cyber ethics (Dörr and Hollnbuchner 2017). Focusing on cyber ethics, other applied fields of ethics are also considered for the ethical discourse on AI applications in journalism. These are, in particular, “computer ethics” which refer to moral issues concerning computing, as well as “information ethics” which refer to moral issues concerning the flow and the processing of information. Furthermore, “internet ethics” refers to dealing with ethical issues concerning the internet while focusing on connectivity and the technological fundamentals. More recently and more relevant for AI applications the fields of “machine ethics” or “robot ethics” are dealing with the ethical behavior of artificial intelligence systems and agents (see Dörr and Hollnbuchner (2017) for an overview). Research shows that it is valuable to include other ethical approaches in order to open the ethical discourse in journalism (Guzman 2021). Of course, this approach does not free media ethics from providing a normative quality assessment of AI along scientifically plausible, normative criteria.

For example, in the media ethical discourse, a concept of responsibility is used that includes different actors – media makers, the owners of mass media, and media users. This differentiation of the media system enables the distribution and attribution of responsibility at the individual ethical and social ethical level. The increasing differentiation of journalistic tasks with the use of AI applications leads to questions whether and how human beings or technology is assigned with responsibility. As ethical questions of responsibility were only linked to a human being – only a human actor can act reasonably, research is already addressing the impact of AI and responsibility, for example, with focusing on socio-

technical approaches of the role of technology, e.g., the actor-network theory by Bruno Latour.

## Conclusion

Due to the development in information and communication technologies, the field and cluster of ethical problems are dynamic. It is necessary to apply normative quality demands from a media ethical perspective also to new phenomena like GPT-3 and other AI applications in journalism. But this scientific and journalism-centered perspective can benefit from opening the discussion of ethical challenges of artificial intelligence to other fields of applied ethics such as cyber ethics and machine ethics. With algorithms that act automatically and are becoming increasingly independent in their decision-making and evaluation options, the role of technology as an actor is starting to be included in the ethical discussion alongside non-journalistically socialized actors such as software providers or programmers.

## Cross-References

- [Ethics and Artificial Intelligence](#)
- [Standardization and the Governance of Artificial Intelligence Standards](#)

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## Artificial Intelligence and Teaching Values in Science

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## Synonyms

Cross-disciplinary understanding of values/ethics in science and technology



## Introduction

Experiences that integrate art and science and that deal with future-facing topics can be vehicles for engaging the public with ethical issues and questions in an equitable and accessible manner. Such experiences can open the door to discussion and debate and are a step removed from didactic approaches to science communication. The process of creating transdisciplinary work that integrates the arts, science and technology can allow a deep exploration of the moral and ethical issues at play for the artists, researchers, scientists and technologists who create the work. Involving the public in the development of such work through an open, transparent, participatory and collaborative process adds a further dimension that values the contribution of the lay member of society alongside that of the scientist and the artist. In this article, Science Gallery Dublin is presented as a space for the incubation and activation of work engendering critical ethical conversations at the intersection of art, science, technology and society.

## Science Gallery Dublin: A Living Experiment

In 2008, Trinity College Dublin founded Science Gallery as a cultural space with a focus on engaging young adults in conversations about art and science (Gorman 2020). With Ireland having no national science museum, the idea behind Science Gallery represented something of a risk – attempting a new form of public engagement with a rapidly changing programme of exhibitions and events (Brunswick 2017). Not only did the public respond in staggering numbers (more than three million visitors in its first decade) but the unqualified success of a university-linked art-science cultural space resulted in the founding of an international network to support the establishment of Science Gallery nodes around the world. At the time of writing, leading universities in London, Melbourne, Bengaluru, Venice, Detroit, Rotterdam, Atlanta and Berlin have

joined the Science Gallery Network along with the founding member Trinity College Dublin.

Science Gallery Dublin brings together artists and makers as well as researchers from across disciplines and provides a platform for the development and exhibition of new transdisciplinary work in response to broad themes. A season with the title *FAKE* could feature exhibits related to biomimicry, psychology or food science to name just a few of the subthemes which emerged when this topic was addressed in 2018. In an approach that highlights its role within a university, rather than being an isolated space for public engagement, an exhibition in the gallery space may also be used by the academic community to collect or refine data to help generate new scientific results for publication. *SocioPatterns* was an experiential exhibit as part of the *Infectious: Stay Away* exhibition in Science Gallery Dublin in 2009. Visitors wore electronic badges as they moved through the exhibition space, and a sensing platform detected close-range proximity among individuals. This data was used to generate high-resolution visualisations of a virtual epidemic (Van den Broeck et al. 2012).

## Art, Science, Technology and Ethics

When the term “scientist”, first coined in 1833 by Cambridge historian William Whewell (Snyder 2019), was discussed in Blackwood’s Edinburgh magazine in 1840, the anonymous author described Leonardo da Vinci as “a seeker after truth” – namely, a scientist – while artist Corregio was described as an “assertor of the truth”. The distinction made by the author was that “the end of science is to find truth: art assumes that it is found” (Blackwood’s Magazine 1840). In the intervening 180 years, many artists, scientists and scholars have explored variants of these definitions and distinctions, famously described in 1959 by C.P. Snow as *The Two Cultures* (Snow and Collini 2012). Science Gallery founding director Michael John Gorman provides a comprehensive overview of the field of art-science and the varying terminology used to describe the combination of science and the arts in his book *Idea*

*Colliders: The Future of Science Museums* (Gorman 2020).

An argument for artist-scientist collaboration is often centred around the potentially critical role of artists and designers acting as “early warning systems”, imagining consequences of unchecked scientific or technological advances before these are even fully realised in the lab, and confronting society with visions of such futures. Encountering works such as Eduardo Kac’s Alba GFP Bunny – an albino rabbit which glowed green due to the insertion of a jellyfish gene for green fluorescent protein into its DNA – or the sight of a lab-grown ear attached to the arm of artist Stelarc invokes strong emotions such as fear and disgust (Gorman 2020). As noted by this author, such works tend to be more sensationalised by the media and the emotional response more visceral when the subject matter relates to biological phenomena rather than to technological advances. However, as algorithms become increasingly pervasive, and more and more aspects of our lives rely on technology, art-science exhibitions increasingly feature works by artists and collectives who creatively utilise digital data, algorithmic tools and technology. Such artworks, which serve as a commentary on the world we inhabit, i.e., networked, under surveillance, and reliant on data-hungry technology, are described by Stark and Crawford (2019) as inhabiting “the intersection of aesthetics, ethics and politics”.

Design is also featured alongside art, science and engineering in Neri Oxman’s “Krebs Cycle of Creativity” in her 2016 article “The Age of Entanglement” (Oxman 2016). Speculative design is an emerging field through which products, tools, processes and services are designed for use in a particular probable, possible or plausible future – one which emerges due to the consequences of a particular scientific or technological innovation or advance (Dunne and Raby 2013). Whatever future emerges from our current trajectory as a species, whether or not it is one that we are satisfied with or would even like to imagine at this point, humans will still need “stuff”, and we will need designers to design for this scenario, even if it is not an ideal one. Arguably, if designers are brought into the process at the point when

technologies are still in the speculative stages, they can engage the scientists and engineers in user-centred design processes, which may raise interesting ethical questions about possible use cases and perhaps impact the eventual development of the technology in question. When presented to audiences, works of speculative design or design fiction speak to our identity as consumers and are often intended to make the audience reflect on whether this is a future they would like to live in. Commissioned for the exhibition FAKE at Science Gallery Dublin in 2018, *Phylogenetic Atelier* by Tina Gorjanc (Fig. 1) asks audiences to consider whether the production of “fake” copies of an extinct material is an attempt to understand the past or just an excuse to constantly create the desire for rarity. The project showcases the work of *The Great Passenger Pigeon Comeback* project from Revive & Restore, a foundation aiming to enhance biodiversity through new techniques of genetic rescue for endangered and extinct species. By portraying a speculative venue that simultaneously represents features of a laboratory, a museum and a luxury artisan gloves workshop, this exhibit tackles the ethical and philosophical dilemmas of our fascination with producing new replacements for extinct or endangered biological matter.

As noted by Stark and Crawford (2019), artists who either use the tools of science and technology, or use science and technology as their subject matter, often attempt to “defamiliarise” their audience by “introducing moments of strangeness and alienation to prompt stronger audience reflection”. Strong emotional affect is often generated in such scenarios, and these authors mention that a number of the artists interviewed for their research share a desire to produce a strong emotional response as an ethical impact of their work, e.g. by pushing audiences to examine their relationships with technology. Roeser et al. (2019) argue that works of art which engage with new technologies can prompt moral emotions and hence can help audiences to reflect critically on social and ethical implications of these technologies and to aid in deliberation and decision-making about risky technologies.





**Artificial Intelligence and Teaching Values in Science, Fig. 1** *Phylogenetic Atelier* at FAKE at Science Gallery at Trinity College Dublin

## Engaging Audiences in Ethical Discussions

Exhibitions in Science Gallery Dublin feature artworks which generate this moment of defamiliarisation while simultaneously bringing elements of the everyday into the visitor experience. As described by Bandelli and Brunswick (2020), “To try and create an experience entirely independent of our audience’s real-world experience . . . misses a massive opportunity to utilise familiar aesthetics, to subvert and alter familiar everyday interactions, and to get audiences to interact in ways that are familiar . . . but with a twist that may push them to adopt a critical lens without being pushed so hard they feel estranged or unwelcome.” Examples of quotidian settings in Science Gallery Dublin exhibitions have included a colourful retro diner with a menu of options for visitors to “order” from in an exhibition entitled *FAT: IT’S DELICIOUS*, a deli counter of

synthetic foodstuffs in *FAKE*, or a chance to play apocalyptic board games with staff or other visitors during an exhibition entitled *IN CASE OF EMERGENCY*.

The following section introduces three artworks which have been featured in Science Gallery Dublin exhibitions, selected for their potential to pose ethical and moral questions to audiences. *Stranger Visions*, by US artist Heather Dewey-Hagborg, was shown as part of *GROW YOUR OWN* (2013). The portrait sculptures (Fig. 2) are created from the analysis of genetic material collected in public spaces. Working with artefacts that strangers unwittingly leave behind, this work demonstrates the possible future of forensic DNA phenotyping (a method of determining appearance from DNA) and points to the emerging privacy issues related to the increasing accessibility and decreasing costs of biotechnology. Samples – traces of human DNA found on cigarette butts littering the streets of Dublin – were



**Artificial Intelligence and Teaching Values in Science, Fig. 2** *Stranger Visions* at GROW YOUR OWN at Science Gallery at Trinity College Dublin

brought to a lab, and a DNA extraction was performed. Certain regions of the DNA were amplified using a technique called PCR – polymerase chain reaction. This makes it possible to study certain regions of the genome that tend to vary person to person, known as single-nucleotide polymorphisms (SNP). The allele present for a particular SNP on each sample is determined. Using a custom computer program, this information then determines the values that correlate with physical genetic traits and renders a 3D model of a face to represent them. The model is then exported and sent to a rapid prototyping machine which prints the model in full-colour 3D, which becomes the central part of the artwork as exhibited. The intention is provocation: to confront the viewer with the possibility that someone might be able to examine their DNA and inspect their identity from



**Artificial Intelligence and Teaching Values in Science, Fig. 3** *Second Livestock* at FIELD TEST at Science Gallery at Trinity College Dublin

detritus they didn't even notice that they had left behind.

*Second Livestock* (Fig. 3), created by US artist Austin Stewart, is a virtual reality world for battery-farmed chickens, drawing parallels between how we treat animals and how we treat ourselves. Devised as a parody of an actual virtual reality world for humans, the project attracts audiences into a conversation about the reasons behind and the consequences of people choosing to spend more of their lives in virtual spaces. The speculative design work, shown in Science Gallery Dublin as part of FIELD TEST in 2016, exists as a performance, an installation, and on the Internet and presents itself as eliminating the need for the physical space required for free-range livestock through “Virtual Free Range™”, giving livestock the experience of free-range life while living within the confines of a facility. The artwork can also ask the question: if we are not willing to insist on eggs from chickens who lead a happy life in the countryside, and if battery conditions are unpleasant for us to think about, will our consciences be eased if our eggs come from chickens who at least think they live in a pastoral idyll? The audience was invited to participate in an open discussion and experience the virtual reality world through a prototype of the CCI (Chicken-Computer Interface). This prototype consists of the Oculus Rift VR Headset and a custom-made omnidirectional treadmill. *Second Livestock* went viral in 2014 being covered by many international news outlets. This coverage

led to a grand conversation across the Internet about the ethical implications of virtual reality for chickens and virtual reality in general. A single article about *Second Livestock* posted by popular science website [iflscience.com](http://iflscience.com) to Facebook garnered 50,000+ likes and over 8,000 comments.

The *Situation Room* (Fig. 4) is an immersive experience developed by the Science Gallery Dublin team for a 2017 exhibition entitled IN CASE OF EMERGENCY, within which visitors are faced with complex questions and difficult choices. The intention was “to get strangers talking to each other about the end of the world in the same way they might discuss the weather at a bus stop” (Bandelli and Brunswick 2020), and the initial icebreaking and conversation is sparked through a playful card game which asks players what they would do in case of an emergency. The second stage of the experience is a more serious debate in which visitors take on the role of the

“Catastrophe Citizens’ Assembly” and are asked for their input on a range of catastrophic emergency scenarios. Through game play, voting, and discussion, the Catastrophe Citizens’ Assembly must debate scientific, logistical and ethical issues surrounding some of the biggest risks and threats to human species survival and the continued existence of life on Earth. The experience is mediated by a game show host, role-played by a gallery staff, who pushes the Catastrophe Citizens’ Assembly to reflect on the choices they have made. The questions emerging often included variations on the following: “what if what’s best for you and your family isn’t best for the people of Ireland, for the human species, or for another species?”; “what if a tsunami hits or a pandemic wipes out continental Europe?”; “is unchecked artificial intelligence a bigger threat than a food systems breakdown?” Through a mix of humour and serious debate, the *Situation Room* provides space, context and props for imagining the end of



**Artificial Intelligence and Teaching Values in Science, Fig. 4** *Situation Room* at IN CASE OF EMERGENCY at Science Gallery at Trinity College Dublin

the world and how humanity can act in the best interest of ourselves, our fellow species and the planet that supports it all.

Since its inception, Science Gallery Dublin has used word play and language as a tool to attract audiences and to generate an air of mystery or unpredictability. This has manifested itself in the sometimes ambiguous or deliberately vague titles adopted for exhibition seasons – *INVISIBLE* explored the scientific mysteries of dark matter and dark energy but also looked at systems of oppression and injustice which have led to certain groups or individuals being rendered “invisible” in historical narratives of scientific discovery. This use of open-ended language does not foreground any one discipline. The majority of exhibition pieces are selected through an open call, which invites contributions from artists, scientists, researchers and any other creative producers. In 2021, the deliberately ambiguous topic to be explored is *BIAS*. As artificial intelligence and machine learning become ever more pervasive, users are beginning to understand the importance of the training data input into such systems and the possibility that the technology they use is hard-coded with the systemic prejudices and biases of the society it has emerged from, leading to further injustice (Turner-Lee et al. 2019). Algorithmic bias can particularly affect certain groups of people when systems make inferences about their likely future behaviours based on flawed information reflecting historical inequity. Examples include gender bias in online recruitment algorithms or racial bias in facial recognition technology (Turner-Lee et al. 2019). *BIAS* as a season will also examine data-driven storytelling. Data can tell many stories and can be subject to multiple interpretations, depending on the use of devices and data practices.

For Science Gallery Dublin, the use of the word *BIAS* as an opening gambit aims to invite transdisciplinary exploration of phenomena relating to the topic across areas such as computer science, linguistics, politics, sociology, psychology, neuroscience and numerous other research disciplines. The aim of the programme is to go beyond merely presenting an exhibition and rather provide a platform for public debate and dialogue,

transdisciplinary collaboration and co-creation of new work. This will be seeded through facilitated workshops engaging researchers from different disciplines along with a range of artists and designers, community groups and the wider public in response to the provocation “*BIAS*”, in particular in relation to ethical questions around trust in technology and data privacy issues.

When correctly facilitated to be non-hierarchical, with all participants contributing freely and mutually benefiting from one another, co-creation and co-design can provide a powerful and equitable pathway for involving the wider public in intersectional research and production (Matschoss et al. 2020). Co-creation in Science Gallery Dublin aims to open up the sometimes inaccessible worlds of art and science and give voice to the ethical and moral concerns held by citizens in relation to emerging science and technology, potentially countering any institutional biases within the cultures of art and science. Interdisciplinary and transdisciplinary research are often lauded as solutions to counteract siloed thinking and are the natural antithesis to a one-sided approach to scientific and technological progress, which foregrounds the science and technology while potentially failing to give due consideration to the human, societal or environmental impact of such advances. According to the comprehensive literature review of Vienni Baptista et al. 2020, three discourses summarise the implications of the myriad varying conceptualisations of interdisciplinary and transdisciplinary research:

- The philosophical or transcendence discourse, which aims at unity of knowledge, transcending the narrowness of disciplinary world-views and practices
- The problem-solving discourse, which is oriented to instrumental needs, specifically to cope with complex problems
- The critique or transgression discourse, which interrogates the other two perspectives and emerges out of a fundamental critique of the system of knowledge and education and also relates to discourses on the democratisation of knowledge



In particular, this final conceptualisation is valuable as an approach which can integrate the knowledge and perspectives of arts, humanities and social sciences researchers into transdisciplinary research alongside science, technology, engineering, mathematics and medicine researchers, as well as artists and designers.

Ten leading universities around the world have now joined the Science Gallery Network, recognising the potential for their academic communities to embrace this discourse and to connect with the artistic, social and cultural fabric of their cities, through an accessible platform for public contribution to ethical and moral debates relating to science, technology and the grand challenges of our times. While public mistrust in experts is on the rise worldwide, Science Gallery puts the public on an equal footing with the expert and asks them together to create new ways of meaning-making for a rapidly changing reality. The need for diverse voices in ethical debates and discussions of our time grows ever more critical. As Science Gallery founding director Michael John Gorman so aptly puts it: “In times of ecological collapse and global pandemics, it has never been more urgent to focus on [...] creating new edge spaces, to bring science-in-the-making into contact with policy, to bring research into contact with the public—the future of our planet depends on it” (Gorman 2020, p. 153).

## Cross-References

- [Anonymity, Confidentiality and De-identified Data](#)
- [Artificial Intelligence and Ethical Journalism](#)
- [Big Data Ethics](#)
- [Bioethics](#)
- [Business Ethics, Consumerism, and the Fashion Industry](#)
- [Corporate Sustainability and Climate Change](#)
- [Digital Convergence and Musical Ethics](#)
- [Economic Efficiency and Socioeconomic Well-Being](#)
- [Economics, Ethics, and the Environment](#)
- [Education and Wealth Equity](#)
- [Environmental Ethics and Sustainability](#)

- [Ethical Climate and Ethical Culture](#)
- [Ethical Considerations for the Presenter and Performing Artist Dynamic](#)
- [Ethical Decision-Making Process](#)
- [Ethics and Artificial Intelligence](#)
- [Greenwashing and Machinewashing: An Ethical Account and Criteria for Identification](#)
- [Technology Ethics: Origins, Paradigms and Implications for Business and Society](#)

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## Asian Journal of Business Ethics

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### Synonyms

Asian business ethics; Business ethics in Asia;  
Journal on social responsibility of business in  
Asia

### Definition/Introduction

This is a brief account of the first journal published that was devoted to the business ethics or socially responsible business in Asia.

### Description

The first issue of the *Asian Journal of Business Ethics* (ajobe) appeared in January 2012, 87 pages of 216 for the full volume. Its basic aim and scope was described by its four coeditors Alex C. Michalos, Allan K.K. Chan, Simon Shun-Man Ho, and Kit-Chun Joanna Lam as a scholarly journal publishing “original articles from a wide variety of methodological and disciplinary perspectives concerning ethical issues related to business in Asia, including East, Southeast and South-central Asia.”

The idea for the journal occurred to its coeditors sometime after the 2010 World Business

Ethics Forum sponsored by the Hong Kong Baptist University and Macau University. This was the third Forum organized by colleagues from these two universities and Michalos, each forum growing greater than the previous one. Given the growth of the World Fora and of businesses in Asia, the founders of ajobe believed that the field of business ethics was bound to continue growing. The creation of an Asian-focused journal seemed to be a natural and necessary development, and the participants of previous and anticipated Fora assured the founders that there was already a network of scholars interested in the initiative. Accordingly, a proposal was made to representatives of Springer Science + Business Media B.V., it was accepted, an editorial board was assembled, and papers called for.

Ajobe appears in two issues per year. Since 2012 there have been 6 volumes, 12 issues, and 76 articles. The coeditors agreed to rotate the position of Editor in Chief among their group, beginning with Michalos and currently with Ho.

The inaugural issue contained papers from the “Third Shanghai International Conference on Business Ethics in collaboration with the Shanghai Association of Ethics, the Shanghai Association of Economics, the University of St. Thomas of USA, and the Euro-China Centre for Leadership and Responsibility at CEIBS” [the Centre for Business Ethics of Shanghai Academy of Social Sciences] (Lu and Lam 2012).

### Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Business and Society](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [Journal of Business Ethics](#)
- [Teaching Business Ethics](#)

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## At the Intersection of Diversity and Ethical Leadership

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### Synonyms

Awakened leadership; Mindful behavior; Moral values; Stakeholder awareness

### Introduction

Diversity and ethics are closely related within the psychological realm of morally responsible behavior, as these two concepts strongly validate one another. Considering still-existing phenomena such as glass and pink ceilings, as well as lingering discrepancies in equally qualified employees' remunerations based on ethnicity and gender, we have to conclude that some rigorous measures are needed. Increasingly, we encounter the terms "diversity" and "ethical performance" in corporate mission statements. We also witness positions such as "Chief Diversity Officer" and "Chief Ethics Officer" in major corporations. These are all responses to a fairly recent past, tainted by dreadful policies and practices. While, however, the above trends signify a positive development, a deeper look into the implementation of diversity and ethics in many corporations leads to the discovery that they are oftentimes implemented in the wrong way and for the wrong reasons.

### A Deeper Look into Workplace Diversity

There are many definitions related to diversity, depending on the context in which it is used. In light of the topic at hand, diversity could be defined as a concept which includes every way in which people can differ (Carrell et al. 2006). Diversity has earned more attention in the past

few decades, as we experienced an increase in human interaction at a level that had not been possible before. This massive exposure has not only given rise to greater awareness; it has also spawned a continuous quest from business leaders for inexpensive resources and lower labor costs. In societal as well as organizational settings there is, additionally, an increasing need for diverse teams to address issues of ongoing complexity (Gotsis and Kortezi 2013). These and other trends result in increasingly diversified workforces at local, regional, and international levels.

Diversity can be an advantage or a problem in any organization, depending on the way it is addressed and the intensity with which it is nurtured. A major factor therein is employees' perspectives of their treatment: when they feel that they have equal access to opportunities and that they are treated fairly, they will feel more satisfied, which causes the diversity implementation to become more successful, because the work progresses and turnover decreases (Chrobot-Mason and Aramovich 2013).

Yet there is no real definition for workplace diversity. The concepts for either diversity or diversity management are too complex to formulate an unambiguous definition (Meriläinen et al. 2009). This lack of a unified definition, especially for diversity management, could be because it is so dependent on the cultural dynamics of different societies and labor markets (Tatli and Özbilgin 2009). Although a clear definition is risky to formulate, workplace diversity includes, among others, people from various ethnicities, genders, responsibilities, cultural backgrounds and statuses, sexual preferences, abilities, and age groups (Harvey and Allard 2008).

As matters currently stand, however, corporations are quick to claim on their corporate websites that they apply diversity, and technically, this claim could not be denied. Yet, the application of workplace diversity does not always happen for the right reasons. When we consider the reasons why corporations – and their leaders – implement diversity, we could produce a long list, varying from very proactive to very reactive. The following section presents a brief review of four



insufficient, yet frequently occurring corporate reasons for implementing diversity.

### **Customer-Based Diversity**

This is when leaders assemble a workforce that reflects their customer base. While this is commendable, it should not be the only driving motive for having a diverse workforce, as its purpose is solely bottom line driven. Leaders in these organizations are not necessarily convinced that diversity is the morally proper thing to do. The only point of concern to them is that their customers feel at ease in the store by recognizing salespeople who resemble them.

When we examine these corporations more closely, we detect that their diversity trend resides at the lower levels where workers meet customers. The controlling mechanisms often remain with a homogeneous group. Unfortunately, homogeneous groups lack the comprehensive depth of diverse team in decision-making, so they unintentionally obstruct the organization from valuable growth opportunities.

### **Single-Minded Diversity**

In single-minded diversity, leaders base their diversity efforts on a unifying ideology, often centered on a single-minded religious, philosophical, or legal motive, to which all employees are expected to adhere. While such initiatives lead to physical manifestations of diversity, it discourages perceptual diversity, which is where the real value of this phenomenon lies. Moreover, single-minded diversity can inhibit employees that don't adhere to the mindset of the leaders, and end in greater turnover. This results in declining profits, because companies with large turnover have to continuously hire and train new employees, which is time and money consuming, and reflects poorly on customer groups who continuously encounter new company representatives.

### **Trend-Based Diversity**

In trend-based diversity, organizational leaders are aware that diversity is a critical trend today. They may have read about it, or witnessed competitors successfully implementing it, so they do it, yet fail to prepare a proper foundation. In some

of these instances, top management mainly gives orders to create a diverse workforce, but further remains uninvolved in the complications of dealing with the workforce. This disconnect may lead to regress instead of progress in the organization's performance, because employees soon sense the lack of support for their divergent perspectives and alternative ideas. As described in single-minded diversity above, the lack of support and recognition will lead to larger turnover and end up costing the company precious time and money to rehire and retrain new employees. This cost- and time-ineffective process may serve as a welcome justification to a diversity-averse top management team to demonstrate that the diversity efforts did not pay off in their corporation. Based on this evidence, the homogeneous, group-think trend can ultimately be restored.

### **Locally Accommodating Diversity**

In locally accommodating diversity, leaders attract employees to serve local demographics in the areas where their organization has performance units, but fail to allow employees to learn from one another or move up through the ranks. In other words, such corporations diversify geographically, thus hiring employees that are deemed "appropriate" on the basis of locally perceived needs. For instance, black employees are hired for the predominantly black areas of operations, gay-lesbian-bisexual-transgendered (GLBT) employees for regions that are known to be progressive in that regard, and older workers are attracted in areas where the population is primarily conservative. The diversity in these types of corporations is solely implemented for local accommodation, thus leading to glass ceilings for some groups of employees. The main concern with this reason for implementing diversity is that everyone tends to stay in his or her corner, and opportunities to learn from one another are limited. Consequently, the deeper advantages of diversity – mutual learning, mindset expansion, greater acceptance, and enhanced insights – remain uncultivated.

### **Diversity as It Should Be Implemented**

Proper implementation of a diversity initiative first and foremost requires the involvement of

leaders. The reasons for engaging in diversity, the short- and long-term consequences for the organization and its stakeholders, and the procedures to follow should be seriously considered, and employees of various backgrounds, religions, age groups, sexes, and other distinctions should be properly guided in the process of acceptance. It should also be understood that conflict is inevitable where different worlds meet, because human beings have an innate tendency to think their way is better than others'. It takes time and tact to change people's perceptions in this regard. Yet, once this occurs, the process of intermingling and bringing to the table the best options of multiple worlds can lead to rewarding outcomes for the organization and all individuals involved. Overall performance improves, and each worker experiences the personal gratification of horizon expansion (Marques 2007).

### Why We Should Embrace Diversity

As a general note, here are seven critical reasons to consider in the process of embracing workplace diversity:

1. In light of ethical leadership, it is just the right thing to do, and leaders should keep track of a proper representation of diversity in their workforce, from bottom levels to top levels.
2. It is an important support mechanism in compliance with diversity and antidiscrimination laws.
3. A company with a diverse workforce has better marketing opportunities, based on the fact that multiple customer groups can identify with the company's workforce.
4. A diverse workforce produces better and more widely considered outcomes, thus guaranteeing more creativity and an increased competitive advantage.
5. Potential employees from a wide range of backgrounds will acquire the desire to work for a diverse company, because it is easy for them to identify with the workforce.
6. Diversity can be a powerful retainer for employees, as they can tell that they are valued as persons in their own right, regardless of whom or what they represent.
7. Diversity may positively impact the bottom line, because satisfied employees are more willing to elevate their workplace to a higher performance plane (*Turning Diversity... 2007*).

### A Deeper Look into Ethical Leadership

Ethics is the general term used in the consideration of good and bad. The complexity of ethics may lie in its multidimensionality: ethics play into all decision areas of our lives. There are some general moral behaviors on which we commonly agree, such as not killing, stealing, or deliberately harming others. Yet, within these common behaviors, there are many gradations, which get even more intricate when we consider the many ethical constructs available.

Two moral theories that are frequently taught in business education are the utilitarian approach, or consequentialism, and the deontological approach, also known as Kantianism or universalism. The utilitarian context encourages us to make decisions that lead to the greatest good for the greatest number of people. This entails that if we would have to sacrifice the well-being of a few to save a large number of people, we perform within the moral boundaries of utilitarianism. Conversely, the deontological context teaches that we should always do what is right, regardless of the outcome. The underlying thought in universalism is that we should always do what we would want to be a universal rule and never use anything or anybody as a means toward selfish ends. Instead, we should treat all beings as ends themselves. The above explanation of merely two ethical theories demonstrates the major differences that exist.

Ethical theories vary in age, applicability, and appeal, depending on who considers them. Some of the long established moral theories are the Golden Rule, which assumes that we should not do unto others what we would not have done unto ourselves, and the virtue approach, originated by Plato and Aristotle, and which is based on moral character. A theory that has been established in more recent times and is still evolving is "Ethical

Egoism,” first described by Ayn Rand, and assuming that rational human beings will make decisions that suit their personal long-term interest, while maintaining harmony with one another (Marques 2012).

In regard to business ethics, we have been shaken to the core in the past decade by numerous immoral scandals from corporate leaders in major corporations. Corporate immorality often translates into dire consequences for those who are their direct or indirect stakeholders. This became painfully clear during the 2008 economic meltdown caused by unethical practices in the financial industry, and resulting in a globally noticeable domino effect. Millions of people who thought that their lives were secure were suddenly jobless, homeless, and prideless (Marques 2012). This fairly recent sequence of events has left us wondering whether there is such a thing as “corporate ethics,” or whether corporations and ethics are actually mutually exclusive. The short-term profit mindset has become so prevalent on a global scale that long-term considerations seem to be a thing of the past.

Below, we review four moral pitfalls that many corporations struggle with.

### **Reactive Moral Behavior**

Morally reactive leaders choose for this strategy because, especially in heavily capitalist-focused nations such as the United States, it is less costly to simply wait for a catastrophe to happen and pay the fines, than to do the morally right thing right away. When corporate leaders engage in reactive ethical behavior, they can expose their organization, but also people (and other living beings) inside and outside of the work environment to major risks (Kyrtis 2011).

### **Cognitive Dissonance Driven Ethics**

The ethical cognitive dissonance conundrum surfaces when leaders struggle with the discomfort of contradictory beliefs or values at the same time, and possibly engage in actions that are contrary to their intuitive senses. It often turns out that they make group-based decisions, promulgated by the sense of “us” versus “them” – decisions which they may later utterly regret. This happens, for

instance, when corporate leaders fail to admit a flaw in their product, despite numerous accidents or deaths, because they are torn between their legion of engineers and marketers (“us”) and an increasingly dissatisfied crowd of customers and community members (“them”).

### **Legally Driven Ethics**

In the case of legally driven ethics, organizational leaders attune their degree of moral decision-making to the legal standards in any country in which they operate. As a result, the moral standards held by these leaders in, for instance, developing nations are far below those they hold in industrialized ones.

### **Laissez-Faire or Misinterpreted Ethics**

In such cases, the leaders may either allow different ethical standards for different performance units based on local managements’ moral compasses (or the lack thereof) or hold on to their own interpretation of existing moral theories. While this *modus operandi* may work well for some time, there is significant potential for problems when leaders fail to define at least some fundamental moral stances for their work community. As explained earlier, moral theories differ significantly, and adhering to different theories, for instance, utilitarianism versus universalism, can lead to completely diverging actions.

### **Five Points to Consider About Ethics**

1. “Legal” is not the same as “ethical.” Something can be legal but unethical or the other way around. For example, working in the weapon, alcohol, or tobacco industries is legal. Yet, increasing crowds categorize these businesses immoral because of the effects their products have on our well-being.
2. Differing cultures call for different ethical performances. What is unacceptable in one culture might be normal in another, such as child labor, sweatshops, and bribes. Moral boundaries tend to be stricter in countries that are economically more advanced.
3. Perceptual differences may complicate our interactions. We all have our own mental model of the world. These divergent

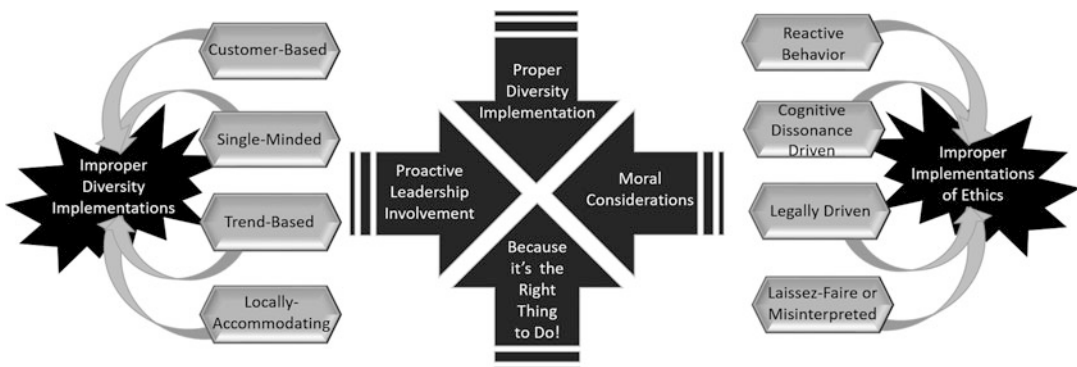
perceptions are not just provoked by the amplified diversity in today's work environments but also by the broad variety of our ethical stances.

4. Business ethics are continuously challenged by competitive practices. It can therefore be a tough choice for companies to engage in moral practices completely and still remain in the market.
5. Ethical behavior in any group setting must be encouraged by the leadership team. While people may hold their own moral ideas, they usually follow the common guidelines when part of a larger group. A leader's actions are usually the best indicators of the ethics within his or her organization.

### At the Intersection of Diversity and Ethical Leadership

Considering diversity and ethical leadership as strategies for successful and sound performance, there are some common aspects that need to be adhered to:

- Diversity and ethics are most successfully implemented if there is serious and proactive involvement from leaders.
- Practicing diversity is the morally right thing to do, while moral performance is implemented in a diversity of ways.
- Neither diversity nor ethical conduct can be applied as a superficial coating over a corporation's performance, as this will lead to more damage than advancement.
- The level and care of implementing diversity and moral performance in any organization can critically influence the organization's performance. When diversity is implemented for the wrong reasons, employee discontentment rises, leading to increased turnover rates. Similarly, when ethical standards are nonexistent or not followed, employees and other stakeholders find out, which causes even the most successful company to ultimately perish.
- Diversity and ethical performance are both major advantages for a company's reputation and performance if implemented well.
- Diversity and ethics require a courageous and determined approach. They are long-term anchors that demand investment of time, funds, and attention, and a solid, ongoing guidance process.
- Diversity and ethics should be consciously and regularly reevaluated, even if the company has a well-organized system in place. Employees come and go, so demographics and perspectives change over time. Regular training is essential.
- Diversity and ethics require a common set of parameters to be implemented successfully, among which, equality, inclusion, care, righteousness, and courage.
- Diversity and ethics are part of the larger constellation of "social responsibility", a trend that



**At the Intersection of Diversity and Ethical Leadership, Fig. 1** Concerns and recommendations for diversity implementation and ethical leadership

is endorsed by increasing groups of leaders but also still ignored by many.

- Leaders that tolerate a diversity-averse mentality, where members of certain demographic groups are enjoying greater advantages than others, are engaging in unethical behavior (Fig. 1).

## Cross-References

- [Affirmative Action in Business](#)
- [Affirmative Action: Employment Equity in Canada](#)
- [Awakened Leadership](#)
- [Compensatory Justice to Groups](#)
- [Ethical Leadership](#)
- [\(Managing\) Diversity](#)
- [Racial and Ethnic Diversity in Business](#)
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## Authenticity

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## Synonyms

Inwardness; Originality; Realness; Self-expression

## Introduction

Authenticity as an aesthetic category implies an internal state of the individual as a source of originality and uniqueness that can be expressed to the outside (Bohn and Hahn 1999, p. 51). The ideal of authenticity demands that human beings search for their own identity within themselves and articulate it (Taylor 1995, p. 93). Authenticity as an ideal is connected to social developments that arise in the twentieth century: individualization and social differentiation. These pave the way for ideas of personal authenticity as a main topic of modern identity conceptions.

## A Key Concept of Modern Identity

Authenticity is not an isolated ideal, but stands within a narrow connection, within the history of ideas, with the ideal of autonomy as mindful self-determination (Wetzel 1985, p. 7). As a term relating to the individual, authenticity first appears in the Romance era, which sees its apex in the eighteenth and nineteenth century. One of its central characteristics is the juxtaposition of the principle of inwardness of the individual with principles of rationality and its largely impersonal relations (Herma 2009, p. 25). Though versions of this perspective can already be found with Jean-Jacques Rousseau, and especially with Johann

Gottfried Herder (Taylor 1995, p. 38), the current discourse of authentic as “true,” “genuine,” and “intrinsic” arises in the twentieth century (Knaller 2007, p. 22). It paradoxically becomes a normative category, instructing the individual how their self-expression, and finally their being, must be organized to be legitimate in contemporary Western societies, thus giving rise to a presentation (Goffman 1959) and negotiation (e.g., Strauss 1993) of authenticity work (Gubrium and Holstein 2009).

Authenticity entails the demand to become similar to oneself, to find the “true inner self,” to put the search for authenticity and identity into the focus of modern narratives of self (Herma 2009, p. 19), and to live unconstrained through identification with social roles (Ehrenberg 2010, p. 163). It is thus a program of liberation of the self from the constraints of tradition. The growth of individual autonomy brings with it a more personal tone in social life, a more internal tone in action, and a more dispositional state than sheer mechanical obedience (Ehrenberg 2012, p. 495). This is the moment that marks the birth of the modern individual as it starts to think itself as someone who draws the interest of others because she/he is a meaningful and unique individual, not because she/he achieved something meaningful (Trilling 1972, p. 24).

This modern paradigm of subjectivity is based on a program of autonomy with aesthetic foundations (Knaller 2007, p. 142). Within it, the agency of the individual becomes emphasized, with higher levels of responsibility: in a state of autonomy, the “self” must assert itself, one’s personality must show itself, and the individual must reflect itself; it must appreciate and value itself (Ehrenberg 2012, p. 495). It requires a load-bearing narcissism in order to be able to act. The resulting discourse on authenticity thus describes a certain positive quality of the individual’s relation to itself and is normative in the sense that it suggests that the individual will have a full, successful, and happy life if it acts as authentically as possible, as often as possible (Strub 2009, p. 39).

## The Paradox of Authenticity as a Cultural Norm

Authenticity, then, is a normative category: it regulates how an individual should be and serves as a prerequisite for successfully constructing one’s identity.

Lionel Trilling (1972) notes that the last three centuries saw a shift from sincerity to authenticity. In the frame of sincerity, to follow the moral call to be true to oneself means to avoid falsehoods and deceptions toward others (Trilling 1972, p. 9). With the shift from authenticity to sincerity, the balance between the general-social and the personal-individual is replaced by a strong emphasis on the latter. Authenticity becomes both the means and the end of “being true to oneself”; thus, it starts to function as a category that compensates for frustration. It rescues the individual, overtaxed by modern expectations, by assuring it that the true self is not social at all (Strub 2009, p. 41). To the eyes of contemporary Westerners, this shift seems like the advent of the unity of person and self and thus like the fulfillment of a long-desired wish. Trilling consequently concludes that the popularity of the discourse of authenticity in the present is no great surprise. However, with it comes the experience that localizing the self is impossible in the absence of any external reference (Strub 2009, p. 41).

This foregrounding of a quasi-natural, personal authenticity takes a measure of the individual by assessing the freedom of contradiction in the self, recurring to formulas such as “true,” “real,” “genuine,” etc. (Herma 2009, p. 58, p. 93). However, the norm to “be sincere to oneself” gives rise to an indelible contradiction. If we want to be authentic, we may not be like another. The question Trilling raises is how to get there. The conventions that cultural images of authenticity bring are devoid of all content, since that is exactly what one has to find for oneself without orienting oneself to any prescriptions. Being a self as a true and singular entity is now the only prescription to follow; the authentic self now has to paradoxically rely on something that it does not know what it is but at



the mercy of which it nevertheless finds itself (Strub 2009, p. 42). “If one is true to one’s own self for the purpose of avoiding falsehood to others, is one being truly true to one’s own self?” (Trilling 1972, p. 9). This difficulty arises when private and public mix, where “true sincerity” toward oneself is impossible if the moral aim includes a public goal (Trilling 1972, p. 9). Yet, the pursuit to solve the mystery of the self has continued unabated. In Freud, it has even found a protagonist who founded an entirely new academic discipline in search for the self, and still, “we are still puzzled to know not only the locus of the self to which we are to be true, but even what it is that we look for” (Trilling 1972, p. 5). The contradiction has remained dormant, since, as Trilling notes, authenticity as a social imperative has been much more successful in camouflaging itself as such than older such imperatives (Trilling 1972, p. 161). One could also say that the negotiated social meaning of “contradiction” does not, usually, arise in contemporary everyday life, except when the streamlined nature of modern authenticity becomes notable with cynical, ironizing discourses of the 2000s: “I’m unlike everyone else, just like everyone else.”

Alain Ehrenberg (2012) arrives at a similar conclusion by tracing the development of the “American spirit” from character to personality. While character, as an ideal of the individual self, has a moral dimension strongly connection to ascetic Puritan ideals, personality has a psychological dimension and marks the ideal of self in a culture that lays emphasis on personal fulfilment (Ehrenberg 2012, p. 67 f.). Ehrenberg thus gives us the personal equivalent of the change in frame Trilling describes: While the ideal self was once forged as character, oriented to the ideal of sincerity, personality is oriented to the ideal of authenticity. Clear moral prescriptions that told the sincere character how to be, how to act, and how to feel now give way to the imperative to be an independent and self-governed personality: an authentic individual that finds the sources of its being and its actions within itself rather than in external prescriptions. Ehrenberg identifies this internal self, which used to be the traded under

that brand name of “soul,” as a constructed fiction: the spirit, the psyche, and the mental self are terms modern humans utilize to describe what happens within them and in being so used gain their semantic reality and their normative power (Ehrenberg 2010, p. 10). As a term of ascription – and a value judgment – for individuals, authenticity as a term does not enable the individual to arrive at general and intersubjectively anchored descriptions of itself: its paradoxical foundation allows no sustainable definition of self. Knaller (2007, p. 22) notes that it is impossible to live authentically if “I can only define authenticity in recourse to myself ... as an autological, recursive term, authenticity is frozen in paradox,” and individuals are tasked with constantly solving this paradox – again, for themselves.

## Managing Authenticity

Theoretically, the paradox described above cannot be dissolved. However, the individual’s self-presentation is geared toward fulfilling the expectations of an audience (Goffman 1959, p. 35). The model thus demands its application not merely in the individual’s self-image but also in everyday interaction. In order to be effective, cultural ideas need to be embodied in social practices (Illouz 2007). This raises two questions: What reference points does the individual use in search of its inner’ self and its authentic being? How does this presentation of self enter the plane of social interaction?

The age of authenticity comes with an appreciation in value of emotions. While earlier conceptions of personal subjectivity include cognitive, normative, and affective elements of the self, more radical forms of subjectivism see affectivity as the only authentic self-reference of a person (Schimank 2002, p. 80). In the 1970s, Ralph Turner notes “substantial shifts away from an institution towards an impulsive emphasis” (Turner 1976, p. 997). The second half of the twentieth century thus sees an intensification of subjectivism toward an emotional decisionism (Schimank 2002, p. 80).



To be able to assure oneself of one's individual authenticity, one must be certain that one's actions mirrored one's feelings – independently of the question whether they fulfill the expectations of others involved in the situation. In a society geared toward personal authenticity, an action is not good in itself but only becomes so through the personality of the individual that engages in it (Sennett 1992, p. 26; Sennett 1992, p. 11). In an environment where authentic expression is the norm, breaking social expectations in the name of one's own feelings then does not necessarily lead to social sanctions but can be justified with one's own authenticity and can even become a source of and cause for respect. The authentic self finds its true expression where it loses grasp of its expressions, in what Goffman had still called “flooding out” (1959, p. 55). This gives rise to an industry of distrust that perfects the techniques of locating the “true” self behind the official presentation (Strub 2009, p. 42). This concentration on inner selves leads to “mental self-optimization” as an answer to the question, “what is a correct life?": Being in accordance with one's feelings transform the present to a therapeutic society, the search to “be at peace with oneself” as the most important aspect of a life well lived (Lasch 1980). Eva Illouz (2007) speaks of “the rise of Homo Sentimentalis” as characteristic for the current conception of the subject.

Where self-actualization through a complete fulfillment of one's own personality and “potential” becomes the main engine of life, behavior that hinders such fulfilment becomes “emotionally unhealthy” (Illouz 2007, p. 47). The norm of authenticity unfolds its power over the structure of actions through a constant survey of the self, propelling individuals to make sure that their “true,” “own,” “inner” feelings stand in the center of their lives. From a perspective of cultural criticism, such endeavors are bound to fail, since “the more privatized the psyche, the less it is stimulated, and the more difficult it is for us to feel or to express feeling” (Sennett 1992, p. 4).

In order to ensure the appearance of the authenticity in the presentation of self in social interaction, this presentation should match the

biographical, psychological, and physical idiosyncrasies of the presenter – as ascribed by others (Knaller 2007, p. 22). The formulation “appearance” here already points to a specific achievement embedded in this expectation: The individual must stave off the impossibility to find such an authentic, true self dramaturgically and bridge the difference between it and the cultural ideal. Since the self as a role presented by the individual is nothing organic, but a dramaturgical effect that unfolds within a scene, the problem is believability (Goffman 1959, p. 213). The view thus shifts, from what *is* authentic to what *looks* authentic: The actor can be seen as believable, here: as authentic, if certain actions are enriched by something that can be identified as “personal” and specifically particular to the presenter.

Associating authenticity with the call to be true to oneself implies a double achievement: On the one hand, the audience must be able to recognize a coherence between current and former presentations of self, and the hopes and wishes we formulate for the future must fit the image others have constructed of us. On the other hand, this presentation may not calcify so much, as the benchmark for believability lies in the ascription of an identity between presented and “real” feeling (Trilling 1972, p. 2). This, in turn, gives rise to the expectation of a continuous renewal of the person in relation to an emotional frame of justification. This does not mean that fixed convictions cannot be seen as “authentic”: An individual can be believable precisely because it is identified as one that keeps to its known convictions. Any change in expression or moral stature requires a justification in a shift in its inner life.

This emotional frame of justification makes the current ideal of an authentic personality much more plastic than its predecessor, the individual limited through disciplinary fences. Just like current norms order the individual to “become oneself,” past norms ordered it to be disciplined and accept its role, while there is no reason to assume that the disciplinary frame produces less subjective experience than the authenticity frame. “The personal” is a normative artifact and, like all

normative artifacts, it is wholly impersonal (Ehrenberg 2010, p. 122).

## Cross-References

- [Individualism](#)
- [Social Construction](#)
- [Social Identity Theory](#)

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## Autocratic Leadership and Abuse

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## Synonyms

Authoritarian leadership; Domination; Power-over subordination

## Introduction

Autocratic leadership is a type of leadership style in which the leader asserts absolute power over their employees and demands complete obedience from their employees (Cheng et al. 2004; Ertureten et al. 2013). This style is also often referred to as authoritarian leadership, and both terms are somewhat synonymous. Leaders who adhere to this style of leadership often centralize their decision-making and desire power and control over their employees. An autocratic leader creates a “clearly defined intra-team hierarchy” (DeHoogh et al. 2015), and this is strictly adhered to by the leader. Any breaks or disobedience with this hierarchy is not tolerated and can lead to detrimental consequences for employees.

Autocratic leaders make decisions based on their own ideas and judgments and rarely consider or accept advice from their employees and subordinates. Autocratic leaders are known to be dominant, and this dominance results in significant negative associations with subordinates' motivation (Fiaz et al. 2017). Given their leadership style, an autocratic leader may negatively influence employees' work climate and performance (DeHoogh et al. 2015). And of course, given this personality, autocratic leaders are extremely controlling and dominant (Schuh et al. 2013) when it comes to managing employees.

## Autocratic Leadership and Abuse

Due to their nature and because of power centralization, autocratic leaders have total control over their subordinates' activity without needing to take into consideration any employee input (DeHoogh et al. 2015; Sauer 2011). Additionally, autocratic leaders may be perceived as abusive because of their habit of asserting personal dominance over subordinates and controlling them with threats (Kiazad et al. 2010). Autocratic leaders assume they are more informed than others and so can choose to do things their way (Erturten et al. 2013). Unfortunately, there is a very clear power gap evident between autocratic leaders and followers, which allows those autocratic leaders to make all decisions for everyone in the organization (Aryee et al. 2007). Often, under an autocratic leader, employees will feel like they are being oppressed and dictated to by the leader. This can be likened to a form of abuse, mostly of the emotional kind. One can equate this sort of oppression with burnout, most specifically emotional exhaustion. Any employee feeling emotional exhaustion, which results from their treatment by the leader can be considered to be suffering from abuse.

Due to having limited opportunities to make decisions under an autocratic leader, employees feel the lack of autonomy. This can be seriously damaging to employees' self-worth and their ability to contribute meaningfully in the workplace. It is clear employees under autocratic leadership tend to find their need for autonomy unfulfilled. Need for autonomy is tied in with empowerment, and a plethora of research (Amor et al. 2021; Wu and Hu 2009; Yin et al. 2017) has shown that empowerment is positively linked with employee self-esteem and employee engagement, while a lack of empowerment leads to discontent and increased levels of turnover. Abuse does not have to be physical in nature, but instead, a vast majority of the abuse in organizations is of the emotional variety.

Under autocratic leadership, employees feel that they cannot portray their true self in the workplace. Autocratic leaders have a detrimental impact on the work of their employees. Even in

cases where employees are passionate about their work, autocratic leaders can quickly become the reason these employees quit. Many research studies have indeed documented that companies with autocratic leaders tend to have higher rates of turnover, which is understandable, because after all, not many people would want to suffer through emotional abuse.

Vugt et al. (2004) states autocratic leaders are less likely to have a stable group of employees, especially in voluntary groups because employees do not feel loyal to the group, due to the dictatorial nature of the leader. Autocratic leaders keep their employees restricted and do not take their opinion into consideration, which additionally weakens employee morale as well as reduces their loyalty. This restriction of their employees is again reminiscent of abuse.

Therefore, the vast majority of extant research suggests that autocratic leadership is positively related with employee abuse. The abuse does not need to be physical in nature, as emotional abuse can be equally and incredibly debilitating. Therefore, organizations which have autocratic or authoritarian leaders should be mindful that such leadership styles have the potential to cause immense abuse toward employees, and that can eventually backfire spectacularly on the organization itself.

## Cross-References

- [Destructive Leadership](#)
- [Leadership Motives or Intentions](#)
- [Toxic Leadership](#)

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## Autonomy and Advertising

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### Synonyms

Freedom; Independence; Marketing;  
Manipulation

## Introduction

Autonomy is an agent's capacity to govern herself; it is the ability to make choices based on one's own beliefs and desires. Several ethical theories assign moral significance to this capacity for self-government; they claim that we have a moral obligation to respect people's autonomy. According to such views, it would be morally wrong to undermine someone's autonomy by means of coercion, deception, or manipulation.

This commitment to the moral importance of autonomy has led to some concerns about advertising. According to one popular objection, persuasive advertising is morally problematic because it has the potential to undermine the audience's autonomy (Crisp 1987). Others have argued that advertising does not violate the audience's autonomy and it might even enhance people's ability to set and pursue their ends (Arrington 1982).

At the heart of the issue, there are debates about autonomy and manipulation. The disagreement involves a dispute about what kinds of external influence should count as manipulation. In addition to informing people about the existence of products, services, and ideas, advertising also attempts to persuade the audience, to instill desires in them. But not all persuasion is morally problematic (since rational persuasion is typically seen as permissible), so the moral question about advertising is ultimately a question about the nature of autonomy and manipulation.

## Autonomy, Manipulation, and Alien Desires

Autonomy is generally defined, as it was above, in terms of self-government. Understood in this way, there is a helpful analogy with the idea of the state (see chap ► “Autonomy and Informed Consent”). A sovereign state is one that is self-governing; its policies and laws are not controlled or excessively influenced by another nation. When extended to individuals, this might make it sound like actions or desires are autonomous only if they are not the product of external influence. This would set the

bar too high, however. People are constantly subjected to a wide variety of external influences, so we must draw a distinction between influences that undermine autonomy and those that do not. This is what theories of autonomy and manipulation aim to do.

Our desires are influenced by a wide array of external forces: friends, family, culture, history, etc. Nevertheless, many of these desires are still our own, and we are autonomous when we act on them. But there are other cases where it is very clear that a person is acting on desires that are not her own. These are sometimes called “alien” desires. Two of the most commonly discussed examples are brainwashing and addiction. An agent fails to act autonomously when she acts on a desire that was the product of brainwashing. Similarly, an unwilling addict lacks autonomy when giving in to a powerful addiction in spite of efforts to resist it (Frankfurt 1971).

Theories of autonomy try to explain what is distinctive about acting on alien desires, and they use this analysis to contrast such actions and desires with autonomous ones. Although several different theories have been proposed, many of them agree that actions are autonomous only if the agent’s mental states are, in some sense, coherent (Buss and Westlund 2018). The autonomy of an action depends crucially on whether or not the agent condones or approves of her motivation to perform the act.

One popular version of this account, following Harry Frankfurt’s influential work, makes a distinction between first-order desires and second-order desires. First-order desires refer to desires in the ordinary sense: Smith wants to eat a piece of chocolate cake; Jones wants to go for a walk; etc. Second-order desires refer to desires about our first-order desires. Smith does not want to have the desire to eat cake because his doctor told him to limit his sugar consumption. Thus, Smith’s second-order desire is inconsistent with his first-order desire (Frankfurt 1971).

Some theories emphasize the agent’s reflective judgments about which actions are best, and others look at the consistency between the agent’s

action and her long-term plans (Buss and Westlund 2018). There are also theories that involve scrutinizing the process through which the desire was formed. According to one approach, a desire is autonomous if the agent did not resist the formation of that desire (or would not have resisted it) when she rationally reflects on the process through which the desire was developed (Christman 1991). This theory allows us to see why desires that result from brainwashing are not autonomous. If a cult member has been successfully brainwashed, then she might have a first-order desire to move to the cult’s compound, and she might even approve of this desire through second-order reflection. Perhaps she wants to have this desire. But if she were to rationally reflect on the ways that the cult leader manipulated her into having this desire, she would reject this process and come to see it as an alien desire.

Other approaches stress the importance of engaging the agent’s rational faculties. On views of this kind, alien desires result from manipulation precisely because of the ways that manipulation circumvents or undermines the agent’s rational decision-making process (Wood 2014). Some of these “rationalist” accounts also emphasize the importance of a certain kind of internal coherence. According to one view, alien desires involve “quasi-beliefs” that are inconsistent with the agent’s other beliefs (Noggle 1995). Quasi-beliefs function like ordinary beliefs in many ways (they can be part of our motivation to act, for instance), but they are importantly different insofar as they were not formed by ordinary cognitive processes and they are not noticeable upon introspection. For instance, Ricardo might see an advertisement for Coca-Cola and form a quasi-belief about how drinking it will enhance his sex appeal. But this belief would not hold up to scrutiny if he were to rationally reflect on it; this belief is inconsistent with other things Ricardo believes. If this quasi-belief motivates him to drink a Coca-Cola, then he has acted on an alien desire.

Finally, it is important to draw a distinction between autonomous *actions* and autonomous *persons*. For the most part, all of the theories



mentioned above are tools for evaluating whether or not a particular action or desire is autonomous. Discussions about autonomy and advertising tend to approach the debate on those terms: They look at desires and actions that were influenced by advertising. But there are others who have argued that an evaluation of advertising requires us to think about autonomy in a deeper sense (Lippke 1989; Sneddon 2001). According to these views, not only we should look at individual actions, but also we should ask whether or not people have the capacity to evaluate and revise and their deepest commitments and their conception of the good life. Autonomous persons are those who are capable of evaluating and pursuing different ways of life in accordance with their freely chosen conception of the good.

## Persuasive Advertising and the Autonomy Objection

Critics of advertising have raised a variety of objections. Some of these criticisms are made on utilitarian grounds: They argue that advertising is harmful to society in some way. For instance, children might come to desire unhealthy candy or fast food as a result of advertising, and this could lead to adverse health outcomes (Gustafson 2021). Even more broadly, targeting children or other vulnerable groups through advertising is a practice that is commonly criticized. It is also generally agreed that false or deceptive advertising is morally objectionable. Other critics focus on the way that it might contribute to racism or sexism, and some have criticized how advertising affects our perception of our own bodies (see chaps ► “Advertising Ethics”, and ► “Advertising Ethics”).

The autonomy objection focuses on a different aspect of advertising, and it is one that is central to the practice of persuasive advertising. Unlike utilitarian critiques, which focus on the harmful *effects* of advertising, the autonomy objection takes issue with the *techniques* employed by advertising. Perhaps the clearest example to draw upon is the commonly cited (although

almost certainly apocryphal) story about moviegoers who purchased soda and popcorn after seeing a subliminal advertisement before the film. Many people find this objectionable because they believe that the audience was manipulated. In a similar vein, critics argue that advertising should be condemned because it is manipulative in some way or another. This criticism is often countered by those who argue that advertising does not work by means of manipulation and thus does not violate our autonomy.

The *locus classicus* of this debate is an exchange between Robert Arrington and Roger Crisp (Arrington 1982; Crisp 1987). Both authors make use of the distinction between first-order and second-order desires. Arrington argued that the first-order desires that result from advertising are perfectly consistent with our higher-order desires. An advertisement might make someone want Coca-Cola, but the agent also wants to have this desire. He argues that most of us accept the desires that advertising produces and that the best evidence of this claim is the fact that we return to purchase these products repeatedly “without remorse or regret” (Arrington 1982).

Crisp and other critics respond by claiming that this analysis is overly simplistic. Crisp points out how most people have a second-order desire that their first-order desires not be products of manipulation. So there is at least one second-order desire that is inconsistent with the desires that advertising produces. He also argues that advertising often works by making appeals to our unconscious desires. If this is true, then advertising would make it impossible for people to reflect rationally on their reasons for wanting a particular product. Unconscious desires are not available to us upon introspection. Desires of this kind are predicated on quasi-beliefs that are inconsistent with rational agency. For these reasons, critics argue that advertising violates our autonomy because it fails to engage with our rational faculties; it circumvents them or subverts them (Crisp 1987; Wood 2014).

Proponents of advertising argue that this gives far too much credit to advertising. Most people are aware of the fact that they are seeing an advertisement, and they are able to make rational

judgments about the desires that are influenced by advertising (Arrington 1982). This defense might not work across the board, however. It is common to make exceptions for children and for those who are especially vulnerable to manipulation. It might also be the case that requiring advertising to engage with the audience's rational faculties over-emphasizes the importance of advertising's techniques. It might be more important to ask whether or not the agent would accept the desire if she were to rationally reflect on the process that produced it (Aylsworth 2022).

Others argue that advertising is morally objectionable, not because it produces alien desires but because it makes it difficult (or even impossible) for us to be autonomous people. According to this approach, looking only at the consistency between first-order and second-order desires sets the bar too low. We might approve of our first-order desires precisely because advertising has convinced us to uncritically accept a consumerist lifestyle (Lippke 1989). Critics of this kind argue that advertising undermines our autonomy not by making us want particular products; it wrongs us by making us the kind of people who want to have materialistic first-order desires. Advertising narrows our conception of the good and weakens our capacity to freely choose different ways of life (Sneddon 2001). They argue that advertising does this by "undermining our openness to other ways of living and by impoverishing our conceptual horizons in such a way that we cannot see beyond the limited confines of consumerism" (Aylsworth 2022).

## Conclusion

In short, the autonomy objection to advertising claims that advertising is morally wrong because it violates our autonomy. Critics argue that it does this by manipulating the audience and producing alien desires. On some versions of this objection, the main issue is the way that advertising fails to engage our rational faculties. It subverts or circumvents them (Crisp 1987; Wood 2014). Others argue that advertising undermines our autonomy by luring us into an uncritical acceptance of a

consumerist lifestyle (Lippke 1989; Sneddon 2001). Proponents of advertising have responded to these objections by claiming that it does not really manipulate the audience (Arrington 1982). They argue that people are not so easy to manipulate, and they do not think that advertising undermines our ability to rationally reflect on our desires. It is difficult to reach a consensus on this issue because there are so many competing conceptions of autonomy and manipulation. In order to reach a conclusion about advertising and autonomy, we must wrestle with some of the deepest and most difficult questions concerning the nature of rational agency.

## Cross-References

- [Advertising and the Commodification of Identity through Skin](#)
- [Advertising Ethics](#)
- [Autonomy and Informed Consent](#)
- [Vaping and Bioethics](#)

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## Autonomy and Informed Consent

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### Synonyms

Autonomy: Independence; Freedom

Consent: Accord; Permission; Agreement

### Introduction

Autonomy takes its primary meaning from governmental theory where it refers to the status of a state or nation as being self-governing and free from control or interference from another power. When applied to individuals, the term carries the same meaning: a self-governing person – a personal rule of the self that is free from controlling interferences by others and personal limitations that prevent realization of an individual's self-chosen plan. In this way, autonomy of individuals is regarded as analogous to the manner in which independent governments determine, implement, and manage policies and responsibilities (Beauchamp and Childress 2012).

Consent means the grant, by a person, of permission for something to take place (e.g., to receive medical treatment) or the agreement to do something (such as entering into a contract). The expression includes both the substance – the specification of what is to take place or what the consenting person agrees to do – and also the form in which consent is expressed, namely, whether in a written document or verbally or implied from conduct.

In various contexts of human interaction, different legal principles define what constitutes legally effective consent. This entry focuses on those elements widely regarded as constituting consent that is ethically sound.

## Autonomy

For an act to be autonomous, three components are necessary: volitional, that the person's decision is deliberate; voluntary, that the act or decision is free from compulsion, threats, or coercion; and cognitive, that the individual has the requisite knowledge to make a decision about their intention. Unless all three components are present, any decision cannot rightly be called autonomous (Beauchamp and Childress 2012).

Of these components, only the first is absolute: acts are either voluntary or not voluntary, and autonomous acts cannot be unintentional. On the other hand, the other components can be matters of degree – a person's freedom may be limited to some degree but not so much as to prevent an act or decision being autonomous, and the amount of information a person has may not be complete but nonetheless sufficient for the decision to be regarded as autonomous. The context of participation in human research, particularly biomedical research, illustrates the acceptance of such degrees. For example, people with the medical condition in question are likely to be favorably inclined to participate in research about that condition, although the information on which they base their decisions is unlikely to contain a full account of the scientific basis of the research.

## Competence or Capacity

An essential premise to assessing whether decisions merit recognition as autonomous decisions is that a decision-maker is competent or has the capacity to make that decision. The criteria for competence are similar to those for autonomy, but the two concepts are different. Autonomy means to be a self-ruling person, and competence means the ability to perform a task, for example, to make a decision.

For a person to be competent or to have capacity, the person needs to be able to take in and retain information about the decision, believe the information, weigh or use that information in reaching a decision, and express the decision.

Because competence is the ability to perform a task, legal and ethical doctrine has consistently held that competence is specific to the task to be performed or the decision to be made. The question is whether the person is or is not competent to make *the decision in question* – it is not whether the person is competent to make *any decisions*.

In medical practice, it is important to separate those patients whose decisions, legally, merit recognition from those patients whose decisions do not. The judgment that a patient is competent to make a decision is used to make this distinction. Routine presumptions assist; for example, adults are presumed to be competent unless there is reason to overturn that presumption; for example, an otherwise competent adult admitted to hospital with non-life-threatening injuries who is unconscious is not competent to decide about treatment at that time. On the other hand, children are presumed to lack competence to consent to treatment decisions unless there is reason to overturn that presumption. As children reach their mid-teens, we often refer to them as young people, in recognition of their increasing capacity and maturity. Assessment of a young person's stage of development and maturity can overturn the presumption against competence to make a specific decision; for example, a young person who has lived with a chronic condition since birth may be competent to make a choice about accepting treatment for the condition. If it is determined that a person is not competent to make a decision, another mechanism needs to be used for that decision to be made on that person's behalf.

## Competence and Autonomy

Competence means the ability to perform a given task, and autonomy means a self-governing person. Competence is a necessary but not a sufficient condition for an autonomous decision. Some, but not all, of the criteria for an autonomous decision may have been satisfied in deciding that the decision-maker is competent.

Even if someone has been found to be competent, he or she may be so affected by external influence or coercion or so lacking in relevant

information that the autonomous character of the decision is in doubt. In one case, a young woman who was, at all times, considered to be competent, gave consent to blood transfusion. However, during each of several visits from her mother, who objected to the procedure on religious grounds, the young woman withdrew her consent. Following each visit, the young woman renewed her consent. The question was whether consent or refusal was the autonomous decision of the daughter. In human research ethics, paying participants for their participation has often provoked debate whether such payments amount to “undue influence” and so compromise the autonomy of a competent participant's choice (Largent and Lynch 2017).

## Relational Autonomy

Most people reach their decisions in a familial or social context. These external influences might not affect someone's choice to the point that it is no longer autonomous. Consequently, some writers have offered an alternative model of autonomy, referred to as relational autonomy, which highlights the social context within which all individuals exist and acknowledges the emotional and embodied aspects of decision-makers (Mackenzie and Stoljar 2000).

## Respect for Autonomy

In professional ethics, and particularly medical ethics, discussion of autonomy most commonly emerges as an element in the principle of respect for autonomy. In medical ethics and human research ethics, this principle requires that an autonomous decision to accept or not to accept medical treatment or to participate or not participate in a research project should be respected and followed. In medical professional ethics, increasing recognition of the principle has marked a change in medical professional practice. Of two competing ethical principles – deciding what a doctor thought was best for patients' welfare (beneficence) and allowing patients to decide for

themselves (respect for autonomy) – the latter has come to take priority in treating competent patients.

## Consent

The recognition of individual choice demonstrates respect for autonomy by ensuring that persons with capacity who make autonomous decisions can express their will and expect it to be respected and acted upon.

Consent is the most common example of the acts or decisions that, when autonomous, merit respect. In the following components for an ethically sound consent, reliance on the elements of the concept of autonomy is apparent.

For an ethically and legally sound consent, the person giving that consent must be competent or have the relevant capacity to give that consent, have received sufficient information about the nature of what is to be consented to, comprehend that information, act voluntarily and freely, and give consent.

Although the principle of respect for autonomy is recognized in the requirement for consent, this application of the principle is not absolute. For example, medical professionals, including paramedics and ambulance officers as well as doctors, may legally administer treatment that is necessary to avert an imminent risk to life or health, without the patient's consent. In these emergency situations, an ethical obligation to act for the welfare of patients by preserving their life or health outweighs respect for autonomy.

## Informed Consent

Legal standards apply in many social contexts and impose requirements of substance and process for consent to be legally effective. The most well-known example of these is “informed consent.” This expression is a product of United States jurisprudence but has become commonly used in healthcare, research, and an ever-widening number of contexts (Faden and Beauchamp 1986).

Generally speaking, informed consent means a person's consent will be neither ethically nor

legally sound if that person considers she was not informed or that the disclosed information did not meet the required standard for disclosure. The concept is not accepted in every legal jurisdiction around the world. One problem with giving prominence to “informed consent” is to suggest that being informed is all that matters or the most important test for consent. This emphasis can lead to increasing the quantity of information disclosed, without regard to whether this helps the decision-maker. In human research ethics, this emphasis on disclosure often leads to using lengthy and complex information documents that are so long and so hard to understand that they fail to inform participants effectively (Ennis and Wykes 2016).

## Autonomy and Consent

Autonomy and consent are closely related. Consent by a person, of itself, marks a fundamental ethical (and legal) shift in that person's relationships. By giving consent, a person either permits conduct on the part of others that would otherwise be both unethical and illegal, for example, consenting to a doctor conducting a physical examination, or creates a new relationship with, or a new obligation to, another person or persons, for example, consenting to sell property to another person.

The importance of this fundamental effect of consent is reflected in the ethical requirement that, for consent to be respected, it needs to be autonomous – the decision of a self-governing person.

The tests for both autonomy and consent need to be satisfied for a consent to be ethically worthy of respect because when consent is an autonomous decision, there can be no doubt that it fully expresses the will and values of the decision-maker.

## Cross-References

- [Authenticity](#)
- [Core Values](#)
- [Covert Research](#)
- [Deception and Research](#)

- [Individualism](#)
- [Personalism](#)

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et al. 2018). These are just a minor selection of the leadership challenges in our times. Additionally, leaders should not underestimate that today’s followers are, on average, more educated and more independent in their thinking. They expect more input and get demoralized when they are summoned to follow their leaders mindlessly (see also chapter ► [“Toxic Leadership”](#) (Boddy, C.) in *Encyclopedia of Business and Professional Ethics*). Today’s leaders are therefore expected to have some psychological foundations that can assist them in critical areas such as humanism, moral awareness, and a communal approach (Marques 2015). To address issues that epitomize the spirit of our times, this chapter describes the awakened leader.

## Awakened Leadership: A Brief Overview

The notion of an “awakened” leader was inspired by an ancient story from the annals of Buddhism, a movement which some describe as a religion, others as a psychology, and yet others as a philosophy. Siddhartha Gautama, still a young man in India around 563 BCE, wanted to obtain a deeper understanding of life and, after trying different lifestyles, set himself under a tree to engage in insight meditation, also known as Vipassana. Thanks to his devoted meditation efforts, he ultimately gained enlightenment. As he made his way from one place to another, a passerby, who was fascinated by his radiance, asked him whether he was a god, a magician, a wizard, or anything else, upon which he simply stated, “I’m awake” (Kornfield 1999). Gautama subsequently changed his name to “Buddha,” which means, “the Awakened One” (Marques 2012) (see also chapter ► [“Buddhism and Business Ethics”](#) (Marques, J.) in *Encyclopedia of Business and Professional Ethics*).

Being an awakened leader entails being mindful and acquiring a deep understanding of what really matters. Awakened leaders remain authentic and true to their values at all times but also realize that they were not born with all the answers and that life is a continuous process of growth and change. Awakened leaders are very aware of their

## Awakened Leadership

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## Synonyms

Mindful leadership; Moral values; Reflective leadership; Stakeholder awareness

## Introduction

Today’s leaders are expected to excel in different ways than their predecessors. Given our fast-paced times, they are continuously facing (a) shifts in societal values, leading to greater employee awareness and greater need for involvement (Higgs 2003); (b) changes in investor focus, from sheer shareholder advancement to increased stakeholder involvement (Jennings 2005); (c) needs for significant organizational change (Gordon and Pollack 2018; Sakhartov and Folta 2013); and (d) increased stress on employees, requiring steadfast human resource guidance to curtail excessive turnover (Raza



flaws as human beings, and the continuous need to assess their practices. They are very much shaped by occurrences in their lives. These occurrences differ from one individual to another, yet they consistently pave the road to wakefulness for all who seek it. Life's occurrences incite two important qualities: reflection and empathy (Marques 2010a). In the course of their path to maturity, awakened leaders may have faced issues that caused them to question their morals and reflect on the need to possibly reconsider them. Where needed, they did so, in the understanding that people, situations, and insights change and that regular reflection can be an eye-opening path toward greater empathy and understanding and, hence, more responsible decision-making (Marques 2010b).

When considered in light of the most dominant leadership theories, we find that awakened leadership is very situational oriented. In the situational leadership theory, leaders adapt their leadership style by assessing their employees, evaluate the critical factors in their workplace, and then choose the leadership style that best fits their goals. Awakened leadership, however, reaches beyond the distinction of the conventional tasks and relationship orientation, given the range of circumstances and stakeholders today's work environments deal with (Marques 2008). Awakened leaders are aware that, while the situational theory remains useful, there is more to leadership today than leaders, followers, and a work-based situation (Northouse 2018), so awakened leaders cannot merely base their decisions on those parameters only. They have to consider the factors mentioned in the introductory part of this chapter, such as shifts in societal values, changes in investor focus, needs for significant organizational change, increased stress on employees and the guidance this requires, as well as the urge of employees to acquire more ownership in decision-making. Most importantly, awakened leaders need to remain in touch with their conscience and identify reflective practices that enhance their mindfulness, so that they can maintain their inner balance. The strategies that these leaders may choose for mindfulness maintenance and enhancement may vary widely. Some leaders

will gravitate to meditation, while others may engage in prayer, yet others turn to trusted mentors, and some take to walking, yoga, or reading. The strategies onto themselves don't matter, as long as the leader feels that deep reflection occurs, and wakefulness is attained and maintained.

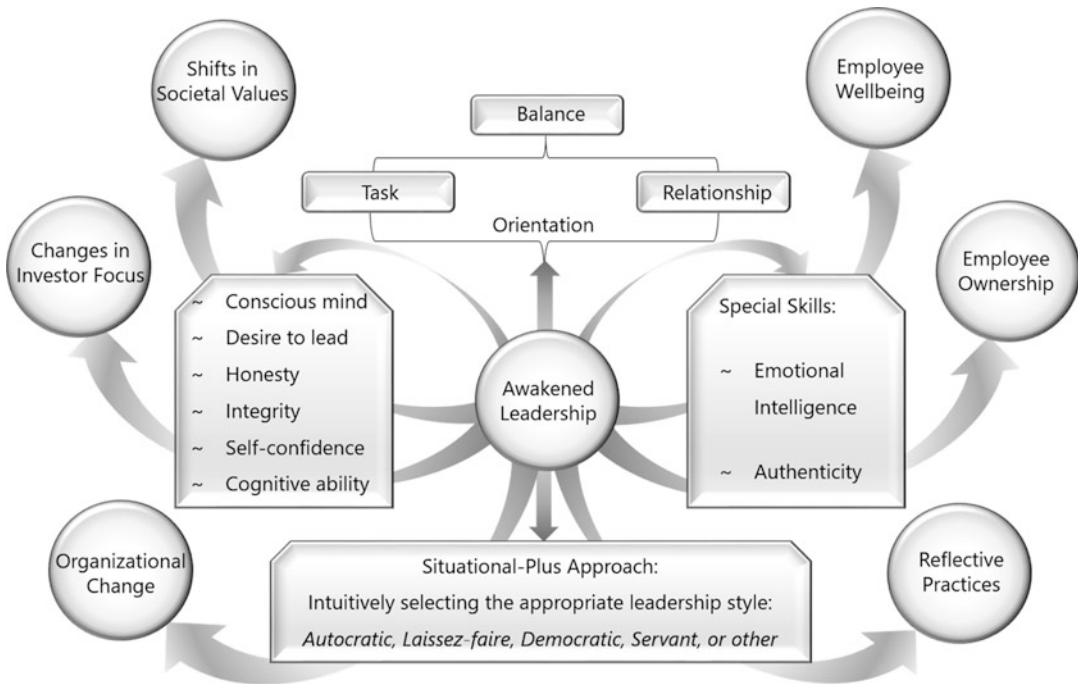
Awakened leaders share some of powerful characteristics, in addition to those already mentioned. They exert adaptability to different circumstances, drive, passion and commitment to achieve their goals, resilience, willpower to use failures as lessons for growth, clear vision of the bigger picture and the future, and a clear formulation of their values. Through their flaws, they also develop emotional intelligence, which enables them to compassionately relate to even the most downtrodden among their followers. Awakened leaders further share qualities such as courage, inspiration, and the ability to instigate positive change. In the following section, we will take a closer look at some specific skills, strategies, and qualities of awakened leaders.

## Elements of Awakened Leadership

The logical question that emerges when mentioning awakened leadership is: What exactly does this phenomenon comprise? The simplest answer to this question would be: Every possible leadership style, trait, and skill developed so far, as well as those still to be developed in the future, as long as these styles, traits, and skills meet the criteria of being constructive and applicable to all parties involved.

### Style Inclusions

Awakened leadership entails a comprehensive consideration of various leadership styles, which are at the disposal of every leader. Yet, the key factor is, that awakened leaders are conscientious in their consideration and application of any leadership style, whether autocratic, democratic, laissez-faire, transformational, participative, servant, authoritarian, situational, or other (Hussain and Hassan 2016). Given today's fast-changing performance climate, awakened leaders may display a fondness of servant leadership, as this style



**Awakened Leadership, Fig. 1** Awakened leadership

invites an approach of yielding and sharing responsibility. “Servant leadership can be defined as a multidimensional leadership theory that starts with a desire to serve, followed by an intent to lead and develop others, to ultimately achieve a higher purpose objective to the benefit of individuals, organizations, and societies” (Coetzer et al. 2017, p. 1). This behavior can also be related to the phenomenon “situational leadership,” which Northouse (2018) explains as “matching the leader’s style to the competence and commitment of subordinates.”

### Trait Inclusions

McCrae and Costa (1990) describe traits as “dimensions of individual differences in tendencies to show consistent patterns of thoughts, feelings, and actions” (p. 23). In a study among 195 participants, Nichols (2016) found that, as their leadership experience grows, leaders gain better insight in what it takes to be a good leader. With that, they also change the traits they desire to cultivate. Some of the dominant traits that emerged from Nichols’ study were helpfulness, kindness, support, agreeableness, cooperation,

fairness, self-confidence, self-assuredness, goal orientation, ambition, dominance, and assertiveness. In the case of awakened leaders, mindfulness is eminent. “Mindfulness likely supports positive affect because it consists of being focused on the present moment and [is] deeply engaged with present experiences” (Carleton et al. 2018, pp. 186–187). Other scholars, such as Secretan (2001), prefer the term “consciousness.” He asserts, “Consciousness is being awake to the mystical and ineffable aspects of being alive. The rational mind sees a world of scarcity and responds with fear. The conscious mind sees a world of abundance and responds with love” (p. 19). In Fig. 1, the concept of mindfulness/consciousness is captured as “conscious mind.”

### Balance

Along with the cautious selection of the appropriate style and the development of distinctive traits, awakened leadership still requires a responsible balance between task and relationship behavior, since these remain the drivers of performance toward a required goal. Leaders that focus strongly on task behavior are mainly concerned

with getting the job done and don't engage too much with the individuals involved and their perceptions about the job. In relationship behavior, the opposite happens: leaders are more concerned with the employees' well-being and less with the task at hand. Awakened leaders maintain a careful balance between these two extremes, in that they are concerned and supportive toward stakeholders (not merely employees), but also ensure that performance does not suffer.

### Emotional Intelligence

In the performance of awakened leadership, special emphasis should be laid on the aspect of emotional intelligence. EI has been defined as the ability to perceive emotions, access and generate emotions to assist thought, understand emotions and emotional meanings, and regulate emotions reflectively to promote both better emotion and thought (Mayer and Salovey 1997). Goleman (1998) defined emotional intelligence as "the ability to rein in emotional impulses, to read another's innermost feelings and to handle relationships and conflict smoothly" (p. 36). Pointing out the importance of developing and sustaining this quality, Goleman (1998) explained, "These emotional aptitudes can preserve relationships, protect one's health and improve success at work" (p. 36). Goleman divided emotional intelligence into the following five emotional competencies: (1) "The ability to identify and name one's emotional states and to understand the link between emotions, thought and action" (*"Emotional Intelligence,"* ¶ 11); (2) "The capacity to manage one's emotional states – to control emotions or to shift undesirable emotional states to more adequate ones" (*"Emotional Intelligence,"* ¶ 11); (3) "The ability to enter into emotional states (at will) associated with a drive to achieve and be successful" (*"Emotional Intelligence,"* ¶ 11); (4) "The capacity to read, be sensitive to, and influence other people's emotions" (*"Emotional Intelligence,"* ¶ 11); and (5) "The ability to enter and sustain satisfactory interpersonal relationships" (*"Emotional Intelligence,"* ¶ 11). More recently, Mayer et al. (2008) have described EI as "the ability to carry out accurate reasoning about emotions and the ability to use emotions and emotional knowledge to enhance thought" (p. 515). While there

is still no unified definition of EI, the above provided explanations underscore strongly enough that emotional intelligence is of high eminence in the performance of awakened leadership.

### Authenticity

The final attribute mentioned in this paper, although not the final quality involved in awakened leadership, is authenticity. George (2003) refers to authentic leadership as "driven by passion and purpose, not greed" (p. 6). It is George's opinion that "there are five essential dimensions to authentic leaders: purpose, values, heart, relationships, and self-discipline" (p. 6). George (2003) perceives authentic leadership as "the only way to build lasting value [by focusing] on the company's missions, customers, and employees" (p. 30). George further explains the creation and sustenance of lasting value by focusing on various aspects, which the author of this paper divided into two distinctive categories: the people and the organization. Pertaining to the people aspect, George mentions, "Connecting every day with your employees"; "Being out with your customers looking for great ideas for growth"; and "Getting results for all your stakeholders, not just the shareholder of the past five minutes" (p. 32). Pertaining to the well-being of the organization, George lists the following procedures, "Building your business by pursuing your mission with a passion"; "Being true to your core values in every decision"; and "Building an enduring organization of authentic leaders from top to bottom" (p. 32) (see also chapter ► *"Ethical Leadership"* (Páez Gabriunas, I.) in *Encyclopedia of Business and Professional Ethics*).

### Conclusion

Based on the styles and behaviors listed in this chapter, we can explain awakened leadership as an all-encompassing leadership approach, involving:

- The leader's awareness to incorporate the appropriate style given the followers and the situation

- The leader's capacity to sharpen the skills necessary for guiding him- or herself, his or her followers, and the organization in its entirety toward advancement
- The leader's ability to remain emotionally attuned to the self, the stakeholders, and the environment, thereby maintaining the highest level of authenticity possible

It is vital to underscore once again that the awakened leader, in considering the environment, remains focused on shifts in societal values, changes in investor focus, needs for significant organizational change, employees' well-being, employees' sense of ownership, and the leader's adherence to reflective practices to sustain mindful and conscious performance.

The model captured in Fig. 1 illustrates the aspects of awakened leadership, as outlined in this chapter.

## Cross-References

- [Buddhism](#)
- [Buddhism and Business Ethics](#)
- [Ethical Leadership](#)
- [Toxic Leadership](#)
- [Transformational Leadership](#)

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## Axiology and Business Ethics

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## Synonyms

Extrinsic goods; Good businesses; Intrinsic goods; Systemic goods; Value judgments and feelings in business; Value rankings in business; Value standards in business

Introduction

Businesspersons understand that there are many kinds of goodness in addition to moral goodness – good workers, good managers, good products, good services, good training, and good profits. But what does “good” mean? The best available answer was formulated by Robert S. Hartman (1910–1973), who created formal axiology. Axiology is value theory. This includes ethics, aesthetics, logic, and every discipline having ideal norms or standards. Formal axiology focuses on formal patterns of value and evaluation and then applies them to the concrete particulars of *what* we value (values) and *how* we value (evaluations). The headings below identify its main features, all highly relevant to the business world.

Formal Definitions of “Good,” “Better,” “Best,” and “Ought”

Formal axiology says that anything is “good” if it fulfills the standards, norms, or ideals that we apply to it. To know whether anything is good, we must (1) have a set of ideal expectations or criteria consisting of an indefinite number of ideal “good-making” qualities or relations (properties), (2) examine or learn about what is being evaluated to determine its actual properties, (3) match its actual properties with those required by its ideal norms or criteria, and (4) judge it to be totally good if it has all the properties it is supposed to have or good by degrees (fair, average, poor, no good) if some but not all of them are present (Hartman 1967, pp. 101–109, 160–162; Edwards 2010, pp. 2–7). Anyone can become a better judge of value by understanding and applying these four steps.

Norms are built into all our notions about products, services, social and vocational roles, managers, workers, etc. How do we determine whether a business, its owner(s), its CEO, and its managers, workers, customers, products, or services are good? First, we must clearly grasp the ideal “good-making” qualities and relations expected of them, then learn the relevant facts about them, and then measure their actual

qualities and relations against our ideal expectations of them. If they succeed, or else fall short by degrees, this tells us which ones are best and less so and how to do, be, or choose better. Without realizing, managers who proceed in this way are applying formal axiology. For example, consumer publications (like *Consumer Reports*) apply this axiological formula very successfully. They give specific lists of ideal norms or good-making properties, examine and compare the properties of consumer products and services, and report actual degrees of expectation fulfillment.

“Good” is *complete* expectation fulfillment. *Degrees* of fulfillment are called “fair,” “average,” “poor,” “no good,” etc. Robert S. Hartman refers to Plato’s “Form of the Good” to discern that our values are the real keys to our personalities.

In abstract terms, the “Form of the Good” looks like this:

| Good-making properties      | Actual properties           |
|-----------------------------|-----------------------------|
| 1. _____                    | 1. _____                    |
| 2. _____                    | 2. _____                    |
| 3. _____                    | 3. _____                    |
| 4. _____                    | 4. _____                    |
| 5. _____                    | 5. _____                    |
| 6. Extend as far as needed. | 6. Extend as far as needed. |

People fail to reach agreement, or make value judgment mistakes, when they:

- A. Disagree about or misunderstand the ideal or expected good-making properties (on the left above)
- B. Fail to examine, learn about, or understand adequately the actual properties of the object being evaluated (on the right above)
- C. Mismatch the object’s actual properties with its ideal properties
- D. Fail to draw logical conclusions in their evaluation processes

This axiological formula can be applied to *anything*, moral or nonmoral and business or pleasure, about which value judgments are made. Value judgments are somewhat subjective in application because disagreements or errors may occur anywhere between A and D above



(Hartman 1967, pp. 110–111). Ideally, disagreements and errors can be discussed and resolved, but sometimes we just have to agree to disagree.

Value comparison is important in business and elsewhere. “Better” and “best” are positive comparative value concepts. If one good thing has more good-making properties than others in its class of comparison, it is *better* than those others. Employers or managers giving annual (or more frequent) job performance reviews to salespersons or other workers presumably compare them against the ideal standards or expectations in their job descriptions. Given only two workers, if one fulfills more relevant norms than the other, he or she is better qualified than the other. If one has more good-making properties than *all* others in the appropriate class of comparison, he or she is the *best* of the lot (Edwards 2010, pp. 20–22). Valuers may also need to give more weight to some properties than others using some hierarchy of value. When giving moral or professional directives to others, the word “ought” (or some synonym like “should”) is used. “You ought to do X” means “X is the best thing to do, so do it” (Edwards 2010, pp. 134–135).

### Three Kinds of Goodness

There are at least three kinds of positive *value* or goodness – systemic, extrinsic, and intrinsic. All kinds of goodness can be measured or compared rationally by degrees (Edwards 2010, pp. 27–39). Three kinds of *evaluation* correspond with each dimension of value:

1. *Systemic goods are desirable mental or conceptual value objects.* Primary examples are ideas; constructs; propositions; beliefs; laws; rules; mathematical, logical, and ritual forms; and formalities of every description. Examples of systemic business values are records, relevant laws and regulations, plans and goals, organizational structures, product or service designs, job descriptions and schedules, and the “bottom line” (numerical profits and losses). All businesses include systemic conceptual assumptions, beliefs, and ideal

expectations about production, supplies, products, services, employees, customers, owners, stockholders, etc. *Systemic evaluation* consists of assessing all such things (or anything at all) objectively or disinterestedly. Rational objective disinterestedness is not uninterestedness. It allows minimal feelings (desires, emotions, attitudes, etc.) that do not interfere with objective or fair-minded judgment and do not express irrational biases. All evaluation involves degrees of feeling, but evaluations are not mere feelings; they also involve rationally applying criteria and measurement, as in “the Form of the Good.”

Anything can also be evaluated as if it belongs to some other dimension of goodness. Ideals, beliefs, physical behaviors, products, processes, and people may be evaluated systematically (objectively) but also in other ways. We may objectively evaluate ideas and formalities (e.g., business rules or norms) without bias or prejudice or extrinsically for their usefulness or intrinsically through intense personal devotion to them. Persons, e.g., job applicants or employees, are evaluated systematically when measured objectively by the criteria contained in their job or task descriptions. They are valued extrinsically for their productiveness. They are valued intrinsically when recognized and treated as ends in themselves, when there is deep professional concern for their personal well-being, rights, job fulfillment, and overall satisfaction.

2. *Extrinsic goods are tangible means to ends beyond themselves.* They include both useful practical actions and physical objects and processes located in public space-time. Examples are beneficial human behaviors, natural resources, the physical necessities of life, and our natural physical environment. In businesses, extrinsic goods are such things as workplaces, raw materials, physical means of production, and tangible products and services. These are called “mere things” because they are inanimate, lack consciousness, and have no values of their own. *Extrinsic evaluation* approves of mere things for their usefulness



in fulfilling everyday practical or business interests.

Since anything can be evaluated as if it belongs to any other dimension of value, systemic goods like ideas, beliefs, and mathematical formulas as well as intrinsically valuable persons may be evaluated extrinsically, i.e., for their usefulness as means to ends beyond themselves. Businesses regularly do this. There is nothing morally wrong with evaluating and treating persons (employers, workers, customers, investors, etc.) as productive means to business ends – as long as they are also treated as ends in themselves. Morally questionable business practices exploit persons as *mere things*, mere means to ends beyond themselves (as in production or profits at all costs), while failing to recognize, respect, and treat them as real persons.

Perhaps the most moral businesses are the most profitable businesses – especially if governmental regulations level the playing field to prevent immoral competitors from having unfair advantages over businesses that treat everyone fairly, respectfully, and with dignity (Hartman 1991, pp. 193–199). Workers at every level are much more loyal, industrious, productive, and creative when they receive respect on the job; have worker rights; are treated fairly; have safe working conditions; enjoy and find personal fulfillment in their work; receive benefits like medical insurance, retirement plans, and profit-sharing; and are allowed to innovate and express their own unique capacities in getting their jobs done more creatively, efficiently, and economically. Similar considerations apply at every business level. Happy, repeat, and loyal customers are those who get fair deals and are treated with dignity and respect. Loyal employees are not much valued by many businesses today, but those that offer workplace conditions that foster company loyalty, identification, and commitment can save huge sums of money in hiring, job placement, training, or retraining.

3. *Intrinsic goods are ends in themselves, desirable for their own sakes.* Primary examples are the unique persons involved at every level of

business. *Intrinsic evaluation* consists in relating to value objects with intense respect, awareness, positive feelings, concern, and compassion. Since everything can be evaluated in any dimension of value, businesspersons may love or identify intensely with business ideas and plans, with physical objects, products, and processes or with managers, coworkers, and customers. Businesses are not primarily about loving, but all *good* businesses strive for a keen awareness of and respect for persons as ends in themselves and incorporate comprehensive intrinsic evaluations at every level. In business and elsewhere, people have the highest moral priority.

Not all philosophers agree that unique and unrepeatable persons are intrinsically good or valuable as ends in themselves. Some contend that repeatable abstractions like happiness, pleasure, beauty, creativity, truth, knowledge, laws, talents, virtues, adventures, desire and interest fulfillment, etc., are the only intrinsic goods, the only things valuable for their own sakes. After considerable reflection, plausibly, all such entities are “good for us” values rather than “good in, to, and for themselves” values. No such abstractions are or have selves or values of their own. None realize or care that they are valuable or mean anything to themselves or can even exist apart from us. They are valuable only because they are beneficial, meaningful, and self-fulfilling to unique conscious beings. They definitely are good for us, but we are the realities valuable as final ends. Only unique persons or conscious beings are of value in, to, and for themselves.

*Good businesses* recognize and actualize all three dimensions of value according to their degree of goodness. All businesses are selling something that excels, hopefully, in one or more of these dimensions. Poor businesses fail to the degree that they fail to actualize one or more of their systemic, extrinsic, or intrinsic value dimensions – in accord with the following hierarchy of values.

## The Hierarchy of Value

Businesspersons are very naïve if they think that only profits matter. All three realms of goodness are essential to every viable or profitable business but some dimensions of value matter more than others. In all of life, some good things are better than others. We must recognize, establish, and act upon priorities, but how? How can we tell which good things are better than other good things? All people, including business people, need a hierarchy of values, as well as good-making criteria or standards applicable to particulars.

All good things have what philosophers call “good-making” properties (qualities and relations). They are the components of all human norms. “Good” just means having some set of ideally expected good-making properties. This can be applied either *within* or *between* each dimension of value. Some particular entrepreneurial schemes, business resources, products, and services have more good-making properties than others, as do some employers, workers, customers, or job applicants. Many good things are better than others, and “better” just means having more good-making properties, properly ranked.

“Better” also applies *between* the three dimensions of value. Intrinsic goods have more good-making properties than extrinsic goods, which in turn have more good-making properties than systemic goods.

The three dimensions of goodness fall into a hierarchy of value (Hartman 1967 pp. 249–265; Edwards 2010, pp. 39–40). Since “better” means “having more good-making properties,” conscious individuals are better or more valuable than merely mindless things, and mere things are better or more valuable than conceptual symbols of good things or of people (Edwards 2010, pp. 40–41). Expressed abstractly, intrinsically valuable entities (people) have more value than extrinsically valuable, useful, inanimate, mindless, and physical objects and processes, and desirable extrinsically valuable entities are better than, have more good-making properties than, our mental signs or symbols for them. This is as true in the business world as anywhere else.

Some good things can be very good, yet others even better. Systemic values like business plans and know-how are merely mental signs that point toward even more desirable realities like actual business products and services. Mental symbols point or refer to realities beyond themselves. That is their primary purpose. No one should confuse the value of a good thing with the value of a mere symbol for it. An actual product is more valuable inherently than the mere idea of it. Which would you prefer: the mere idea of a new car or an actual new car, the mere idea of a new computer or an actual new computer, or real money in the bank or the mere thought of such? Both physical entities and human activities are more valuable extrinsically than our words for, thoughts about, or conceptual symbols for them. We can actually spend the coins in our pockets, but not our thoughts about them. Money in the bank is worth more than the money that exists merely in our minds, thoughts, or daydreams, even when numerically identical in face value. A good worker is more valuable than his or her job description. Real moral or practical actions are more valuable than merely thinking or dreaming about doing the right or useful thing.

We have words or symbols for people, for useful things, and for good ideas, but real people, products, and plans are much more valuable than, i.e., have more good-making properties than, our symbols for them. People are also more valuable than physical products, services, and activities. No cars, computers, or coins would have any value, or even any existence, without people. The buck of goodness stops and starts with people. People have vastly more good-making qualities and relations than mere thoughts or mere things. Which would you prefer: the mere idea of a good friend or an actual good friend, a real spouse and family or the mere thought of them, or a real employee or the mere idea of such? Qualitatively, people have thoughts and feelings and engage in intentional activities. They are animate, conscious, thoughtful, valuing, affective, caring, loving, and compassionate, but bank accounts, bottom lines, computer programs, cars, houses, smartphones, etc., are not. Real people, friends, loved ones, and coworkers are worth more than all

of our thoughts about them. In proportion to non-conscious extrinsic goods, they are priceless.

## Value Combinations, Calculations, and Profiles

Valuable objects belonging to each of the three dimensions of goodness may be combined with one another in positive or negative, helpful or hurtful, and value-increasing or value-decreasing ways. Value combinations may form organic wholes that are more valuable than the mere sum of the values of their components or parts. For example, we can use the insights and designs of entrepreneurs to create innovative and attractive products, and we can give useful or physically beautiful products to our coworkers, friends, and loved ones. People can unite intensely and intrinsically with others in marriage, family, friendship, and coworker identification. They can also collaborate extrinsically with other people in effective work and service relations. Good products can be sold for profit. Homes can be bought or built for people. Good ideas can help us become more thoughtful of and affectionate toward others or more useful to our employers, employees, and customers. The potential number of such value combinations is practically inexhaustible.

Things that are otherwise good may also be combined with other good things in hurtful or destructive ways, for example, when two good cars crash to make good junkers. Good ideas, useful things, and active people can be used to hurt or injure people, destroy property, degrade beliefs, and critique bad ideologies. Workers and machines can make production mistakes and errors.

Combinations of values and evaluations in or from diverse dimensions can be symbolized and assigned numerical values for calculation purposes, e.g., systemic (S), extrinsic (E), and intrinsic (I). When one value or evaluation enriches another, the form of their combination can be symbolized as  $X^X$ . When one diminishes the other, the form is  $X_X$ . Genuinely useful E products (E) can be symbolized as  $E^E$ . Genuinely flawed E products (E) can be represented as  $E_E$ . Loving (I) useful E products

(E), as acts of valuing useful E products intrinsically, can be represented as  $(E^E)^I$  – and so on – to practically endless levels of complexity. Symbols for value objects, evaluations, and combinations can be assigned numerical values, though exactly how to do this without conflating the three value dimensions is somewhat troublesome and controversial (Edwards 2010, pp. 175–176). Values and their combinations can be calculated.

Because positive and negative values and their combinations fall into a logical sequence of degrees of value, value combinations can be used to create value profiles like the Hartman Value Profile (Hartman 2006), now widely and successfully used by business consultants and employers to discover the strengths and weaknesses of job applicants, workers, managers, etc. To learn more, go to [www.hartmaninstitute.org](http://www.hartmaninstitute.org). The best way to understand businesspersons is to know what and how they value. Value-based profiles can successfully identify those applicants most likely to be loyal to, successful in, and fulfilled by their jobs – thus immensely reducing replacement or retraining costs. They can show that some current employees would be better suited for some other position or whether they are ready for promotion or if they need additional training. They can measure workplace morale and spirit. They can help immensely in the quest for goodness in businesses.

## Cross-References

- Core Values
- Values-Based Consumption
- Values-Based Management Theory

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## Ayn Rand's Ethics

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### Synonyms

Ethical egoism; Objectivism; Objectivist ethics

### Introduction

Ayn Rand (1905–1982) is an American philosopher who emigrated from Russia to America in 1926. Her experience of communist Russia has nurtured an enduring hostility to any trace of collectivism in public life. She calls her philosophy objectivism, to emphasize that reality exists independently and can be accessed through reasoning. Rand's philosophy explicitly opposes Kant's approach to reality:

Kant's system secularized the mysticism of the preceding centuries and thereby gave it a new lease on life in the modern world. In the religion tradition 'necessary' truths were commonly held to be consequences of God's mode of thought. Kant substituted the 'innate structure of the human kind' for God, as the source and creator of 'necessary' truths (which thus became independent of the facts of reality). (Rand et al. 1979, p. 119)

Objectivism is an applied philosophy of self-accomplishment, with distinctive metaphysical, logical, and ethical assumptions.

### Objectivist Ontology and Epistemology: Living According to Reality

For Rand and follower objectivists, the world exists independently of consciousness, and rational reasoning is the proper way to act in relation

with the world. Consequently, to perceive the world and act upon it, people should be guided by reason rather than by religion, faith, or emotion – and this is true asceticism. Individual volition has to be exercised, as it is a necessary condition for living one's life fully:

Man's volition is an attribute of his consciousness (of his rational faculty) and consists in the choice to perceive existence or to evade it. To perceive existence, to discover the characteristics or properties (the identities) of the things that exist, means to discover and accept the metaphysically given. Only on the basis of this knowledge is man able to learn how the things given in nature can be rearranged to serve his needs (which is his method of survival). (Rand 1973/1984, p. 34)

Objectivism requires that, when emotion or imagination alters one's consciousness, one should make an effort of will and return to rational thinking. For Rand, the individual must be focused on their own self-interest. Altruism, whether in the form of religion or collectivism, leads people to sacrificing their self-achievement and thus causes unhappiness. Capitalism is the social doctrine that most prominently promotes self-accomplishment; in doing so, it grounds the dynamic of society in individual virtue. While selfishness is the central virtue of self-achievement, self-interest is the key landmark guiding individual life.

### Fiction as a Medium for the Embodiment of Objectivist Philosophy

Rand's philosophy cannot be detached from her fiction. She was not only a philosopher but also a fiction writer, influenced by French Romanticism à la Victor Hugo. For Rand romanticism expressed man's volition instead of representing a man influenced and even in some cases moved by his environment. Fiction was the medium by which Rand expressed and developed her philosophical ideas. Today, Rand's fiction readers can project themselves into objectivism by identifying, hermeneutically, with her characters. Howard Roark, a nonconformist architect (*The Fountainhead*) and John Galt (*Atlas Shrugged*) are heroes who resist institutions in order to preserve their freedom. They show courage and self-confidence by refusing to follow orientations they

do not approve of. As a businessman embodying and living a philosophy, Galt is especially interesting. This approach has been the key to making Rand's ideas accessible to a large public and to helping them easily identify with her characters. *The Fountainhead* (1943) and *Atlas Shrugged* (1957) were particularly popular in the USA in their time and have even been adapted for the cinema.

But Rand is also the leader and creator of a thought movement. The objectivist movement, as it is known in the history of ideas, combines objectivist philosophy with compelling fiction involving exceptional characters. Reflecting the inseparable entwinement between ideas and lived experiences, the history of this movement is also the history of passionate relations between Rand and people around her. When Nathaniel Branden, her long-term love interest, attempted to elaborate on her thought more independently, their relationship was irremediably damaged (in 1968), despite the fact that the Nathaniel Branden Institute (NBI, created in 1958) had made a substantial contribution to the dissemination of Rand's philosophy.

The objectivist movement has been structured around Rand's fictions and nonfictions but also, successively, around the following journals: *The Objectivist Newsletter* (1962–1965), *The Objectivist* (1966–1971), and *The Ayn Rand Letter* (1971–1976).

## Objectivism and the Defense of Capitalism as a Social Cause

Rand promoted a society where people are free to express themselves. For such a society to exist and flourish, it should rely on the smallest possible intervention from the state. According to Rand's social ideals, the individual is at the center of a society free from state oppression and collectivism. In this context, capitalism achieves justice by allowing each individual to realize their rational nature. Economics is the field where the individual can exercise their rational mind, but, in order to do this successfully, the individual has to be able to protect themselves from the

government's political and administrative power. To hold their ground when confronted public bureaucracy's natural tendencies to expand and take over social life, the individual must remain lucid and courageous. This is the necessary condition of their personal fulfilment. Rand's most popular novel, *Atlas Shrugged*, highlights the importance of resisting the state, as well as the individual courage that this resistance may require: "In capitalist society, all human relationships are voluntary. Men are free to cooperate or not, to deal with one another or not, as their own individual judgment, convictions, and interest dictate. They can deal with one another only in terms of and by means of reason, i.e. by means of discussion, persuasion, and contractual agreement, by voluntary choice to mutual benefit" (Rand 1966/1986, p. 308).

True to her pragmatic projects, Rand developed her ideas in an activist way. She intervened in the political debate to illustrate her philosophy. She was a thought leader recognized as mentor by some of the most powerful policy makers in the USA, including Alan Greenspan (former Chairman of the US Federal Reserve), John Mackey (co-founder of the innovative Whole Foods Market), and Jimmy Wales (co-founder of Wikipedia). While mostly known in the USA, Rand's ideas also won acolytes in like-minded political actors elsewhere, such as Malcolm Fraser, former Prime Minister of Australia. In healthcare policy, she publicly supported those medicine professionals that were hostile to the King-Anderson Bill promoting Kennedy's Medicare plan in 1962. She regarded this legislative proposal as an attempt to make doctors accept the collectivist-altruist principle of "self-immolation" (Rand 1963/1989, p. 285): "In pursuing his own career a doctor does have to do his best for the welfare of his patient. This relationship however cannot be reversed: one cannot sacrifice the doctor's interests, desires, and freedom to whatever patient (or their politicians) might deem to be their own welfare" (Rand 1963/1989, p. 288).

Although Rand's ideas have inspired more radical libertarians (such as Murray Rothbard), there are limits to her own radicalism. For example, in the debate about the place of the state

in society, within libertarian thought, she did consider the state necessary in order to maintain peace in society. These limits, however, did not prevent John Galt, the main character of *Atlas Shrugged*, from becoming the popular emblem of anarcho-liberalism.

## Cross-References

- [Charismatic Leadership](#)
- [Egoism and Libertarian Ethics](#)
- [Liberalism](#)
- [Work Ethic](#)

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# B

## Bahá'í Ethics

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## Synonyms

Religious and spiritual ethics

## Introduction

Bahá'u'lláh (1817–1892), Prophet-Founder of the Bahá'í Faith, has left a rich legacy of sacred scripture, the equivalent of 100 volumes, each comprised of some 400 pages. No less significant is the example of the dynamic force of his life as an exile and prisoner. His teachings and life can be a daunting enterprise to anyone who wishes to extract the essence of Bahá'í ethics. *The Hidden Words*, a compilation of aphorisms dating from the earliest days of the mission of Bahá'u'lláh expresses the heart of his ethical teachings (Bahá'u'lláh 1985). That work is a “distillation of the spiritual guidance contained in the successive revelations of God” (Bahá'í International Community 1997).

The Bahá'í Revelation highlights, nay emphasizes, the coming world order based on the concept of the unity of humankind, a system based on justice, and the recognition of ourselves as having a common spiritual obligation and purpose to serve humanity. To understand Bahá'í ethics, one must place it in the context of recognizing and fostering our spiritual nobility and heritage, the need for unity, and accepting the idea that the current travails of the world can only end when the principles of justice prevail.

## Personal and Social Ethics

In the Bahá'í view, one cannot divorce personal ethics from the requirements of society and the world at large. The passage, repeated so often by Baha'u'llah Himself, that the ethics of the Baha'i Faith are evolving as conditions change: “Be anxiously concerned with the needs of the age ye live in, and center your deliberations on its exigencies and requirements” (Bahá'u'lláh 1952: 213). One's personal moral compass is also a social compass. Personal ethics is like a shell but requires a larger framework – one that embraces society. The personal shell is sturdy but it requires the embodiment of ethical principles that not only give life to that shell but also foster a deep and lasting connection to our spiritual reality and to a substantive change in how we relate to others, whether in our own family or in the wider world. There are spiritual gems that one can extract from the vast body

of the Writings of Bahá'u'lláh that constitute the core of Bahá'í ethics. Its power resides in the individual but only gains significance when acted in relation to others. A thought very similar to this is echoed in the work of French philosopher Emmanuel Levinas, who says that ethics is spawned from the specific relation between the self and other people (Levinas 1969: 198). In the end, he says that the power of ethics resides, not in the individual, but in the others whom the individual encounters. Through such encounters, the individual's world is endowed with ethics (since there exists another person, or other people, to whom the individual relates and is/are deserving of treatment as laid out below in the passage by Bahá'u'lláh). Of course, whether we say that the power resides in one qua individual, or in the other person qua other, the point stands that ethics gains significance in the world specifically in the many relationships that exist among people.

### Specific Instances of Bahá'í Ethics

The following passage provides a powerful example of what constitutes personal ethics that can only be realized in our relations to others:

Be generous in prosperity, and thankful in adversity. Be worthy of the trust of thy neighbor, and look upon him with a bright and friendly face. Be a treasure to the poor, an admonisher to the rich, an answerer to the cry of the needy, a preserver of the sanctity of thy pledge. Be fair in thy judgment, and guarded in thy speech. Be unjust to no man, and show all meekness to all men. Be as a lamp unto them that walk in darkness, a joy to the sorrowful, a sea for the thirsty, a haven for the distressed, an upholder and defender of the victim of oppression. Let integrity and uprightness distinguish all thine acts. Be a home for the stranger, a balm to the suffering, a tower of strength for the fugitive. Be eyes to the blind, and a guiding light unto the feet of the erring. Be an ornament to the countenance of truth, a crown to the brow of fidelity, a pillar of the temple of righteousness, a breath of life to the body of mankind, an ensign of the hosts of justice, a luminary above the horizon of virtue, a dew to the soil of the human heart, an ark on the ocean of knowledge, a sun in the heaven of bounty, a gem on the diadem of wisdom, a shining light in the firmament of thy generation, a fruit upon the tree of humility (Bahá'u'lláh. 1988: 93–94).

A closer exploration of this passage reveals several layers of meaning that bear on the

development of the person – but only insofar it pertains to one's relation to others.

The phrase, “Be generous in prosperity, and thankful in adversity” connotes a crossing of boundaries in human relationships. Human life, as we know, is not an indelible system of rewards and punishments. It encourages one to spread one's wealth but also allows those in adverse conditions to take spiritual stock of being in those conditions as a gift to inspire others and to afford the opportunity to others to be generous. Prosperity is sometimes bestowed on the least deserving of that wealth; adversities visit those who are more deserving of their lot in life.

The Bahá'í approach to being generous is such that there is a greater value attached to generosity when one is seeking neither “position nor prominence” (Abdu'l-Bahá 1976: 220–221).

The juxtaposition of generosity and adversity in the above quote also draws one's attention to the significance of adversity. The Bahá'í spiritual and ethical landscape offers a unique appreciation of adversity that takes a deep root, individually and socially. The Bahá'í teachings show that no one escapes adversity for “people are encircled with pain and calamities and are environed with hardships and trouble.” (Abdu'l-Bahá 1919: v. 3: 619).

The deeply religious underscore adversity “as a morning dew upon [God's] green pasture,” as Bahá'u'lláh avers, “and a wick for His lamp which lighteth earth and heaven (Bahá'u'lláh 1988: 17). The experience of adversity provides an opportunity to draw us closer to God and reassess our attachments to the contingent, material world. From the Bahá'í perspective, “adversity and trial, misfortune and derision” are “the cause of imperishable and deathless glory ...” (Abdu'l-Bahá 1919: v. 2: 264–265). Interestingly, Bahá'u'lláh, in His Most Holy Book, forbids lamenting about one's adversity (Bahá'u'lláh 1993: 161; Universal House of Justice 1973: 48). The importance of adversity extends to the wider, social, and collective scale, where “Adversity, prolonged, worldwide, afflictive, allied to chaos and universal destruction, must needs convulse the nations, stir the conscience of the world, disillusion the masses, precipitate a radical change

in the very conception of society, and coalesce ultimately the disjointed, the bleeding limbs of mankind into one body, single, organically united, and indivisible" (Research Department 1991: v.2: 187). The age-old promise of a united and peaceful world looms large in the mindset of the individual.

Regarding one's approach to the poor, the Bahá'í teachings state that while "the nobles and others in high rank are in easy circumstances, the poor also should be able to get their daily food and not be brought to the extremities of hunger" (Abdu'l-Bahá 1982: 29). Abdu'l-Bahá, the son of Bahá'u'lláh, in his sojourn in England once remarked that, "your poor are so very poor! This should not be. On the one hand you have wealth, and great luxury; on the other hand men and women are living in the extremities of hunger and want. This great contrast of life is one of the blots on the civilization of this enlightened age" (Abdu'l-Bahá 1982: 91). Part of the earlier-quoted phrase, "be a treasure to the poor, an admonisher to the rich" reverses the typical social norm about the poor. Bahá'í teachings on the rich and the poor turn contemporary approaches on their head, and challenge the ingrained attitude of many, including the wealthy, to admonish the poor, and it reverses the thought so that the wealthy are themselves to be admonished. "Knowledge alone," according to the Bahá'í teachings, "does not feed the starving man, nor can the poor be warmed by knowledge or words in the bitter winter; we must give the practical help of loving-kindness" (Abdu'l-Bahá 1982: 60). The ethical social extension of the Bahá'í approach requires the reshaping of the world's economic structure so that the extremes of wealth and poverty are eliminated.

No viable relationship can be based on lack of trust when we learn that one must be "worthy of the trust of thy neighbor," raising them to a new sanctified height when one reads that we must be "a preserver of the sanctity of thy pledge." Even in relation to those who are not trustworthy, Bahá'ís are encouraged to be truthful and honest in their dealings, with friendship as their goal. In this manner, they can "change this prison of treachery" into "a mansion of utmost trust" (Bahá'í World Centre 1982: 221). The touchstone of

trustworthiness is sincerity (Bahá'í World Centre 1982: 25).

In the Bahá'í view, the foundational principle of being fair is that the Creator is "kind and just to all. Why should we be unkind and unjust to each other?" (Abdu'l-Bahá 1976: 245). The notion of social justice pinpoints the individual's need to "be fair in thy judgment, and guarded in thy speech." The individual's behavior, namely to "be unjust to no man" is a mirror that gives strength to the larger social order. We are too familiar with society's patronizing attitudes in relating to others, but Bahá'u'lláh's phrase to "show all meekness to all men" counteracts those attitudes.

What is more, the teachings of Bahá'u'lláh prohibit gossip and "unseemly talk about others" and we learn that "stories repeated about others are seldom good. A silent tongue is the safest. Even good may be harmful, if spoken at the wrong time, or to the wrong person" (Abdu'l-Bahá 1982: 125).

When these nonpatronizing and nonjudgmental attitudes are spread throughout society, they bring a power into the world that regenerates the individual to being "a lamp unto them that walk in darkness, a joy to the sorrowful, a sea for the thirsty, a haven for the distressed, an upholder and defender of the victim of oppression."

Fully absent from these attitudes is the contemporary penchant to give full rein to one's "self esteem" as the starting point of one's ethical composure. The Bahá'í perspective distances itself from such a penchant. Instead, it extolls the spirit of service to others as key. Bahá'u'lláh urges us to "be a home for the stranger, a balm to the suffering, a tower of strength for the fugitive. Be eyes to the blind, and a guiding light unto the feet of the erring. Be an ornament to the countenance of truth, a crown to the brow of fidelity, a pillar of the temple of righteousness, a breath of life to the body of mankind, an ensign of the hosts of justice, a luminary above the horizon of virtue, a dew to the soil of the human heart, an ark on the ocean of knowledge, a sun in the heaven of bounty, a gem on the diadem of wisdom, a shining light in the firmament of thy generation."

These are evocative images that spur us to see our purpose to fully acclimatize our feelings and behavior to the needs of others. There is no clearer rejection of the hapless individualism visited upon our current generation. The arrogance associated with showing self-satisfying acts of attitudinal generosity is sharply contrasted with the spirit of one's actions that should be like "a fruit upon the tree of humility."

The idea of humility and meekness reverberates throughout this whole quoted passage. When one is called upon to make a judgment, he or she should "be fair in thy judgment and guarded in thy speech. Be unjust to no man and show all meekness to all men." One can now easily see how the calling forth of these attitudes can, and should be, echoed within the larger social structure, whether a committee or other social agencies. Justice, from the Bahá'í perspective, is the outcome humanity thirsts for.

### **Bahá'í Ethics Relation to Major Ethical Canons in Philosophy**

Philosophically, what is interesting to note is that the three major ethical canons in the history of philosophy (Aristotelian ethics, Kantian ethics, and Utilitarianism), though problematic in their own ways, each seem to pluck at the complete ethical system given to us by the Bahá'í Writings.

Aristotle believed that, to be ethical, we must lead a good, virtuous life. The Bahá'í Faith (as shown in the passage above) presents a number of foundational virtues that are to guide how we act and treat each other: trustworthiness, generosity, kindness, and so on. Embracing and enacting those virtues plays a key role in being an ethical person. Meanwhile, Kant's ethics were founded on what he called the "categorical imperative," which states that, when acting in a particular way, we must act purely out of duty, and not for some self-serving purpose. We do not act as a "treasure to the poor" so that we may receive thanks from them or others; rather, we do so because we are acting out of our love to humanity. Finally, utilitarianism, most famously laid out by

John Stuart Mill, and probably the most well-known by the general public, states that what is the ethical thing to do is that in which the ends justify the means. This ethical view is also the most controversial, since people have used it throughout history to justify any number of horrific, unethical acts (such as desiring the end of a pure, prolific race of people, and using that end to justify the means of eugenics, exile, or extermination). However, used in the right away, there is a kernel of truth in seeing that the end toward which we are working (a unified humanity) justifies acting in ways that are selfless, and thus contrary to how much of contemporary society behaves (in its own interest, or doing things that are only immediately self-satisfying). The betterment of society does not rest on seeing every means as an end in itself, but rather in seeing that there is a greater end, and that the way we act ought to serve that end.

### **No Legalistic Criteria of Observance**

Institutions formalize the individual's relationships to the rest of society. Typically, societies have enacted laws, a form of legalism that, according to the Bahá'í view, cannot be invoked to uphold a system of ethics. As Udo Schaefer et al. noted (2000: 270), "The ethic enshrined in the law is not one that is based purely on merit, with legalistic criteria of observance." Schaefer et al. (2000: 271) adds, "For what is required is not just literal compliance with the letter of the law. The law requires that the believer fulfill the demands made upon him out of the innermost devotion" out of love for the Manifestation of God.

Reliance on the legalism leads all to ignore the grey areas when considering ethical issues. To that end, the Universal House of Justice, the governing legislative body of the Bahá'í world community does not feel that the time has come for it [the Universal House of Justice] to provide detailed legislation on subjects such as abortion, homosexuality, and other moral issues.

[I]n most areas of human behaviour there are acts which are clearly contrary to the law of God and others which are clearly approved or permissible;

between these there is often a grey area where it is not immediately apparent what should be done. It has been a human tendency to wish to eliminate these grey areas so that every aspect of life is clearly prescribed. A result of this tendency has been the tremendous accretion of interpretation and subsidiary legislation which has smothered the spirit of certain of the older religions.

(Letter on behalf of the Universal House of Justice to an individual, 5 June 1988)

## Religious Truth Is Relative

What is more, as Bradford et al. (2001) affirm, the Bahá'í Faith's fundamental tenet "that certain religious truth itself is relative." The Bahá'í belief in "Progressive Revelation" (the belief that God sends his Manifestations to each people and each time as they are needed) means that thus in every Revelation differs in "many points of context and cultural relevance." However, "the Bahá'í Faith also teaches that ethical conduct can be universalized [while]... certain beliefs and actions are considered as wrong and immoral regardless of the historical context." The extensive body of Bahá'í sacred text allows Bahá'ís to sort out which ethical conduct belongs to either the former or latter category. Along with the authoritative interpretations of the Bahá'í Writings by 'Abdu'l-Bahá (1844–1921) and Shoghi Effendi (1897–1957) (respectively refereed to as "the Centre of the Covenant," and "the Guardian of the Bahá'í Faith), it is now up to the Universal House of Justice to provide clarification on matters of ethics (such as the one, above).

Bahá'ís believe that as humanity is coming of age, it will become self-evident what ethical conduct will emerge in that day and age. As Bradford et al. (2001) notes, "making ethical determinations is a requirement for and mark of maturity" of the human race. The assumption by individuals that they now must ascertain their own course of ethical action is an intrinsic part of being a Bahá'í, partly through consultation and seeking guidance from the Universal House of Justice in areas of ethical conduct which are left open by the law of God.

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## Balanced Scorecard

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## Synonyms

Indicators; Measures; Performance dashboard

## Introduction

The balanced scorecard (Kaplan and Norton 1992) is a strategic management tool and a specific type of scorecard that views an organization from four perspectives or dimensions: (i) learning and growth, (ii) internal business processes, (iii) customers, and (iv) finance. Performance scorecards like the balanced scorecard have long existed in management (e.g., see *Tableau de Bord* conceived in the early part of the twentieth century in France) and provide a framework for developing performance metrics to collect and analyze data on an organization. The balanced scorecard has been widely adopted to support with the planning, running, and management of an organization. Managers use the balanced scorecard for three purposes: (i) decision-making and decision-rationalizing, (ii) coordination, and (iii) self-monitoring (Wiersma 2009). The balanced scorecard supports decision-making as managers can draw on the balanced scorecard data to explain and justify their decisions. The scorecard is also used as a communication tool because the selection of metrics informs employees what an organization values. Finally, the scorecard helps managers to monitor and evaluate individual or unit/firm performance.

## The Four Perspectives of the Balanced Scorecard

There are four perspectives in the original balanced scorecard. The learning and growth perspective focuses on measures that capture the skills and competencies of employees and the quality of the organizational climate (e.g., number of training hours per period, employee satisfaction ratings, number of cross-trained employees). Performance indicators that relate to internal business processes measure the efficiency and effectiveness of the workings of an organization in delivering the required products and services to customers (e.g., downtime hours per period, % of capacity utilization, % of on-time deliveries). The customer dimension captures the level of customer satisfaction and keeps track of customer interaction and loyalty (e.g., market share,

customer retention, number of new customers). Finally, the financial perspective focuses on more traditional measures based on monetary outcomes like revenues, profits, and return on investment. The four dimensions are linked together, although the causalities were initially not explicit in the original balanced scorecard when published (refer to strategy maps below): learning and growth leads to better business processes, which in turn improves customer value and eventually leads to better financial results.

It is important that measures in the balanced scorecard reflect the goals of an organization and are key to driving success. A balanced scorecard should include only a limited number of measures in each dimension, typically 4–6, to allow focus on what is important for an organization. In addition to being quantifiable, measures should include targets and acceptable ranges so that performance gaps can be readily identified and rectified through various initiatives.

Strategic initiatives in the balanced scorecard framework refer to action plans to meet strategic objectives. For example, problems associated with defects can be addressed through a total quality management program. Other issues may require new technologies such as advanced information systems or new policy and procedures. With this framework, the balanced scorecard offers managers a tool to plan and manage an organization, while ensuring that business activities are aligned with the vision and strategy of an organization.

## Leading and Lagging Indicators

The development of specifically balanced scorecard in the 1990s was a direct response to concerns in academia and practice that traditional financial measures lead to short-term focus (also known as managerial myopia, Merchant 1990) based on financial results, while compromising long-term interests (Hoque 2014). For example, a manager might reduce spending on employee training to boost short-term profits, although this would adversely affect long-term success, as employee skills are critical to organizations in the knowledge-based economy of today. As



three of the four dimensions are nonfinancial, the balanced scorecard promotes a more *balanced* view of an organization's short- and long-term objectives (Kaplan and Norton 1996). Kaplan and Norton (1996) refer to financial measures as lagging indicators because they measure the past and indicate whether long-term strategic goals have been achieved or not (e.g., increase in profit margin). In contrast, nonfinancial measures are leading indicators (e.g., % of defective products) and are highly firm specific and predictive in the sense that they can be influenced through various initiatives to change the future outcomes for lagging measures.

### Balanced Scorecard and Strategy Maps

The balanced scorecard approach is also associated with the concept of strategy maps. Kaplan and Norton (1996) introduced the concept of strategy maps to explicitly show the linkages between the four perspectives and how the measures link to strategy. Strategy maps include only the most important measures (key performance indicators) from the balanced scorecard and are organized in a cause and effect relationship according to the four perspectives of the scorecard.

### Balanced Scorecard for Ethics and Sustainability

The balanced scorecard can be adapted to include other perspectives or measures such as sustainability and ethics to address recent concerns in relation to environmental, social, and ethical issues. Figge et al. (2002) propose the addition of a nonmarket perspective to the balanced scorecard to keep track of measures that help preserve organizations' legitimacy and legality. For example, organizations with corporate social responsibility programs may include indicators that measure energy, water, and material efficiency, as well as the well-being of employees within the supply network, not just within the firm. This would include suppliers and their suppliers, as well as customers in downstream markets. Additional measures, particularly in relation to the

learning and growth perspective, can be introduced that would allow the monitoring of, for example, training hours of employees on ethics or policy and procedure development that enforces ethical and sustainable behavior.

### Performance Dashboards as Dynamic Scorecards

Recent advancements in information and communication technologies have given rise to more dynamic scorecards, also known as performance dashboards. Dashboards display the most important measures on a single screen to effectively monitor an organization (Yigitbasioglu and Velcu 2012). Scorecards allow users to explore data interactively through drill-down and roll-up functions and may afford scenario analysis. Also the use of visualization techniques in scorecard applications provides visual cues (e.g., through different color schemes and blinking) to users and decision-makers when indicators fall below predetermined targets. Even if performance dashboards may lack the strategic aspects of a balanced scorecard (e.g., alignment of measures with strategy, strategic initiatives), they serve similar purposes. In addition to monitoring performance, these relate to problem solving, rationalization of actions, and communication and consistency of measures (Pauwels et al. 2009; Velcu-Laitinen and Yigitbasioglu 2012).

### Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Corporate Social Responsibility](#)
- [Economics, Ethics, and the Environment](#)

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### Additional Readings

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## Behavioral Ethics and Euphemisms

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### Synonyms

Mechanisms for mediating cognitive dissonance with respect to unethical behavior; Rationalization theory

### Definition

Behavioral ethics is the social scientific study of ethical and unethical behavior. The field occupies a space distinct from normative or legal approaches to ethics, which explore how individuals should behave, and instead aims to understand through empirical study how individuals actually do behave in ethical contexts and why.

Euphemisms are the substitution of words or phrases that evoke negative psychological effects. Euphemisms operate by making harmful conduct less so, thereby reducing personal responsibility for it. Euphemisms are often described as a process of moral disengagement, but a more accurate description from a behavioral ethics standpoint is that they are an aid to rationalization. Rationalizations, the psychological mechanism by which individuals internally verbalize justifications for future unethical or illegal acts so as to keep their positive self-perception intact while violating ethical norms, are a powerful facilitator of ethical wrongdoing, particularly in business. By making rationalizations easier to formulate and internalize, euphemisms help illuminate a central question of business ethics: why seemingly good people sometimes behave unethically.

### Euphemistic Behavior Fosters Rationalizations

The study of behavioral ethics is aimed at understanding how even well-intentioned people can sometimes behave unethically (Dana et al. 2012). Instead of asking the normative question of how individuals *should* act when facing ethical quandaries – the province of moral philosophers and traditional ethicists – behavioral ethics studies ask the empirical question of how individuals actually *do* act in moral contexts and what mental processes facilitate those acts. Behavioral ethics, then, can best be described as the inquiry into the “systematic and predictable ways in which individuals make ethical decisions and judge the ethical decisions of others” (Bazerman and Gino 2012).

This definition hints at the core finding of the roughly two decades of studies conducted under the behavioral ethics umbrella – that heuristics and biases, psychological tendencies, and social and organizational pressures can make it more likely that good people will do bad things (Prentice 2015). In simple terms, behavioral ethics research tells us that although most people are moral individuals intent on doing right, none of us are as ethical as we think we are.

One of the primary psychological processes that allow for unethical acts to go forward, even by those intent on acting ethically, is rationalizing. Rationalization theory posits that an individual contemplating violating a position of trust – the essence of almost all unethical and illegal business conduct – must verbalize his actions in “language that lets him look on trust violation as something other than trust violation” (Cressey 1965). Put another way, the individual uses words and phrases during an internal dialogue that makes the behavior acceptable in his mind, thus keeping his perception of himself as an honest citizen intact. Importantly, research suggests that rationalizations are created before unethical or illegal acts take place. “The rationalization is [the offender’s] motivation” – it justifies his behavior to others, but it also makes the behavior intelligible, and therefore actionable, to himself (Cressey 1973). Thus, rationalizations permit behavior to proceed that would otherwise be psychologically unavailable or unacceptable to an offender.<sup>1</sup>

Euphemisms and euphemistic labeling facilitate the rationalization process by making the words and phrases offenders use during their internal dialogue more psychologically palatable. The formal definition of euphemism is “a lexical

substitution strategy for representationally displacing topics that evoke negative affect, its aim being to reduce the communicative discomfort associated with a distasteful topic” (Munoz 2011). But a more straightforward conceptualization is to think of euphemisms simply as the substitution of one word for another as a way to avoid the negative emotions evoked by the first (la Cour and Kromann 2011). Euphemisms, then, are the “disguised” stories we tell ourselves that allow for emotional, and oftentimes ethical, neutrality (Tenbrunsel and Messick 2004; Jackall 1988). Some researchers suggest that euphemisms only succeed if they do not call undue attention to themselves – an effective euphemism acts as a type of linguistic and psychological camouflage (Munoz 2011, at 138 [citing McGlone et al. 2006]). Although euphemisms are not inherently negative, and in fact can serve to open dialogue by allowing speakers to overcome inhibitions of talking about unpleasant topics, their ability to disguise moral transgressions and foster rationalizations is problematic (Fyke and Lucas 2014). As such, euphemisms have been characterized as an “injurious weapon” (Bandura 1999).

When it comes to business, there is no shortage of euphemistic language. This may take the form of abstractions, foreign language substitutes, metaphors, circumlocutions, mispronunciations, and acronyms (Munoz 2011, at 138; la Cour and Kromann 2011, at 269). For example, the term “dismissal,” which is a common and oftentimes necessary employment action, has garnered dozens of euphemisms: layoff, let go, downsize, rightsize, outsource, career change, career transition, career alternative, early retirement opportunity, duties relief, payroll adjustment, headcount adjustment, headcount realignment, headcount reduction, personnel realignment, personnel surplus reduction, resource action, resource reallocation, contract extension decline, workforce rationalization, workforce imbalance correction, staff release, termination, and RIF (reduction in force) (Munoz 2011, at 151). Some might argue that “dismissal” is a euphemism itself, a softening of the term “firing.”

While these verbal substitutions might only be used to politely discuss a difficult topic, they may

<sup>1</sup> *Id.* at 153. See also, Anand et al. (2005) (discussing how employees perpetrating corrupt acts engage in “rationalizing tactics” and identifying six tactics); Heath (2008) (suggesting that bureaucratic organizations “might constitute peculiarly criminogenic environments” and discussing how that fosters rationalizations); Prentice (2015), at 69–74 (identifying rationalizations and discussing how organizations can help thwart them); Haugh (2015) (analyzing rationalizations’ role in white collar crime and how it is fostered by overcriminalization).

serve as avenues for managers to morally disengage from a task with significant ethical implications (Moore et al. 2012). If this occurs, ethical decision-making is impacted – by avoiding the inherent complexity of ethical dilemmas, we succumb to “mindlessness and consequently decrease the quality and ethicality” of our decisions (Fyke and Lucas 2014, at [10]). As sanitized language is used repeatedly, the ethically controversial act may appear increasingly benign. This has immediate and prospective consequences by encouraging mindless processing of ethical decisions, which may then be committed to personal and institutional memory, setting precedent for future unethical decisions. Moreover, euphemisms can have a backward effect, helping to provide a psychological shield for prior bad conduct – the negative emotions associated with the act are reduced through the euphemistic frame.

This signifies the true danger of euphemisms, particularly as to unethical and illegal acts in the corporate world, because they allow business people to more easily minimize the disconnect between their unethical behavior and their positive self-perception. Indeed, because rationalizations are not “invented . . . on the spur of the moment” by the offender, but are rather taken over from popular ideologies swirling around in society, euphemisms fuel rationalizations.<sup>2</sup> Euphemisms, as a mechanism that psychologically relabels unethical acts, help create “group definitions” in which bad behavior, “even crime, is in a sense *appropriate*.”<sup>3</sup>

This dynamic can be seen in some of the earliest studies on white-collar crime and rationalizations. Interviews with convicted embezzlers demonstrated that they tended to adopt commonplace sayings suggesting wrongdoing is acceptable in certain situations, such as “[a]ll people steal when they get in a tight spot.”<sup>4</sup> Once these ideologies were adopted and internalized, they were then transformed into powerful,

context-specific rationalizations. The paradigmatic example is the embezzler who rationalized by stating, “I’m only going to use the money temporarily, so I am borrowing, not stealing.”<sup>5</sup> The term “borrowing” is a euphemism for “stealing.” By employing this verbal switch, the embezzler is more easily able to rationalize the unethical and illegal behavior, keeping his self-perception intact while violating trust and social norms.

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<sup>2</sup>Cressey, *supra* note [1965], at 15. *See also*, Todd Haugh, *The Criminalization of Compliance*, 92 *Notre Dame L. Rev.* 1215 (2017).

<sup>3</sup>Cressey, *supra* note [1965], at 15.

<sup>4</sup>Cressey, *supra* note [1965], at 15.

<sup>5</sup>Cressey, *supra* note [1965], at 15.

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Rationalizations, the psychological mechanism by which individuals internally verbalize justifications for future unethical or illegal acts so as to keep their positive self-perception intact while violating ethical norms, are a powerful facilitator of ethical wrongdoing, particularly in business. By making rationalizations easier to formulate and internalize, euphemisms help illuminate a central question of business ethics: why seemingly good people sometimes behave unethically.

## Behavioral Ethics and Euphemisms: How Euphemisms Impact Ethical Decision-Making

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### Synonyms

Mechanisms for mediating cognitive dissonance with respect to unethical behavior; Rationalization theory

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### Euphemistic Behavior Fosters Rationalizations

The study of behavioral ethics is aimed at understanding how even well-intentioned people can sometimes behave unethically.<sup>1</sup> Instead of asking the normative question of how individuals *should* act when facing ethical quandaries – the province of moral philosophers and traditional ethicists – behavioral ethics studies ask the empirical question of how individuals actually *do* act in moral contexts and what mental processes facilitate those acts. Behavioral ethics, then, can best be described as the inquiry into the “systematic and predictable ways in which individuals make ethical decisions and judge the ethical decisions of others.”<sup>2</sup>

This definition hints at the core finding of the roughly two decades of studies conducted under the behavioral ethics umbrella – that heuristics and biases, psychological tendencies, and social and organizational pressures can make it more likely that good people will do bad things.<sup>3</sup> In simple terms, behavioral ethics research tells us that although most people are moral individuals intent on doing right, none of us are as ethical as we think we are.

One of the primary psychological processes that allow for unethical acts to go forward, even by those intent on acting ethically, is rationalizing. Rationalization theory posits that an individual

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<sup>2</sup>Brazerman and Gino (2012), pp. 85, 90

<sup>3</sup>See Prentice (2015), p. 36



contemplating violating a position of trust – the essence of almost all unethical and illegal business conduct – must verbalize his actions in “language that lets him look on trust violation as something other than trust violation.”<sup>4</sup> Put another way, the individual uses words and phrases during an internal dialogue that makes the behavior acceptable in his mind, thus keeping his perception of himself as an honest citizen intact. Importantly, research suggests that rationalizations are created before unethical or illegal acts take place. “The rationalization is [the offender’s] motivation” – it justifies his behavior to others, but it also makes the behavior intelligible, and therefore actionable, to himself.<sup>5</sup> Thus, rationalizations permit behavior to proceed that would otherwise be psychologically unavailable or unacceptable to an offender.<sup>6</sup>

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<sup>8</sup>la Cour and Kromann (2011), p. 269

<sup>9</sup>Tenbrunsel and Messick (2004), pp. 223, 226; Jackall (1988), pp. 598, 609

<sup>10</sup>Munoz (2011), p. 138 (citing McGlone et al. (2006), pp. 261, 263)

<sup>11</sup>Fyke and Lucas (2014), p. 551

<sup>12</sup>Bandura (1999), pp. 193, 195

<sup>13</sup>Munoz (2011), p. 138; la Cour and Kromann (2011), p. 269 dfhkfdsd

<sup>14</sup>Munoz (2011), p. 151

<sup>15</sup>Moore et al. (2012), pp. 1, 5



impacted – by avoiding the inherent complexity of ethical dilemmas, we succumb to “mindlessness and consequently decrease the quality and ethicality” of our decisions.<sup>16</sup> As sanitized language is used repeatedly, the ethically controversial act may appear increasingly benign. This has immediate and prospective consequences by encouraging mindless processing of ethical decisions, which may then be committed to personal and institutional memory, setting precedent for future unethical decisions.<sup>17</sup> Moreover, euphemisms can have a backward effect, helping to provide a psychological shield for prior bad conduct – the negative emotions associated with the act are reduced through the euphemistic frame.

This signifies the true danger of euphemisms, particularly as to unethical and illegal acts in the corporate world, because they allow business people to more easily minimize the disconnect between their unethical behavior and their positive self-perception. Indeed, because rationalizations are not “invented . . . on the spur of the moment” by the offender, but are rather taken over from popular ideologies swirling around in society, euphemisms fuel rationalizations.<sup>18</sup> Euphemisms, as a mechanism that psychologically re-labels unethical acts, help create “group definitions” in which bad behavior, “even crime, is in a sense *appropriate*.”<sup>19</sup>

This dynamic can be seen in some of the earliest studies on white collar crime and rationalizations. Interviews with convicted embezzlers demonstrated that they tended to adopt commonplace sayings suggesting wrongdoing is acceptable in certain situations, such as “[a]ll people steal when they get in a tight spot.”<sup>20</sup> Once these ideologies were adopted and internalized, they were then transformed into powerful, context-specific rationalizations. The paradigmatic example is the embezzler who rationalized by stating, “I’m only going to use the

money temporarily, so I am borrowing, not stealing.”<sup>21</sup> The term “borrowing” is a euphemism for “stealing.” By employing this verbal switch, the embezzler is more easily able to rationalize the unethical and illegal behavior, keeping his self-perception intact while violating trust and social norms.

## Cross-References

► [Behavioral Ethics and Rationalizations](#)

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<sup>16</sup>Fyke and Lucas (2014), p. 10

<sup>17</sup>Fyke and Lucas (2014), p. 10

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<sup>19</sup>Cressey (1965), p. 15

<sup>20</sup>Cressey (1965), p. 15

<sup>21</sup>Cressey (1965), p. 15

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## Behavioral Ethics and Rationalizations

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### Synonyms

Impact on ethical decision making; Mechanisms for mediating cognitive dissonance with respect to unethical behavior; Rationalization theory.

### Definition

Behavioral ethics is the social scientific study of ethical and unethical behavior. Distinct from normative or legal approaches to ethics that explore how individuals should behave, behavioral ethics aims to understand, through empirical study, how we actually do behave in ethical contexts and why. Rationalizations, the process by which individuals internally verbalize justifications for future unethical or illegal acts so as to keep their positive self-perception intact while violating ethical norms, are a powerful psychological mechanism that facilitates wrongdoing. As behavioral insights into ethical decision-making increase, so too does the importance of rationalizations in explaining ethical lapses.

## Rationalizations Foster Unethical Behavior

The study of behavioral ethics is aimed at understanding how even well intentioned people can sometimes behave unethically (Dana et al. 2012). Instead of asking the normative question of how individuals *should* act when facing ethical quandaries – the province of moral philosophers and traditional ethicists – behavioral ethics studies ask the empirical question of how individuals actually *do* act in moral contexts and what mental processes facilitate that action. As such, behavioral ethics can best be described as the study of the “systematic and predictable ways in which individuals make ethical decisions and judge the ethical decisions of others” (Brazerman and Gino 2012).

This definition hints at the central finding of the many studies conducted under the behavioral ethics umbrella – that heuristics and biases, psychological tendencies, social and organizational pressures, and even seemingly irrelevant situational factors can make it more likely that good people will do bad things (see Prentice 2015). In simple terms, behavioral ethics research tells us that while most people are moral individuals intent on doing right, we are not as ethical as we think we are.

One of the primary psychological processes that allows for unethical acts to go forward, even by those intent on acting ethically, is rationalizing. Although rationalizations have been studied for decades by criminologists, their role in ethical decision-making has not been a sustained research focus. That appears to be changing, particularly as to business ethics, with the increased focus on behavioral ethics research, which draws on psychological insights to explain unethical behavior.<sup>1</sup>

<sup>1</sup> See Anand et al. (2005) (discussing how employees perpetrating corrupt acts engage in “rationalizing tactics” and identifying six tactics); Heath (2008) (suggesting that bureaucratic organizations “might constitute peculiarly criminogenic environments” and discussing how that fosters rationalizations); Prentice (2015), pp. 69–74 (identifying rationalizations and discussing how organizations can help thwart them); Haugh (2015) (analyzing rationalizations’ role in white collar crime and how it is fostered by overcriminalization).

### Rationalization Theory

Understanding rationalizations begins with understanding the work of criminologist Donald Cressey. Cressey used a study of embezzlers to develop a social psychological theory regarding the causes of “respectable” crime (Cressey 1965, 1973). Cressey determined that three key elements are necessary for violations of a financial trust – the essence of all white collar and corporate crime – to occur. First, Cressey theorized that an individual must possess a nonshareable financial problem, that is, a financial problem the individual feels cannot be solved by revealing it to others. Second, the individual must believe that the financial problem can be solved in secret by violating a trust. Third, the individual must verbalize the relationship between the nonshareable financial problem and the illegal or unethical solution in “language that lets him look on trust violation as something other than trust violation” (Cressey 1973, pp. 14–15). Put another way, the individual uses words and phrases during an internal dialogue that makes the behavior acceptable in his mind, thus keeping his perception of himself as an honest citizen intact.

Cressey called verbalizations “the crux of the problem” (Cressey 1973, pp. 14–15). He believed that the words a potential offender uses during his conversations with himself were “actually the most important elements in the process which gets him into trouble, or keeps him out of trouble” (Cressey 1973, pp. 14–15). Cressey did not view verbalizations as after-the-fact excuses that offenders used to relieve their culpability upon being caught. Instead, he found that verbalizations were vocabularies of motive, words and phrases that existed as group definitions labeling deviant behavior as appropriate. Importantly, this meant that an offender’s rationalizations were created *before* wrongdoing occurred. As Cressey put it, “[t]he rationalization is his motivation” – it not only justifies his behavior to others but it makes the behavior intelligible, and therefore actionable, to himself (Cressey 1973, pp. 94–95). Thus, verbalizations permit behavior to proceed that would otherwise be psychologically unavailable or unacceptable to an offender (Cressey 1973, p. 153).

Shortly after Cressey published his theories, two other criminologists, Gresham Sykes and David Matza, advanced a sophisticated theory of how juvenile delinquents rationalize their behavior. Like Cressey, Sykes and Matza found that while rationalizations might occur following deviant behavior, they also preceded behavior and made it possible (Sykes and Matza 1957). By rationalizing their conduct *ex ante*, offenders were able to limit the “[d]isapproval flowing from internalized norms and conforming others in the social environment” (Cressey 1973, p. 666). Sykes and Matza called these rationalizations “techniques of neutralization,” and the two believed they explained the episodic nature of delinquent behavior more completely than competing theories (Cressey 1973, p. 667). Neutralization techniques – what are commonly called rationalizations – explained how offenders could “remain[] committed to [society’s] dominant normative system,” yet qualify that system’s imperatives in a way to make periodic violations “‘acceptable’ if not ‘right’” (Cressey 1973, p. 667). Rationalization theory and its core idea – that the psychological mechanisms offenders use to rationalize their behavior are a critical component in the commission of crime – has greatly influenced the study of both white collar crime and business ethics.<sup>2</sup>

It is important to note that although rationalization theory has applicability to all criminal behavior, it has particular force in explaining white collar and corporate crime. As an initial matter, rationalization theory has its roots in Cressey’s study of “respectable” crime (Cressey 1973, pp. 13, 16). Indeed, Sykes and Matza recognized that rationalizations are used not only by juveniles but might also be used by adults engaged in general forms of deviance, including those committing crimes in the workplace. More fundamentally, rationalization theory is especially applicable in describing the causes of corporate

<sup>2</sup> See Maruna and Copes (2005) (stating that the “influence of this creative insight has been unquestionable”); see also Anand et al. (2005), p. 39 (applying rationalization theory to business law and ethics in a widely cited work); Heath (2008), pp. 610–611 (same).

crime because “almost by definition white-collar offenders are more strongly committed to the central normative structure” (Benson 1985). They are older, more educated, better employed, and have more assets than other offenders. These factors suggest that white-collar offenders are able to conform to normative roles and have self-interest in doing so – they have a “greater ‘stake’ in conformity” than other categories of offenders (Kieffer and Sloan 2009). Therefore, white collar offenders must rationalize their behavior; without doing so, they would be unable to “bring [their] actions into correspondence with the class of actions that is implicitly acceptable in . . . society” (Benson 1985, p. 588).

### Common Rationalizations

To put rationalization theory in better context, below are eight of the most prominent rationalizations used by white collar and corporate offenders. These rationalizations help explain how those facing decisions with an ethical component, particularly related to business, commit unethical or illegal acts.<sup>3</sup>

*Denial of Responsibility.* Called the “master account,” the denial of responsibility rationalization occurs when the future offender defines her conduct in a way that relieves her of responsibility, thereby mitigating “both social disapproval and a personal sense of failure” (Maruna and Copes 2005, pp. 231–232). Generally, offenders deny responsibility by claiming their behavior is accidental or due to forces outside their control. White collar offenders deny responsibility by pleading ignorance, suggesting they were acting under orders or contending larger economic conditions caused them to act illegally. The complexity of laws regulating white collar crimes and the hierarchical structure of companies offer offenders numerous ways to deny their responsibility.

*Denial of Injury.* This rationalization focuses on the injury or harm caused by the illegal or unethical act. White collar offenders may rationalize their behavior by asserting that no one will really be harmed. If an act’s wrongfulness is partly a function of the harm it causes, an offender can excuse or mollify her behavior if no clear harm exists. The classic use of this technique in white collar crime is an embezzler describing her actions as “borrowing” the money – by the offender’s estimation, no one will be hurt because the money will be paid back (Cressey 1973, p. 15; Kieffer and Sloan 2009). Offenders may also employ this rationalization when the victim is insured or the harm is to the public or market as a whole, such as in insider trading or antitrust cases.

*Denial of the Victim.* Even if an offender accepts responsibility for her conduct and acknowledges that it is harmful, she may insist that the injury was not wrong by denying the victim in order to neutralize the “moral indignation of self and others” (Sykes and Matza 1957, p. 668). Denying the victim takes two forms. One is when the offender argues that the victim’s actions were inappropriate and therefore he deserved the harm. The second is when the victim is “absent, unknown, or abstract,” which is often the case with property and economic crimes (Maruna and Copes 2005, p. 233). In this instance, the offender may be able to minimize her internal culpability because there are no visible victims “stimulat[ing] the offender’s conscience” (Maruna and Copes 2005, p. 233). White collar offenders may use this rationalization in frauds against the government, such as false claims or tax evasion cases, and other crimes in which the true victim is abstract.

*Condemning the Condemners.* White collar offenders may also rationalize their behavior by shifting attention away from their conduct on to the motives of other persons or groups. By doing so, the offender “has changed the subject of the conversation”; by attacking others, “the wrongfulness of [her] own behavior is more easily repressed” (Sykes and Matza 1957, p. 668). This rationalization takes many forms in white collar cases: the offender calls her critics hypocrites,

<sup>3</sup> Sykes and Matza originally identified five rationalization techniques. See Sykes and Matza (1957), pp. 667–670. Researchers have currently identified between 10 and 15 additional rationalization techniques. See Maruna and Copes (2005), p. 234.

argues they are compelled by personal spite, or asserts they are motivated by political gain. The claim of selective enforcement or prosecution is particularly prominent in this rationalization. In addition, white collar offenders may point to a biased regulatory system or an anticapitalist government to rationalize their acts.

*Appeal to Higher Loyalties.* The appeal to higher loyalties rationalization occurs when an individual sacrifices the normative demands of society for that of a smaller group to which the offender belongs. The offender does not necessarily reject the norms she is violating; rather, she sees other norms that are aligned with her group as more compelling. In the white collar context, the group could be familial, professional, or organizational. Offenders rationalizing their behavior as necessary to provide for their families, protect a boss or employee, shore up a failing business, or maximize shareholder value are employing this technique.

*Metaphor of the Ledger.* White collar offenders may accept responsibility for their conduct and acknowledge the harm it caused, yet still rationalize their behavior by comparing it to their previous good behaviors. By creating a “behavior balance sheet,” the offender sees her current negative actions as outweighed by a lifetime of good deeds, both personal and professional, which minimizes moral guilt (Salinger 2013).

*Claim of Entitlement.* Under the claim of entitlement rationalization, offenders justify their conduct on the grounds that they deserve the fruits of their illegal behavior. This rationalization is particularly common in employee theft and embezzlement cases, but is also seen in public corruption cases.

*Claim of Relative Acceptability/Normality.* The final rationalization entails an offender justifying her conduct by comparing it to the conduct of others. If “others are worse” or “everybody else is doing it,” the offender, although acknowledging her conduct, is able to minimize the attached moral stigma and view her behavior as aligned with acceptable norms (Coleman 2002). In white collar cases, this rationalization is often used by tax violators and in real estate, accounting, and insider trading frauds. It is particularly prevalent

when the organizational culture is strong and insulated.

The above highlights the promise and challenge of using rationalization theory to understand unethical behavior. While considerable evidence supports that rationalizations are part of decision-making, it is difficult to specify exactly which rationalizations are being used and why.<sup>4</sup> As one researcher put it, rationalizations are not “one size fits all” and trying to suss out the particulars of human thinking is “undoubtedly complex” (Haugh 2017). Moreover, it is unclear why certain individuals seem to be more inclined to rationalize than others. Finally, there are many questions as to how the behavioral insights related to rationalizations might be harnessed to reduce unethical and illegal acts, on both an individual and organizational level. Hopefully future study of rationalizations – “[o]ne of the major reasons why people make poor ethical choices and thereafter engage in unethical actions” – will shed light on these important questions (Prentice 2015, p. 69; see also Brazerman and Gino 2012).

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► [Behavioral Ethics and Euphemisms](#)

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<sup>4</sup>Maruna and Copes (2005), p. 271; Agnew (1994) (longitudinal study supporting rationalization theory); Stadler and Benson (2012) (explaining the applicability of Sykes and Matza’s theories to white collar offending).

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## Beneficence

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## Synonyms

Benefaction; Charity; Philanthropy

## Introduction

Beneficence can be defined as the doing of good; active goodness or kindness; charity.

In early accounts, emphasis is given to the voluntary and free generosity that is supererogatory – actions for which there are no obligations but which are above and beyond existing duties or responsibilities. It is this charitable character that is emphasized when recognizing that a failure to act beneficently attracts no punishment, whereas acting beneficently will commonly attract approval or reward.

In moral philosophy, the justification for beneficence can draw on consequentialism or deontology. Where beneficent conduct generates good or value for many people, these consequences may be used as the justifying philosophical argument. Alternatively, in a relationship where there is an existing ethical obligation, beneficent conduct provides value or good in a way that exceeds the scope and extent of a relevant duty – and for this reason is referred to as supererogatory. The beneficence is defined by the scope of that duty.

## The Empirical Contexts of Beneficence

These two characteristic moral justifications for beneficence reflect two of the three contexts in which it has been discussed and applied. These are public health and clinical health practice.

### Public Health

Beneficence is one of the moral compulsions driving public health – not only that a public health system should prevent disease and remove causes of disease, but it should also promote good health. Beneficence in this context goes beyond merely protecting communities from harm in the form of illness or disease and moves towards promoting their good, improved, and continued health in the widest sense. As the World Health Organization defined the term in its 1948 Constitution, beneficence entails working for “a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity” (WHO).

### Clinical Health Practice

In clinical health practice, beneficence is listed among the widely recognized set of principles of



medical ethics, together with autonomy, non-maleficence, and justice. The deliberate inclusion of beneficence as well as nonmaleficence serves to emphasize a more extensive role for beneficence than merely avoiding harm. Some commentators have distinguished positive beneficence – preventing harm, – removing harm, and doing or promoting of good from both nonmaleficence and a third concept, utility. Stated simply, the utility of an act or a rule is measured by the extent to which it promotes the greatest good for the greatest number of affected persons. Utility recognizes that both positive and negative consequences may flow from a single action. In order to assess utility, all consequences need to be accounted for so that the aggregate of negative impacts can be compared with and weighed against the aggregate of positive impacts. Assessing the morality or acceptability of an act or a rule by this measure is commonly referred to as utilitarianism. Utility or utilitarian arguments are familiar in the assessment of the ethical acceptability of research involving human participants and are also common in political debate.

### Human Research Ethics

The principle of beneficence is drawn on in human research ethics where it has three related but distinct meanings. In its expression as meaning “acting beneficently,” beneficence is relied on to support a general obligation of researchers for the welfare of research participants (NHMRC). In its expression as the principle of utility, the principle has a more specific function. The underlying purpose of research involving human participants is to discover new knowledge or understanding of the effects on humans of change, typically biomedical interventions, or shifting social or environmental contexts or experiences. As the design of much research requires human participants to be exposed to these interventions, contexts, or experiences, they will also be exposed to some degree of risk in their experience of them.

The principle of beneficence, as utility, is relied on to assess whether such exposure is justifiable. The principle requires researchers to demonstrate that any risks to which participants are exposed by their participation can be justified by the likely

benefits of the research, whether to the participants, a defined community, or to society at large. Where researchers cannot demonstrate this, there will be an ethical objection that the research cannot be conducted in that form and needs to be modified to reduce the risks to which participants will be exposed.

The principle also informs the judgement of whether a human research project will have benefits, either for the participants, a defined community, or for the greater good of society generally. In this role, the principle carries the broader, charitable meaning. In conventional biomedical human research, the nature and scope of benefits can usually be readily defined by reference to a particular condition or an affected population, and the notion of benefit is of the improved well-being of that defined population.

In biomedical research involving disadvantaged communities, for example, among indigenous communities in developed countries, the principle of beneficence has been invoked to mandate that any research involving these populations generates benefits for the community – often benefits that are beyond immediate outcomes of the research, for example, benefits where the inclusion of community members in the design and conduct of the research develops individual and community skills. In human research in social sciences, the principle has been called on to justify research that deliberately seeks to emancipate disadvantaged communities, in ways that are beyond the immediate benefits of the research (Oliver 1992).

Here, beneficence is given a meaning and function beyond merely justifying the risks to which participants will be exposed. Instead, the principle is used in its original sense as a beneficial action that goes beyond the obligations of researchers for the welfare of research participants or the justification of risks to them.

## The Conceptual Contexts of Beneficence

### Obligations and Virtues

In clinical health practice, there has been much emphasis on the conduct of individuals,

especially where there exist clear professional or moral obligations to others. A common example of where the ethical obligations of health practitioners form a touchstone for distinguishing conduct which merely fulfills those obligations from conduct which goes beyond them (and is accordingly beneficent) is where health practitioners offer help in emergencies to people not their patients.

In medical ethics, analysis by reference to the virtues preferred in professional conduct has provided alternative ways of describing beneficent conduct by focusing on the disposition or character of the professional rather than a character of the professional act. For example, desired virtues are said to include fidelity to trust, compassion, justice, fortitude or courage, temperance, and self-effacement (Pellegrino and Thomasma 1993). However, such equation does not reflect the established understanding of beneficence as describing conduct rather than character.

### Paternalism and Autonomy

In medical ethics, beneficence was sometimes equated with an unacceptable level of paternalism. This was the result of the practice of some health professionals, in their application of beneficence in its guise as the principle of utility, of determining for others which consequences were good and therefore beneficent and which were not. Sometimes, these determinations were made by reference only to a professional view or opinion of what constituted good outcomes or good professional conduct. There is an implicit recognition, but often a discounting, of detrimental consequences for patients. The now discarded aphorism “doctor knows best” was a popular description of this practice.

Since the 1970s, there has been an increasing recognition of the ethical obligation of health professionals to respect the capacity of patients to make their own decisions about their health care. Implicit in this respect for autonomy is the acceptance that it will be the patient who decides which outcomes are good for her and which are not. This has compelled a change in the criteria that are used

to decide which outcomes are beneficent and which are not. Similar moves have occurred in other professions.

### Justice and the Complexities of Social Consequences

When the context more closely resembles public health than clinical health practice, some members of a community may be positively affected by an action while others are disadvantaged. In such a context, a utilitarian calculus helps identify the decision that will result in the greater good for the greater number.

Some care may be needed to make clear that such an outcome is a failure to act beneficently and not an injustice. Acting unjustly involves the denial of rights, whereas, by contrast, as noted at the outset of this chapter, beneficent conduct is voluntary and not in response to or in recognition of rights.

The context of a business decision, particularly, by a corporation, is likely to generate similar considerations. The important starting point for such an ethical assessment will be the obligations that the corporation owes to its stakeholders, who have a right to their interest being preferred, as well as to broader communities and the environment.

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- [Autonomy and Informed Consent](#)
- [Justice](#)
- [Utilitarianism](#)

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## Big 5 Personality Types and Willingness to Justify Unethical Behavior

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### Introduction

Personality research is robust and published across national and cross-national contexts. There are a plethora of articles, books, and monographs that deal with the broad subject of personality. There are several journals that focus entirely on publishing personality-based research – this includes many reputed journals such as *Journal of Personality*, *Journal of Personality and Social Psychology*, *Personality and Individual Differences*, *Journal of Research in Personality*, and *Journal of Personality Assessment*. Personality also happens to be a multidisciplinary area of research, with a lot of the research on it coming from anthropology, criminology, business administration, psychology, sociology, and education, among other disciplines.

There are several frameworks for studying and researching personality; however, the most prominent and popular one among the lot is the Big 5 Personality Type framework (e.g., Azucar et al. 2018; Holman and Hughes 2021; Judge et al. 2002; Wall et al. 2019). The body of research and literature base consisting of the Big 5 Personality Typology is especially abundant. The various personality types from this framework are used independently in studying workplace outcomes such as job attitudes, organizational commitment, and job satisfaction. They have also been used to study variables associated with business ethics variables, such as unethical behavior and ethical reasoning. One commonly studied variable in ethical reasoning is willingness to justify unethical behavior, and Simha and Parboteeah (2020) investigated the relationship between personality and willingness to justify unethical behavior. Willingness to

justify unethical behavior is a measure that captures the extent to which individuals justify behaviors that are ethically suspect. This includes items like “willingness to accept bribes” and “stealing property.” This encyclopedia entry succinctly presents the findings from the Simha and Parboteeah article (2020).

### Big 5 Personality Types and Willingness to Justify Unethical Behavior

The Big 5 Personality Type framework consists of five different components, namely, Openness to Experience, Conscientiousness, Extraversion, Agreeableness, and Neuroticism. A popular acronym used to denote this framework is OCEAN, where the first letters of the five types make up the acronym. Openness to experience refers to an individual’s disposition to actively seek out novel experiences, and seek out and implement new ideas and new methods. Conscientiousness refers to an individual’s disposition to be reliable, organized, and goal-oriented. Extraversion refers to an individual’s disposition to be outgoing and social with other individuals. Agreeableness refers to an individual’s disposition to be kind, generous, and approachable with others in interpersonal relationships and interactions. Neuroticism refers to an individual’s tendency to brood and be emotionally unstable.

Individuals can have a range of scores on all of these five dimensions. Some can be highly extroverted and low on conscientiousness, while others can be disagreeable yet highly open to experience. These various dimensions all go together in forming the personality of individuals, and influence how those individuals react to various situations and stimuli. Simha and Parboteeah (2020) examined how the Big 5 personality dimensions are associated with willingness to justify unethical behavior. They only considered three of the personality dimensions, in particular, conscientiousness, agreeableness, and openness to new experience. This was done in order to preserve model parsimony, especially because their model involved moderating effects of national culture.

## Main Effect and Moderated Hypotheses

The main effect hypotheses proposed that conscientiousness and agreeableness would be both negatively associated with willingness to justify unethical behavior, while openness to experience would be positively associated with willingness to justify unethical behavior. Additionally, several moderating hypotheses were proposed, which suggested that national culture dimensions such as assertiveness, performance orientation, institutional collectivism, and humane orientation would all moderate the overall main hypotheses.

Assertiveness is a national culture dimension which reflects beliefs that individuals in a society must be assertive and tough in their interactions with others. Institutional collectivism is a national culture dimension which reflects beliefs that individuals must take actions that are best for their social group. Humane orientation is a national culture dimension which reflects the degree to which societies emphasize and reward generosity and kindness in individuals. Performance orientation is a national culture dimension which refers to the extent that individuals in society encourage innovation and improvement in performance (e.g., Bame-Aldred et al. 2013; Cullen et al. 2004; Simha and Parboteeah 2020).

Essentially, humane orientation and institutional collectivism were hypothesized to strengthen the negative associations between personality and willingness to justify unethical behavior; whereas assertiveness and performance orientation were hypothesized to strengthen the positive associations between personality and willingness to justify unethical behavior. It was possible for the authors to examine these moderating effects, because of the nature of the dataset itself, which included data collected from respondents from many countries.

## Methods, Analysis, and Findings

The data used for testing the various hypotheses pertaining to the research model was collected from the World Values Survey's national probability sample, and the national culture dimension

values was obtained from the GLOBE study. The final sample tested included over 38,000 individuals from 23 countries, including countries like Algeria, Hong Kong, and South Africa. The initial sample had data from over 60 countries; however, the data pertinent to personality was only available for 23 countries. The analysis used to test the various hypotheses of the study was Hierarchical Linear Modeling, because the data were at different levels of analysis. For instance, the moderating variables were at the national level of analysis, but the independent and dependent variables were both at the individual levels of analysis.

The findings in Simha and Parboteeah's article indicated that two of the main effect hypotheses were supported. The results indicated that both conscientiousness and agreeableness were negatively associated with willingness to justify unethical behavior. There was no support for the hypothesis suggesting the positive association between openness to experience and willingness to justify unethical behavior.

With regard to the moderated hypotheses, some of the hypotheses were supported in a direction contrary to the original theorizing. For instance, the hypotheses with collectivism as a moderator had an unexpected finding. The study found that the positive relationship between openness to experience and willingness to justify unethical behavior was stronger in high collectivistic societies, contrary to what was proposed. The original hypothesis pertaining to conscientiousness and willingness to justify unethical behavior was supported. Another counterintuitive finding was found where the relationship between openness to experience and justification of unethical behavior was stronger in higher humane orientation societies. However, the other hypotheses pertinent to conscientiousness and agreeableness were supported in the case of humane orientation.

There was another unexpected finding pertaining to performance orientation. It was found that the relationship between agreeableness and willingness to justify unethical behavior was stronger in societies with high performance orientation. The hypothesis pertaining to openness to experience was supported though, where the relationship was stronger in high performance

orientation societies. Similarly, there was an unexpected result for assertiveness, where it was found that the relationships between conscientiousness, agreeableness, and willingness to justify unethical behavior were stronger in societies with high performance orientation. However, the other hypotheses were supported in the direction that they were hypothesized in. These counterintuitive findings suggest that sometimes national cultural dimensions affect personality types in unfathomed ways.

## Implications

There are several useful implications from the Simha and Parboteeah (2020) article. One of the biggest practical implications is that managers should invest time to assess the personality of their employees. Personality has interesting ramifications for workplaces and leadership, and in particular, conscientiousness is a variable that almost always has universal positive outcomes. In particular, managers of organizations operating in different countries should pay heed to how the national cultural dimensions of various countries affect personality's relationship with ethical reasoning.

## Cross-References

- [Ethical Leadership](#)
- [Leadership Development](#)
- [Leadership Integrity](#)
- [Leadership Moral Foundations](#)
- [Leadership Motives or Intentions](#)
- [Person–Organization Fit](#)

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## Big Data Ethics

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## Synonyms

Mediated forms of information; Multiple forms of technology; Relevant categories of ethical consequences; Various forms of technology

## Introduction

The gathering, use, and analysis of data has become a huge enterprise, with every field benefiting from the identification of key patterns, providing recommendations, and pioneering innovations, that would not have been possible, otherwise. As a result, the value of data has been heralded as the new oil and the data industry is set to continue growing into the future. This has come from larger, richer, faster, and more effective

forms of data and the tools that we have at hand to analyze it. This transformation has taken place, whereby we can capitalize on the massive amounts of data generated by new technologies like smartphones, CCTVs, social media platforms, and smartwatches. This has been named the “Big Data Revolution” (Richards and King 2014), or more skeptically, “the surveillance economy” (Zuboff 2015). It has brought innovative advantages, such as being able to receive personal offers based on our interests, track health conditions through wearables, study the spread of viruses by tracking users’ locations, or search for terrorists through facial recognition. There are also many competitive advantages for business, for instance analyzing consumer shopping habits can optimize efficiency and improve customer engagement. All of this is fundamentally supported by the large swathes of data that underpin these technologies, often referred to as “Big Data” to differentiate it from nondigital data or digital data of very limited range, size, or ability.

While the Big Data Revolution brings a vast wealth of advantages, it has become a powerful tool that can also harm and limit many aspects of people’s lives, and these issues require ethical analysis. With the massive gathering of people’s data, it also generates privacy scandals and surveillance activities that can be harmful to citizens (for example, the Ashley Madison data leak that revealed the identities of its users, and thus their infidelities). Facial recognition, AI, deep learning, and voice recognition also create a “chilling effect”<sup>1</sup> that many people started to experience. The scandals of Facebook-Cambridge Analytica and Snowden revelations are excellent examples of that. In 2013 Snowden showed the world how governments and security agencies can surveil all citizens from an entire country as the National Security Agency (NSA) was surveilling American citizens’ (and political leaders, for instance, Angela Merkel) calls and other forms of online communications like emails or social networks

(Lyon 2014). Cambridge Analytica’s company demonstrated the possibility to change entire elections results by manipulating people’s voting choices through Facebook data and Big Data analysis.

## Big Data Analysis

Big Data is often defined with the famous 3 Vs (volume, velocity, and variety). It must contain specific technical properties, such as up to 10x the quantity of data about an individual transaction collected (*volume*), an increased point-of-interaction speed (*velocity*), and incompatible data formats (*variety*) (Idem). Nonetheless, the processing of large volumes of data remains simply a technical capability if it is not related to goals or objectives. In contrast, the capacity to gather Big Data goes together with technologies that can *analyze* high volumes of data mainly in an automatic manner, which is too big for human beings to process, such as machine learning (ML) and artificial intelligence (AI). For example, Netflix’s algorithms decide the order in which films appear to the users (depending on the decisions taken from thousands of variables – data – to calculate their relevance), and Uber uses ML (pricing algorithms) to make autonomous decisions to determine the price of a trip from many different data points.<sup>2</sup>

While Big Data refers to the technical 3Vs, its relevance lies in the analysis, and it is defined as “the capacity to search, aggregate and cross-reference large data sets” (Boyd and Crawford 2012). Big Data appears with “Big Data analytics,” “data mining,” or “metadata.” Data mining refers to the disclosure of patterns within the data without previous intent, while data analytics contains hypotheses and develops models using analytical methods. Data mining can sometimes be part of data analytics, and both derive “metadata,” which refers to new data that can be subtracted

<sup>1</sup>“Chilling effect” here refers to a negative feeling that a person experience when being watched or surveilled. It can involve self-censorship, self-restraint, or silence effects to the people experiencing it.

<sup>2</sup>Uber uses information about your battery status, weather, day (holidays), history, location, time of day, or how much rush are you in (if an individual can wait around 15 minutes the price can be lower).



from previous datasets, and provides additional information, e.g., an Instagram picture has geolocation data attached, or from the faces can be gathered micro-expressions that can derive psychological insights.

However, not everything is advantageous in terms of Big Data, and there have been many nefarious and unethical consequences in recent years. Data can bring a *lack of personal freedom* because of how much companies know from their users. Several authors have questioned these techniques, such as Boyd and Crawford (2012) asked:

*Will large-scale search data help us create better tools, services, and public goods? Or will it usher in a new wave of privacy incursions and invasive marketing? Will data analytics help us understand online communities and political movements? Or will it be used to track protesters and suppress speech?*

Different authors address the challenges that raise several difficult ethical issues for researchers and industry regulation. For example, one needs to identify what types of additional information is provided by metadata, who controls it, and what is it being used for. The ethics of Big Data emerged as an area of research that questions the problems associated with Big Data and proposes values and norms that will guide its use.

## Big Data Ethics

Big Data ethics<sup>3</sup> informs about how data can be used ethically and gives principles and values to decide how to use it. The values and norms proposed within this area of research aim to influence laws and guide the use of data. The field of Big Data ethics is expanding with new digital technologies and applications, such as the creation of smart cities, robots, or biometric technology, where data fuels their development and innovation. Thus, this field relates to other ethics' fields – bioethics, ethics of AI, business ethics, Internet ethics, or the ethics of robots. This section has been evaluated through an extensive literature in

Big Data ethics (Richards and King 2014) (Boyd and Crawford 2012) (Diaz and Gürses 2012) (Chen and Quan-Haase 2020) (SHERPA 2019) to present a list of the most significant issues in this field.

**Privacy:** Privacy is a fundamental human right that plays an important role in human life. It has become a tool to balance and limit the analysis of Big Data in a surveillance economy (Zuboff 2015). Although it is a broad concept that has been first defined as the right to be left alone, privacy can be understood as a protection against abusive practices and harms to individuals from industries, governments, and other people (e.g., hackers). It receives different interpretations such as: property, confidentiality, control over individual information, or interpreted as someone's ability to access their data (Diaz and Gürses 2012). There is a tension between individual and group privacy, current regulations (GDPR) protect personal data (individual) but allow for large-scale analysis if it does not contain personal information (groups), such as if data is anonymized. Individuals are at the center of privacy concerns, ignoring the impact on groups. However, even if anonymized, data can be traced back to an individual by techniques of reidentification, which pose a threat to (individual) privacy. Similarly, the creation of group's profiles is also a threat to privacy, when the goal is to know information about groups which individuals belong to "often-times it is not the individual that is of interest, but the group to which that individual belongs" (SHERPA 2019, p. 45). This allows organizations to make inferences about people's genders, sexual orientations, economic backgrounds, etc., making possible to conduct research about how to manipulate people's emotional states (e.g., see the Facebook contagion study), thus reducing privacy (understood as control) (Marabelli and Markus 2017). *Informed consent* is one of the tools offered by the GDPR that protects privacy; it is a method to ensure that users know about how their data will be used. It is especially important for researchers that access public data without previous authorization, however sometimes individuals are not provided *clear information*, hidden under long and incomprehensive privacy policies.

<sup>3</sup> Sometimes also simply referred to as "data ethics," or broadly categorized as a form of information ethics.

**Biases and discrimination:** Big Data is far from neutral, and contains issues within the data regarding objectivity, accuracy, inclusiveness, and veracity (Chen and Quan-Haase 2020). Big Data, often autonomously, reproduce these biases. O’Neil (2016) explains how it contains *human biases and injustices*, such as the ones in the production of “risk scores” in crime detection, where low-income people get longer jail sentences because they have higher risk scores due to living in poorer areas, which perpetuates social discrimination, and damage their lives. Gender biases are also found in the data, it was demonstrated that men receive more ads of woman portrayed in a sexualized manner than the other way around, or Google show men more advertisements for higher-paying jobs. Studies conducted in politics have shown that individuals with better socioeconomic status are better represented in social networks disregarding the less privileged, and thus it is the data that are retrieved from them (Idem). Thus, Big Data systems require researchers or individuals that can analyze the data to search for biases “Making statistical claims about datasets relies on knowing where the data is coming from, accounting for weaknesses in the datasets” (SHERPA 2019, p. 31).

**Transparency:** Transparency refers to the capacity to explain technological processes, information about datasets, uses of Big Data, and the willingness to do so. Transparency instills a form of *accountability* as it opens about what a company or government is doing with that data, and whether this abides by ethical norms and law. It also helps to *inform* about the analysis and types of datasets used in the process, and helps to gain *trust* from individuals. It can show and thus improve *environmental issues* with the costs of electricity and carbon emissions used to store and process the data. Transparency has also led to tensions between openness and secrecy within corporations because data is an asset, and often a form of *intellectual property*, which organizations do not want to reveal to competitors, regulators, or free riders of their research. Furthermore, transparency of data may also violate on the end user’s privacy, revealing private information, or data that

can be deanonymized to identify them. Other problems deal with the “black box” of complex analysis that are too difficult for humans (and nontechnical individuals) to understand, thus transparency becomes difficult, if not impossible, in practice.

There is a tension within the literature about how much transparency is sufficient, in what contexts, and how to determine between an “obligation” and “request” for transparency. For example, there has been much controversy in recent years about the level of data that Internet service providers (ISPs) should provide about their citizens. In China, ISPs are required to provide user data to the government for searches, posts, and information that contravenes state policy, while also implementing strict censorship policies. However, much of this policy is in stark contrast to freedoms respected in the Western world (e.g., a search about a historical event, such as the “Tiananmen Square Massacre”), which has led to animosity as Google refused to give information to the Chinese authorities to punish and jail such citizens. Private organizations are left with the challenge of respecting citizens’ freedoms and privacy or abiding by legislation in countries requiring the transparency and use of their data.

**Power asymmetries:** Power imbalances increase with mass surveillance and manipulation through invasive marketing practices (and with generation of metadata which users do not know or can predict). This was visible with Cambridge Analytica scandal, where the abusive power (without consent) by the company allowed to influence not only individuals, but entire elections’ results. There is often a tension of power between traditional actors (states) and more powerful actors (such as the “big five” IT companies). Big Data is being used as a political tool, both as a surveillance tool by traditional political actors, but also as a means of negotiation power by new actors, such as Google. There is a clear tension between whether large ICT companies should abide by all national policy of the country they are based or whether they have a legitimate say in how they should respond to that country, e.g., in 2020 Twitter banned the former president Trump and develop a discussion about the power and

influence of social networks in free speech and politics.

**Identity:** Identity refers to the possibility to define “who you are,” but the type of information that one receives and believes has a strong influence over one’s self-identity, choices, freedoms, and individual autonomy. Big Data influences what an individual sees, reads, and interacts with, and because the data is becoming more personalized, there is the potential to influence individuals’ beliefs and decisions. For example, in advertisement, Big Data analytics decides what types of ads will be displayed, and can be used to coerce people into buying certain products. It is called a “filter bubble” (Pariser 2011) when previous behaviors determine the information an individual will receive, which denies them to see different types of information, such as in politics to hear different political parties’ opinions and contrast information. This bubble influence people’s information and thus their decisions and identities. Particularly, Facebook can derive feelings and emotions from the data retrieved to influence its users, even to the point to know when a person needs a “confidence boost,” where one is more vulnerable to the influence of ads. Facebook also has a service called “loyalty prediction,” which finds users who will change brand “alliances” and alerts advertisers to step in with messages to keep their customers.

**Trust:** Trust refers to the (good) relationship between the end users and the company or group in charge of data. There have been recent scandals where people protested linking WhatsApp users’ data to Facebook. It received a great deal of attention, with many other messaging services, such as Telegram and Signal, witnessing a huge surge in downloads. However, what most people were unaware of was that WhatsApp has been sharing data with Facebook since 2016 by default. There is a growing mistrust around surveillance, and the integrity of public bodies and companies has been damaged from recent data scandals. After the Snowden revelations, there were several protests and slogans such as “Yes, We Scan,” where people did not trust governments. This has only increased with new rights in data protection, and the obligation of notify leaks and hacked accounts

which made it more obvious. In recent years, companies have tried to repair some of this damage by implementing privacy by design techniques to support trust.

**Responsibility:** Responsibility is a complex value due to the problem of “many hands,” in which the complexity of Big Data practices and the variety of analysis, algorithms, companies, engineers, and the global nature of Big Data makes it difficult to find someone responsible. In addition, data analysis is often done in a “black box,” where it is unclear the process or reasoning behind autonomous decision-making. This creates an “accountability gap,” where it becomes difficult to identify who is responsible for the decisions being made by the autonomous system, a question that will be further elaborated upon in the “Artificial Intelligence Ethics” chapter of this book.

## Cross-References

- [Anonymity, Confidentiality and De-identified Data](#)
- [Autonomy and Informed Consent](#)
- [Data Ownership and Data Sharing Practices](#)
- [Ethics and Artificial Intelligence](#)
- [Ethics in the Media](#)
- [Technology Ethics: Origins, Paradigms and Implications for Business and Society](#)
- [Whistleblowing and Information Ethics](#)

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## Bioethics

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## Synonyms

Bioethics; Biomedical ethics; Medical ethics

## Introduction

Bioethics is the study of moral issues in the life sciences including medicine, nursing, research, biotechnology, public health, health policy and health law. Historically, the term was coined in 1926–1927 by German philosopher Fritz Jahr, who wrote about *Bio-Ethik* as the moral obligations between humans and nonhuman forms of life. In 1971 the American chemist Van Rensselaer Potter independently created the term “bioethics” to refer to the moral relationships between human beings and the environment. However, the word bioethics was usurped by American scholars and the Institute for Society, Ethics, and the Life Science (now known as The Hastings Center; founded 1969) and the Joseph and Rose Kennedy Institute of Ethics (founded

1971), who were interested in a broader view of medical ethics.

## History

Modern bioethics burst onto the international stage during the 1947 Nuremberg Trials of Nazi doctors. These trials provided the scientific community and world-at-large with detailed retellings of the atrocities performed under the label of *research*. Prisoners were used as study subjects, without their consent, for a variety of horrific investigations that amounted to torture. The resulting Nuremberg Code lists ten ethical precepts for conducting human subjects research, including the essential priority of protecting human subjects and ensuring that their participation is voluntary. This code was followed in 1964 by the Declaration of Helsinki, an international document focused on respect for the individual in the context of human subjects research. In 1966, Harvard anesthesiologist Henry Beecher published an article on the 25 most egregious examples of human subjects research abuse, followed 5 years later by journalist Jean Heller’s Associated Press article revealing the *U.S. Tuskegee Study of Untreated Syphilis in the Negro Male* to the general public. These abuses led to the 1979 publication in the Federal Register of *The Belmont Report: Ethical Principles and Guidelines for the Protection of Human Subjects of Research*, *Report of the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research*. Known as “The Belmont Report,” the authors outlined three principles for conducting ethical human subjects research: respect for persons, beneficence, and justice.

Beyond research ethics, the initial focus of the field of bioethics was on medical ethics, particularly in the United States and United Kingdom. Drawing on the traditions of the Hippocratic Oath and the works of Moses Maimonides, Abūbakr Mohammad-e Zakariyā-ye Rāzī, John Gregory, and Thomas Percival, early bioethics was concerned with the fiduciary physician-patient relationship, including the obligations and duties

of confidentiality, truth-telling, and informed consent. This integration of medical ethics into bioethics was part of a patients-rights movement that sought to limit the paternalistic power of doctors and make patients a partner in their medical decisions. Thus, modern bioethics strongly emphasizes *autonomy* (i.e., self-governance).

## Principlism

In 1979, philosopher Tom Beauchamp and religious studies scholar Dan Childress published *The Principles of Biomedical Ethics*. Drawing on what they called “mid-level common sense principles,” they established autonomy, beneficence, non-maleficence, and justice as the core of U.S. bioethics, a concept exported to much of the world. In Asia, the Confucian tradition adds a fifth principle, *compassion*—love of others (Tai and Lin 2001). In Europe, a larger emphasis has been placed on the idea of *solidarity*—membership in a community or group with shared interests (Prainsack and Buyx 2011). The trend outside of the USA is to focus on more communitarian rather than purely individualistic approaches to bioethics.

The rise of new technologies expanded the application of bioethics. Organ transplants, artificial kidneys, ventilators, and molecular biology (including genetics and assisted reproduction) offered promise but also peril. Who gets access? Who pays for it? Are there limits to how and when they should be used? Scholars of bioethics brought the knowledge and skills to help make these challenging bedside and policy decisions.

## International Context

The formal establishment of a bioethics infrastructure led to national commissions, academic centers, journals, and professional associations. In the United States, the creation of the Society for Health & Human Values (1969; now part of the American Society for Bioethics & Humanities) standardized the field. While bioethics began in

the United States, it has spread around the world, often through deliberative efforts (e.g., U.S. Fogarty Program in Eastern Europe, the Caribbean, Latin American, Africa), attempts to attract foreign investment and collaboration (Singapore), or home grown (South Africa, UK, Western Europe).

This international movement found its fullest expression in the 2005 UNESCO Declaration on Bioethics and Human Rights which goes beyond medical ethics to include protection for future generations, the environment and the biosphere, echoing Jahr’s original vision. Bioethics created an interdisciplinary and secular ethics for the life sciences based on humanistic moral philosophy (e.g., Aristotle, Kant, Bentham, Mill, MacIntyre, Noddings) rather than appealing solely on religious grounds. While bioethics begins in the 1960s with theologians, physicians, and lawyers, it quickly attracted philosophers, historians, literary scholars, other humanities professionals, and the social scientists.

## Cross-References

- [Autonomy and Informed Consent](#)
- [Research Ethics and the Nuremberg Trials](#)
- [Vaping and Bioethics](#)

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## Blockchain and Cryptocurrencies, the Relevance for Business Ethics

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### Synonyms

Algorithms; Digital Ethics; Digital Money; Distributed Ledger

### Introduction

Bitcoin and the underlying technology of *Distributed Ledger Technology* (DLT) also known as Blockchain first touched surface with a whitepaper authored under the pseudonym Satoshi Nakamoto (2008) regarding Bitcoin, the first and up-to-date most broadly known cryptocurrency. The current value of only the principal cryptocurrency Bitcoin has surpassed 1 trillion USD in February (Forbes 2021) and its exchange rate is characterized by risky volatilities allowing for extreme gains and losses, possibly also leading to macroeconomic instability.

Bitcoin has since been emulated by more than 4500 different cryptocurrencies or altcoins (Statista 2021). The groundbreaking novelty of blockchains consists in decentralized registers,

where every transaction is verified without a central authority and then saved on a “chain” of henceforth unmodifiable data blocks. Apart from cryptocurrencies and their employment for monetary transactions, blockchains are used for registries, smart contracts, identifiers for goods, or to bring more transparency to supply chain management, just to name a few applications (for an overview see Dierksmeier and Seele 2020).

The ethical implications of blockchain technology are still emergent as is the technology itself. The current pace of development is particularly relevant for ethical assessments, as it allows free riders to take advantage of unregulated territories and legal gray zones – or the dark net, where not only unethical but downright criminal transactions are paid for by cryptocurrencies. Apart from obvious regulatory questions, the technology also imposes new questions regarding the societal management of trust. By obviating the need for conventional intermediaries, blockchains’ decentralized transactions create novel environments where relations of personal or institutional trust are no longer needed nor supported. A direct implication is the impact on jobs and welfare: Many pundits prognosticate job losses, as – from a merely technological viewpoint – traditional intermediaries are to become less and less necessary to safeguard business transactions. Consequently, a reflection from a business ethics point of view is overdue, which tries to identify both pro-social potentials and potentially harmful implications. Below, we take a first step in that direction, first with a view to blockchains in general and then targeting cryptocurrencies in particular.

### Blockchain and Distributed Ledger Technology

Technically the most important feature of a blockchain is that it is close to impossible to alter its ledger in which specific transaction data are stored combined with a timestamp. Once a block has been saved on the blockchain, its alteration would require that all other blocks would have to be changed as well, which is extremely



difficult given the decentralized peer-to-peer authentication process and the cryptographic safeguards in place. Consequently, a central authority or entity cannot dominate the blockchain easily.

The major advantage stemming from blockchain technology is increased transparency and exactitude challenging existing, human transaction-based verification and business models (Kuebler 2018), which are subject to manipulation, fraud, and other unethical activities. Furthermore, through automated and trustworthy registries transaction costs may be reduced drastically. Accordingly, wild hopes and speculations, all the way from libertarian and even anarchist thinkers up to staid investment bankers, have been triggered by this new technology.

Some use cases and applications may elucidate the propensities of the technology at large<sup>1</sup>:

One application context highly relevant for business ethics is supply chain management, particularly when each item moving along the supply chain is connected to the internet-of-things via identifiers and sensors. Rendering the long chain of transactions from resource to consumer product transparent via openly legible blockchain protocols, efforts in sustainable sourcing and corporate responsibility gain more credibility. Such corroboration techniques can be found in blockchains issued by VeChain in tandem with PwC or in similar products proffered by IBM or Circular, just to name a few (Ng 2018). Generally, we may distinguish between open platforms such as VeChain and closed ones where companies advance their own proprietary supply chain monitoring systems, as is the case mostly in the luxury sector for products like diamonds with a unique molecular structure, unique pieces of art, or products with unique identifiers like cars (Dierksmeier and Seele 2020: 352). Ethically favorable effects in train are the prevention of theft and counterfeit products, plus full disclosure of the supply chain – as in the case of diamonds – when it comes to compliance with ethical standards regarding

environmental or societal issues (like human rights and the prevention of child labor).

Where some such blockchain applications thus promote social responsibility and sustainability, other use cases of the technology are clearly unethical and/or criminal. Blockchain technology enables crimes hitherto impossible. In the case of “cryptojacking” computers are infected with a software that, unbeknownst to the owner of the system, engage in the mining of cryptocurrencies. Such “cryptojacking” can lead to systems failure and, in consequence, impair critical infrastructure, for example, in the energy or security sector. Similarly, supercomputers are often held at ransom or entirely shut down as acts of terrorism or war. Cryptojacking thus exemplifies how blockchain technology facilitates highly unethical and outright criminal activities.

A more ambiguous phenomenon is the effect of DLT on trust. As blockchain-based smart contracts allow for decentralized and cost neutral transactions in real time, many conventional intermediaries and third-party assurers such as banks or notaries may become obsolete. On one hand, technologically enabled “trustless trust” solutions are considered not only as more economical, but also as more equitable: With power comes the potential for its misuse through dominating behavior and a reckless pursuit of self-interest. Blockchain technology promises to dissipate power concentrations due to its decentralized nature. Combined with the lower threshold of participating in formalized transactions like notaries, when cost is close to zero, DLT may be seen as democratizing economic activities and boost commercial activities at the base of the pyramid. On the other hand, the advance of such impersonal verification processes may, in the long run, change our overall perception of trust and human interactions altogether – with as yet unforeseeable consequences for society at large (Drescher 2017).

A last macro-ethical context of concern is the potential for the centralized governance of blockchain technology, as currently under foot in China as part and parcel of the “Belt and Road Initiative” (BRI), connecting Asia, Africa, and Europe. Whereas ethicists have thus far greeted

<sup>1</sup> The examples in this entry are summaries of Dierksmeier and Seele (2020), where also other examples and more details are presented.

blockchain technology as a harbinger of a future democratic and participatory digital infrastructure for the entire world, some pundits think that China's state-backed blockchain service network has countervailing objectives, having been designed rather to become the "one and only infrastructure provider for blockchain firms around the world" (Pan 2020), thus eviscerating the libertarian charm the technology initially exuded.

## Cryptocurrencies

Bitcoin is a first-generation cryptocurrency. Unlike Bitcoin, more recent cryptos enable "smart contracts" (second generation) and also typically separate platforms from "tokens" (third generation). Furthermore, some are even jettisoning the original blockchain principle and working with alternative software models (such as "directed acyclical graphs" (DAG), the so-called "tangles") (Swan 2018). These differentiations matter for the ethical evaluation of cryptocurrencies. Many of the shortcomings of digital currencies (such as high energy costs) are typical for first-generation cryptocurrencies, especially Bitcoin, while, conversely, much of what defenders of blockchain technology hails as its moral potentials can only be realized with second- and third-generation currencies (Dierksmeier and Seele 2018). Today, for example, there are currencies such as SolarCoin, whose allocation is not associated with energy consumption but with the supply of additional alternative forms of energy, and several others whose transaction times and costs converge toward zero.

But there are not only abstract-general benefits, but also concrete, previously disadvantaged groups of people who might be better off as a result of cryptocurrencies. After cryptocurrencies could be exchanged on cell phones, such as Bitcoin via the M-Pesa system in Kenya, the prices for sending remittances dropped dramatically (Dierksmeier and Seele 2018). At the same time, the anonymity and fraud-proofing of digital portfolios helps many people accumulate smaller assets for consumption or investment purposes

who previously had to forgo the security of their own account management, either because they were unbanked or because access to their services was hampered by corruption or discrimination. In particular, women, who are still denied financial autonomy in many societies, are among the most eager users of these new options to independently access and dispose of their earned wealth as they see fit (Tapscott and Tapscott 2016).

Replacing trust with transparency, or personal contacts with network control, the use of cryptocurrencies does not only eliminate the need for intermediaries (such as middlemen, banks, notaries, or confidants), there is also no risk that these intermediary individuals or institutions will charge unduly for their services or, worse, abuse the trust placed in them. As a consequence, the cost of commercial exchange among strangers decreases. This development, in turn, not only entails direct primary economic benefits, but also has indirect secondary social effects. If it is true that trade helps to balance out selfish passions through economic interests (Hirschman 1977; Asbach 2014), then the cheapening and acceleration of commercial transactions – and especially the integration of previously economically marginalized individuals and classes that they bring about – must be chalked up as moral gains.

Moreover, effects on the monetary system as a whole deserve attention. Before the age of cryptos, most people had little choice about which means of payment to use. They had to avail themselves of state-sanctioned and/or market money. In nondemocratic states, this completely deprived them of a say in monetary affairs, for instance, regarding the overall amount of liquidity. But even within democracies, political participation in monetary decisions has been substantially impaired by the fact that central banks, first, are often exempt from democratic influence and, second, affect only a fraction of the total amount of money in circulation, because a much larger share of liquidity is created by the private banking system. Add to this the financial competition among nations and things are not looking particularly good for the monetary

autonomy of citizens even in democratic states (Felber and Gupta 2014).

Not surprisingly, then, more and more people are shifting savings into cryptocurrencies. It is not just the plight of the destitute and the greed of speculators at work here. Much of the force of this movement comes out of the middle of society (Lee and Low 2018). Since cryptocurrencies are deliberate creations of their programmers, who, out of a competition for users, are engaging in a contest of ideas, suddenly citizens get to both ask and answer the question what characteristics their money ought to obtain: Should it be protected from inflation by a preprogrammed spending maximum? Must similar protection against deflation also be provided? Should the payments and their transaction history be anonymous or transparent? Or would a happy medium be best, for instance, via pseudonymity or a partial exposure of the transaction chain? By what means shall the currency be generated or “mined,” including through ecologically or socially questionable processes? Is the cryptocurrency solely for payments or ought it also allow for the arranging and settling of mutually conditional services by way of automated “smart contracts”? Is the code of the respective crypto fixed once and for all, or should the user community be able to alter it, and, if so, in which aspects? Should possibilities for codesign be reserved for certain user groups? Would a “one member, one vote” principle be appropriate, or rather a hierarchy of participation based on proof of work, proof of stake, or proof of cooperation?

Today, people from all around the world decide all of these questions by acquiring certain cryptocurrencies rather than others. Thus, use is design. Every use of a cryptocurrency contributes to a selection process in which, in the long run, those digital monies that most reliably meet the expectations of the most customers will prevail. Over time, and through this very process of winnowing, the extreme volatility in the crypto scene can be expected to diminish and give way to some largely stable currencies as market leaders, which will perdure until their services are either no longer needed or are provided by more attractive competitors (Hoberman 2018).

For the first time in history, a broad range of global citizens can nowadays withdraw portions of their wealth from the risks of their national governments’ monetary policies or the equally risky liquidity enhancement by commercial banks. In this way, they reduce the power of politics and vested financial interests, which may be welcomed or deplored, depending on one’s point of view. In any case, however, this third alternative increases the resilience of the global financial system; standing on significantly more feet, this system will emerge more resistant to crises in certain reserve currencies such as the dollar.

What citizens give up (or, rather, have long since lost) in terms of *direct* political power to shape monetary policy may be regained *indirectly*: by fleeing a private or state currency management that they deem unfavorable. This will set effective impulses for change. As states and banks cannot function without the money of their citizens and customers, they must sooner or later react to those evasive movements in much the same way as transfer banks had to react to the decline in remittance payments: by better meeting the demands of their respective clientele (Dierksmeier and Seele 2018). The competition that cryptocurrencies pose to the *status quo* is thus presently having the very effect that the pioneers of the social market economy envisioned for the salutary effect of free competition in the first place: as an instrument of disempowerment (Eucken 1952); the digital currency market is acting as a “discovery process” (von Hayek 1968) for monetarist preferences in a globalized world.

## Closing Remarks and Future Topics

Since blockchain technology and its most relevant application cryptocurrencies are relatively recent phenomena, there are still many open questions and, for the time being, we will face ongoing innovations, which are likely to pose new ethical challenges. Regulatory efforts to govern this novel, disruptive technology are required, as blockchain and cryptocurrencies are frequently

used in manifold criminal and unethical activities (Seele 2018). Governmental action should be informed, though, by recent academic research so as neither to be remiss of their protective function nor proceed as bluntly as banning cryptocurrencies in general, as Turkey did in spring 2021 when it altogether interdicted the use of cryptocurrencies as payments. Since the full range of both the favorable and the less favorable ethical potentials of DLT is yet to be uncovered, further research from a business ethics perspective is to be called for.

## Cross-References

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## Boycotting as a Social Movement

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## Synonyms

Blackball; Exclude; Ostracize; Sanction; Shun

## Introduction

The term “boycott” was coined in Ireland in the late 1880s. However, boycotts had been used as a vehicle for social protest and change long before

that. A boycott is variously defined as the withholding of certain types of social or commercial interactions with another person, business, corporation, organization, or nation. The reason for this withholding varies, but it generally expresses disapproval, is intended as a form of punishment, or is used as a means of forcing acceptance of certain terms.

One early American example of an effective boycott was that surrounding the protest of the Stamp Act passed by the British Parliament in 1765. The tax required that the colonists pay a tax on every piece of paper that they used. This included all paper used for ship manifests, legal documents, newspapers, and the like. In response to this tax, the American colonists engaged in a boycott of all British goods. The result of this boycott was the repeal of the tax after members of the parliament received numerous complaints by British merchants who were losing significant amounts of money.

## Who Boycotts

Boycotting has been utilized by a diverse number of groups as a way of promoting their cause. Some of the groups that have engaged in boycotts include African Americans, Mexican Americans, Chinese Americans, Jewish Americans, labor organizations, and religious groups, along with activists for animal rights, environmental rights, women's rights, and LGBTQ rights. The reasons for engaging in a boycott are as varied as the groups supporting them: social justice, fair wages or working conditions, fair prices, and the upholding of purported societal values have all been used as the basis for collective action. Whether these reasons for engaging in a boycott are sufficient to ground a moral justification for any particular boycott is an open question. Boycotts may be effective at achieving some desired end, but effectiveness is not synonymous with the moral appropriateness of the ends sought.

## Effectiveness of Boycotts

Boycotts have had varying degrees of effectiveness – though determining whether a boycott has been effective raises numerous philosophical questions. Effectiveness depends in part on what those engaging in the boycott express as their desired ends. If the end is a change in the policies, practices, or actions of a business, corporation, or state, then there is a measurable outcome. For example, if the purpose of the outcome is to force a business to stop selling clothing produced using child labor, then it is possible to determine whether they have complied. Groups such as the Human Rights Watch and the Interfaith Center on Corporate Responsibility (among others) provide up-to-date information on subjects such as child labor. On the other hand, determining whether the boycott has changed the attitudes or beliefs of the target of a boycott is more problematic. Those boycotted may change their actions or policies but may do so for less than moral reasons. It may be that a boycott protesting unequal pay for women employees may result in a consciousness-raising moment wherein an employer sees the inherent unfairness of his actions and revises company policy to address the issue. It is far more likely that some combination of cost in terms of customers, public image, or profits is the real motivation for the change. Consequently, the effectiveness of a boycott depends on the chosen goal of the boycotters. Consequently, it is possible that a boycott may have good consequences without actually being a “success.” The target of a boycott may change their policies without engaging in a corresponding change in beliefs. It is also possible that a boycott could never end if the views of the target never change.

If we define the effectiveness or success of a boycott in terms of a specified outcome (e.g., a change in policy or a reduction in the price of a good), then boycotts have often proven effective. There are numerous examples of boycotts that have resulted in both short-term and long-term success. Of course, whether a boycott's success



is ultimately a good thing depends on one's perspective as well as the moral justification used to support the boycott.

One of the areas where boycotts have had long-term success is the call for social change. Some of these include the bus boycotts of the 1950s that took place in Louisiana, Alabama, and Florida, which were successful at putting economic pressure on the bus companies. This pressure eventually led to permanent changes in seating policies for African Americans.

Internationally, boycotts have been used to affect social change through economic pressure. The salt boycotts of India and the boycott of South Africa were both utilized to end the social injustice found in those countries. Economic pressure was used to effect social change and has been seen by many as an important element in the eventual change that occurred.

Unlike boycotts targeting social injustice, those seeking economic fairness, namely, consumer boycotts, have been less permanently effective. These types of boycotts – known as commodity boycotts – target a particular good, e.g., milk or sugar, irrespective of who sells the good. Meat boycotts organized between 1902 and 1946 were successful in bringing down prices. In the 1970s there were several food commodity boycotts. Commodity boycotts targeted particular foods rather than any particular business that sold the commodity. Boycotts of meat, milk, sugar, and coffee were a response to perceived unfairness in the pricing of these goods. These later boycotts were successful at temporarily lowering prices so long as the boycott continued. Once the boycott ended, prices would slowly return to their pre-boycott levels.

One set of boycotts that has enjoyed particularly long-term success has been religiously based boycotts. In the late 1920s, the National Legion of Decency (NLD) was established by Catholic bishops to boycott films that violated the Motion Picture Production Code (MPPC) otherwise known as the Hays Code. Prior to 1934, most studios had adopted but rarely enforced the code.

Similar results were realized when the television industry was targeted by the National Federation for Decency after it had joined with Jerry Falwell's Moral Majority in the early 1980s to form the Coalition for Better Television (CBTV). The CBTV organized boycotts that were successful at getting corporations such as Procter & Gamble to pull out 50 network television programs. Such boycotts also affected the editing and programming on networks such as ABC.

## Cross-References

- ▶ [Apartheid and Ethics](#)
- ▶ [Ethics of Boycotts](#)
- ▶ [Socially Responsible Investment and Corporate Engagement](#)
- ▶ [Veganism and Ethical Consumerism](#)

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## Bribery

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## Synonyms

Corruption; Extortion; Graft; Subornation

## Definition

A useful definition of bribery is “an inducement improperly to influence the performance of a public function meant to be gratuitously exercised” (Noonan (1984) points out that the meanings of the components of this definition vary with cultures and over time.).

Broadly speaking, each of the main religious traditions have condemned bribery as an integral part of corruption as readings from Judaism, the Bible, Islam, the Hindu Scriptures, and Confucius confirm (Cockcroft 2012). Each of these traditions are especially clear on the bribing of judges which societies across the world have always condemned with varying degrees of effectiveness. More contentious has been the allocation of a public office which has more often than not been subject to forms of bribery. In most of western Europe, the USA and Canada only in the nineteenth century did bribery come to be rejected on a scale which warranted legislation (and with conspicuous exceptions, particularly in the political arena). This change of attitude was in part the result of rising middle class prosperity and a sense that the public good was being undermined by corruption of which bribery was a constituent part.

Although this legislative action is less than 150 years old, there had been important cases of bribery causing degrees of public outcry over a far longer period. The Roman Republic struggled with the question of the bribery of its all-Italy electorate in legislation which spanned a century

(between 181 and 81 BC) and which set limits to the total level of “bribes” which could be paid – in both cash terms and in terms of the special allocation of seats at public events. In England, the offence of bribery was first investigated by a Royal Commission and identified and made the subject of legislation in the reign of Edward I in 1285 (Ref. the Second Statute of Westminster 1285; described in *Studies in the Hundred Rolls*, Cam (1921). See also John T. Noonan, op. cit, pp. 231–237). The year 1621 saw the full drama of the Lord Chief Justice of England, Francis Bacon, brought low on the charge – to which he pleaded guilty – of accepting huge bribes to fix judgments. The diarist Samuel Pepys, Secretary to the English Navy from 1639–1645, recorded the bribes he had received to award contracts for the rigging of ships. The framers of the US Constitution in 1787 were adamant in their desire to avoid the bribery of MPs by the government of the day which characterized the British Parliament. In the American Civil War, contracts were so susceptible to bribery that the “Lincoln Act” was passed which awarded to whistleblowers 10% of a contract found to contain fraud and repaid to government. It was only under the Pendleton Act of 1883 that the “spoils system” of the USA which had enabled politically appointed civil servants to profit from the award of contracts was finally outlawed. These cases all involved payments to affect the allocation of public resources. The question of “private to private” bribery (or the secret payment by the executive of one company to sway the decision of the executive of another) was addressed in the UK by the “Secret Commissions and Bribery Prevention League,” a civil society group, which achieved legislation outlawing such payments in 1906 and whose work was matched in Germany by the “Society Against the Abuse of Bribery” (Verein gegen das Bestechungsunwesen.) which was active from 1913 to 1935. In the UK, the 1906 legislation unleashed more than a hundred cases in the courts (Crew 1913) which showed the extent to which bribery had come to be used as an intercorporate weapon. The legislation in Germany had led to a large number of cases in the courts by 1913.

After World War II, the rapid expansion of western companies in many parts of the developing world led to an unprecedented surge in the use of bribes to obtain contracts awarded by the public sector. This “extraterritorial” bribery was not covered effectively by existing anti bribery legislation. Its extent was revealed in hearings held by the Senate Subcommittee on Multinational Corporations in 1975 chaired by Senator Frank Church in hearings which were triggered by the Watergate scandal and in parallel investigations by the Securities and Exchange Commission. The SEC investigation found that more than 400 US companies maintained overseas accounts for the purpose of paying bribes. The Foreign Corrupt Practices Act (FCPA) which resulted from these hearings was the first attempt to criminalize bribes paid overseas to foreign public officials by US companies, an initiative only followed in the remainder of the OECD in 1997 (and even later in the legislation of most member states). Today, the 35 member states of the OECD (and six other signatories) have legislation which varies in its formulation criminalizing the bribery of foreign public officials. This legislation has proved to be only partly effective and has not led to enforcement across the range of participating countries.

International surveys – such as the Global Corruption Barometer coordinated by Transparency International – confirm that bribery is a reality in the everyday lives of more than half the population of the world. Most significantly, it is the key to access many public services designed to be free but for which gatekeepers charge a fee. This may extend to policemen, the medical profession, and teachers, as well as to local councillors and politicians. For example, in Pakistan, in 2010, 43% of those surveyed by the national chapter of TI reported that they faced a demand for bribes when interacting with local government and 69% when dealing with the judiciary. A 2010 survey in Kenya found that urban citizens dealing with government expected to have to pay a bribe in 40% of cases (Cockcroft, *ibid.*, pp. 61–62.). Such payments are often deemed to be in the category of “petty bribery” but in fact their cumulative cost can amount to more than 15% of an urban dwellers income with a disastrous impact

on the welfare of households and families. Payments of this kind may be demanded on an “ad hoc” basis by the officials concerned or they may be part of an organized “scam.” Where such scams exist, it is particularly difficult to break the system, given the strength of vested interests from the top.

In shaping measures to combat bribery, there remain significant gray areas. These range from the practice of “trading in influence” (the selling of government contacts by elected politicians) to the “revolving door” (where those in elected or appointed government jobs may favor a company which later gives them a job). They extend to the question of sexual favors where these are provided by an individual hired or acting for the bribe payer. “Trading in influence” is covered by the UN Convention on Corruption of 2003 but has not been translated into the legislation of many member states. The “Revolving Door” issue is the subject of legislation in several national contexts – including the Honest Government and Open Leadership Act (Jointly sponsored by Senator John McCain and (then) Senator Obama in 2006.) in the USA – but remains a widespread abuse.

A separate but contentious issue is the question of “facilitation” or “grease payments” where these are made to speed up an action (such as access to public records or clearing a container at a port) rather than to trigger it. The FCPA allows such payments but more than half of the OECD members’ legislation disallows them. There are, however, very few cases in which such payments have been prosecuted in any OECD country.

In response to the changing substance of legislation in relation to bribery (and other forms of corruption), the international corporate sector has responded with specific codes of conduct designed to ensure that staff of companies are well aware of the potential penalties involved. These have included the “Rules of Conduct” of the International Chamber of Commerce (1996), the “TI Principles for Countering Bribery” (2003), and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum (2005). Codes based on these templates have been adopted by many quoted companies, so that where bribes are still paid, it is a conscious

decision to take the risk of detection. These initiatives have been matched by moves by the regional International Financial Institutions (IFIs) to ensure that the award of contracts which they finance is not subject to bribery. The World Bank (WB) initiated this process in 1997 quickly moving to a regime of “black listing” by which offending companies can be prevented from bidding on contracts funded by the WB either for a specific term or indefinitely. This system has now been adopted by all the regional IFIs which accept the “black lists” of each other. However, the number of cases where bribes have been paid involving blue chip companies since the OECD Convention was signed in 1997 (Including Siemens, BAE Systems, Walmart, and GSK) confirm the difficulty of erasing corporate bribery.

Organized crime merits specific consideration in the context of bribery. Long-established operations by organized crime include both protection rackets (where for example shopkeepers are offered “protection” for a fee) and control of parts of the construction industry (where contracts are allocated to a limited list of contractors who pay off criminal organizations like the mafia). Payments made to such criminal organizations can be construed as a continuous stream of bribes, enforced by the threat of physical violence including murder. The bribery of politicians by organized crime is very well-established and has existed for more than 150 years in Sicily but is now also prevalent practice in cities as geographically distinct as Mumbai and Buenos Aires and characterizes the relations between drug cartels in Mexico and local Mayors and police chiefs.

“Modern” bribery is not different in nature to bribery recorded in classical times, but its scale and sophistication continues to grow and evolve. At its heart, however, it still triggers action which enrich the individual (either in kind or cash) but undermines the public good.

## Cross-References

- [Corruption and Gender](#)
- [Corruption and the American Foreign Corrupt Practices Act](#)

- [Global Corruption](#)
- [Organizational Culture and Corruption](#)

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## Bribery and Business

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## Synonyms

Bribery; Corruption; Extortion; Grease payment; Integrity

## Introduction

The concept of bribery is important to our thinking about ethics, especially in professional contexts. This is in no small part due to the thought that, as Seamus Miller has put it, bribery is “a paradigm of corruption” (Miller 2018, pp. 4–5). Business persons and corporate entities are often evaluated by how well they remain free from, root out, and punish corruption – especially in democratic societies. It is a common thought, for example, that a democratic institution ought to be free from corruption. Since bribery is often thought a form – perhaps the *paradigmatic* form – of corruption, bribery, too, serves as a central concept in our evaluations of business persons and corporate entities.

Although there is no consensus as to what *exactly* constitutes bribery, theorists have at least converged on some common elements of bribery. This article will lay out three common elements which together are characteristics of bribery (payment, intention, and wrongdoing), and then briefly illustrate how this conjunction of elements allows for distinguishing between bribery and two other questionable acts often examined in the context of business (grease payment and extortion). It is worth clarifying up front that this article concerns the *ethical*, rather than *legal*, notion of bribery.

## Elements of Bribery

Paradigmatic cases of bribery involve, in some way, *payment*. As noted by John Douglas Bishop (2004, p. 3), the “classic case of bribery” involves giving “money to any person with the intention of encouraging that person. . . to violate any legitimate moral obligation.” Paradigmatic though such cases may be, bribery clearly need not involve money. As John Danley (1983, p. 22) observes, it is clear upon reflection that more or less *anything of value* may serve as a bribe. Suppose a business person offers free and specialized consulting to a democratically elected politician in exchange for altered voting behavior. Though such an arrangement involves no promise or exchange of money, it is a clear case of bribery.

Although theorists have tended to converge around an element of payment as crucial to bribery, it is clear that one need not actually *make* any payment (or materially *transfer* anything of value) in order to be engaged in an act of bribery. In the above example, the mere act of *offering* the consulting services seems sufficient for being engaged in an act of bribing. This is why many have, like Danley, provided the disjunctive condition of bribery, as requiring the giving *or* offering of something of value. It is in this more general sense that bribery is universally thought to include an element of payment.

In addition to the element of *payment*, bribery necessarily involves an element of *intentionality*. Of course, not just any payment or offering value

to another person constitutes bribery; instead, a bribe is a *payment with a purpose*. While the specific nature or content of that purpose (or *intention*) is the subject of controversy, all analyses have in common some connection to *wrongdoing* (the third basic element of bribery).

Some, like Bishop (2004), D’Andrade (1985, p. 329), and Turow (1985), hold that bribing someone is intended to “induce that person to commit an improper act.” On this view, the wrongdoing which the act of bribing is intended to produce need not have any particular nature; so long as someone is by prospect of value intentionally induced to do *something* wrong, bribery is afoot.

Others, like James, Jr. (2002, p. 71), hold that bribery is intended to induce an *agent* of a principal to do something contrary to their duty *qua agent of principal*, and therefore also to do something which is not in the interest of the principal. On this view, bribery is only possible within the context of an agent-principal relationship.

Others still, like Danley (1983), Carson (1985, p. 71), Noonan (1984), Philips (1984), and Pritchard (1998), hold that a bribe must be exchanged for something which would be “incompatible with the duties of the office, position, or role” of the bribee. On this view, the wrongdoing elicited by an act of bribing is neither completely general nor limited to agent-principal relationships. Instead, the wrongdoing takes the form of *abandoning the duties of one’s station*, as it were – violating duties specific to a role occupied by the bribee.

Unsettled controversy aside, notice that, on any of these three characterizations, an act does not count as an act of bribing if the incentivized action *merely happens* to be wrong. Rather, the bribe must be intended to produce the wrongdoing, and so the briber in some sense must be *aware* that the act they hope to induce would be wrong.

Putting these three elements together, bribery may be specially, even if generally and not finally, characterized as an *exchange* involving a *briber*, who *gives* or *offers* something of value to some other person (the *bribee*) with the intent that the bribee does some act which would be wrong –

either by its general nature, or due to the specific role that the bribee occupies.

This provides some hint as to *why* it is that bribery is (usually) wrong. One who *offers* a bribe performs an action intending that that action will result in wrongdoing. Plausibly, it is generally wrong to intend to induce others to do wrong. One who *accepts* a bribe either (i) does indeed perform the wrong act which the bribe is intended to induce or (ii) at least implicitly agrees to perform that wrong act. It is self-evident that cases of the first type involve wrongdoing. With respect to cases of the second type, we may observe the plausibility of the thought that it is generally wrong to (genuinely) agree to do wrong.

## Bribery and Other Business

Any satisfactory account of bribery must be able to answer the question as to what distinguishes *bribery* from two other phenomena related to and sometimes confused with bribery: *grease payment* and *extortion*. The above analysis of bribery allows for just that.

As Carson (1985, pp. 68, 79–80) notes, *grease payments* are payments made in order to *facilitate* or *expedite* routine or *normal* processes, events, or services. For example, a payment may be made in order to hasten the passage of goods through customs. Note that such a payment is not made in order to *obtain* passage of goods through customs – goods which would otherwise not be passed through. Assuming that the goods *should* be passed through customs, the grease payment is made to *facilitate* or *expedite* that *permissible process*. In other words, the grease payment provides incentive for the customs officials to *perform* their professional duties. This is exactly the opposite of the intended effect of a bribe, which is to incentivize *nonperformance* of duties. The fundamental distinction between *bribery* and *grease payment*, then, is made in the element of *intentionality*: whereas bribes are intended to produce wrongdoing, grease payments are not.

Extortion differs from bribery in at least two important aspects. Consider a paradigmatic example of extortion: a local mafioso enters your corner

store and threatens to destroy the place unless you pay him for “protection.” Clearly, the mafioso extorts you; but his action lacks the crucial elements of bribery discussed above. First, the mafioso does not necessarily offer you something of value; instead, he *threatens* you. Second, the mafioso need not intend to induce wrongdoing on your part; instead, he intends merely to extract from you *something* of value (money). If we can roughly (even if not definitively) characterize extorting as *using threat to improperly extract something of value*, it clearly diverges from bribery in the elements of payment and intent: while the briber offers something of value in exchange for some perceived wrongdoing, the extortionist threatens disvalue unless something of value is given.

There are of course other significant metaphysical, ethical, and legal questions related to bribery, which this article has not touched on or settled; for example, what is the precise nature of the wrongdoing involved in bribery, the moral status of making grease payments or extortion payments, and what corporate or public policies should be enacted to manage such things.

## Cross-References

- ▶ [Conflict of Commitment](#)
- ▶ [Corruption and the American Foreign Corrupt Practices Act](#)
- ▶ [Gifting and Influence in the Private Sector](#)
- ▶ [Gifting and Influence in the Public Sector](#)
- ▶ [Leadership Integrity](#)
- ▶ [Organizational Culture and Corruption](#)

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## Buddhism

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## Synonyms

Faith; Transcendence

## Definition

Buddhism is a religion that believes that everyone can transcend suffering and become buddha through devoutness. It is composed of beliefs, values, and practices, represented by Nirvana (liberation), Buddhahood, sutras, and commandments (Schein 1990). Buddhism is known for its four noble truths about suffering and three universal truths, which provide the criteria for justifying Buddhist thought. To be specific, Buddhism focuses on suffering's definition, reason, transcendence, method, and impermanence. In order to promote the universal salvation of human beings in physical world, Buddhist organizations concentrate on suffering, impermanence, restraint, mercy, retribution, and timeliness (Pan et al. 2012). Buddhism has infiltrated the traditional cultures of many countries, such as India, China, Japan, Singapore, Sri Lanka, Thailand,

Cambodia, Laos, and so on. Buddhism is often regarded as a social buffer or analgesic.

## Description

Buddhism was founded by Siddhartha Gautama, the prince of a small Indian province, between 565 and 486 BC. Due to the frequent wars, hierarchical caste system, and diversified thinking, Siddhartha Gautama wished to save his people from suffering. Specifically, the little prince attempted to help his subjects to transcend death, illness, and old age to achieve rebirth; in other words, liberation. After 6 years of trial and error, he suddenly found a solution under a pipal tree and became the first awakened person: the buddha. Finally, the buddha and his solutions attracted many followers, leading to the formation of Buddhism.

The Buddhist solutions to transcending physical suffering consist of four noble truths and three universal truths. On the one hand, the four noble truths refer to suffering, the root of suffering, the end of suffering (liberation), and the path to liberation. First, suffering (*dukkha*) is regarded as the essence of life, conveying the contradiction between struggle (pursue, desire) and failure. Second, the root of suffering (*samudaya*) is the endless cycle above contradiction, i.e., causality across lives. Third, the end of suffering (*nirodha*) involves transcending suffering at a spiritual level, which achieves the goal of liberation (Nirvana). Fourth, the path to liberation (*maggā*) is diversified, and the struggle must be correctly guided by sutras, commandments, and monks. Therefore, the four noble truths focus on the definition and reasons for suffering as well as the goal and path of transcending suffering.

On the other hand, the three universal truths form the core criteria for justifying the correctness of Buddhist thought, because Buddhists learn from the religious laws rather than specific people. First, the impermanence of everything is correct. Second, the interdependence and invariance of anything do not exist. In short, the above two points are two sides of the same coin. Third, the ultimate aim of Buddhism is to pursue liberation



(Nirvana) from suffering. Combined, the four noble truths and three universal truths constitute the beliefs and values of Buddhism.

However, the pursuit of liberation (Nirvana) from suffering is also a kind of struggle and can fail many times, which is inconsistent with Buddhism. There is a conflict in Buddhism regarding the struggle to pursue liberation. Although conflict exists, Buddhism helps us to view the world around us, and its beliefs and values become part of different national cultures, which boosts diversified practices, such as the arts and literature:

- *India* – India is the cradle of Buddhism. Buddhism spread across India in four stages. To start with, the first stage occurred between the sixth and the mid-fourth centuries BC and is called Original Buddhism. Buddhists spread Buddhism across India by Indian dialect. The second stage occurred from the mid-fourth to the first century BC and is named Sectarian Buddhism. Buddhism is divided into the west and east sectors. The former treats Siddhartha Gautama (the founder of Buddhism) as a human, while the latter considers him immortal. Thus, they gathered for the second council where they revised the commandments of Buddhism. Furthermore, the third stage occurred between the first and seventh centuries AD and is called Mahayana Buddhism. This type of Buddhism focuses on helping others to transcend suffering, while Theravada Buddhism concentrates on overcoming one's own suffering. Finally, the fourth stage was introduced between the seventh and thirteenth centuries and is called Secret Mahayana Buddhism. This was created to rival the other Indian religion, Brahman, which emphasizes physical action and obscuring words. After the invasion by Afghanistan at the end of the thirteenth century, Buddhism was replaced by Islam in India.
  - *China* – Buddhism spread to China by the Silk Road and foreign trade in the first century and was adapted to suit the Chinese context through localization. Due to the conflict with traditional Chinese Confucianism, Buddhism adheres to Taoism and Metaphysics by the way of Non-Action (WuWei) and being immortal at the beginning. Moreover, the appearance of eminent Chinese monks helped Buddhism strategically to compromise with both Confucianism and the imperial power; for instance, Chinese monks created new Buddhist sutras to illustrate filial piety, which is consistent with Confucianism, and also omitted certain inappropriate descriptions of women when translating sutras, deliberately to cater to Confucianism. Compared with Buddhism's spread in India, Buddhism in China was focused on the role of the emperor. Specifically, Chinese Buddhism emphasizes its role as a buffer and analgesic. Furthermore, the Chan Sect represents the emergence of localized Buddhism, with relative interdependence. During the Song dynasty (960–1279 CE), Buddhism becomes one of the mainstream aspects of traditional Chinese culture.
  - *Japan* – Buddhism spread to Japan from China in 552 CE and was adapted to the Japan context through localization. Many Japanese people participate in Buddhist rituals, even though they do not believe in Buddhism. Specifically, following the Meiji Reform, Japanese Buddhism abandoned many inappropriate rituals in Japan, such as the Buddhists' ban on marriage and meat. Although Japan does not focus on carrying out concrete Buddhism rituals, it has built up Buddhist schools and discusses Buddhist thought; for example, Chan Sect (Zen) is regarded as part of Japanese culture after World War II.
  - *Singapore* – Buddhism spread to Singapore through immigration, which was impacted by China and Japan. Moreover, Buddhism influenced immigrants, and so the residents of Singapore began with belief in Buddhism gradually. Buddhism is now considered the first religion in Singapore by a number of Buddhists.
- In order to infiltrate the culture of each unique country, Buddhism is transformed by the local people, such as monks and emperors. However, different countries choose different aspects of

Buddhism; for example, China finds a deep synergy between Buddhism and Confucianism at the level of belief, value, and practices, while Japan tends to accept rituals (practice level) as well as Zen (a sub-branch of Buddhism).

The localization of Buddhism developed in the previous centuries. At the end of the thirteenth century, the cradle of Buddhism was conquered by Islam, but Buddhism survives in other countries, such as China and Japan. Furthermore, localized practices have added new philosophies, commandments, and rituals to Buddhists' beliefs, values, and practices. The appearance of the Chan Sect (Zen) represents an eastern expression of Buddhism, which gives a fresh impetus to original Buddhism.

On the one hand, the deep communication between Buddhism and diverse national cultures produced a vast quantity of work in the fields of philosophy, art, and literature. In various countries, Buddhism became a source of wisdom and also the basis for a request for reform. The multinationalization of Buddhism saves people worldwide from suffering in the physical world and enables them to achieve liberation (Nirvana).

On the other hand, there is an increasing convergence between Buddhism and business practice by virtue of Buddhist businessmen (Foshang in Chinese). In the aspect of beliefs and values, Buddhist businessmen do not jockey for profits due to causality, restraint, and mercy from Buddhism (Pan et al. 2012). For example, Yang Xun, the chairman of board in Jeanswest International (Hong Kong), believes in Buddhist view of causality and mercy; thus he donates money and joins in social welfare activities rather than advertising for firm reputation. In the aspect of practice, Buddhist wisdom helps businessmen solve specific management problems. For instance, Wang Hai, the CEO of Doublestar Group, was once troubled by the higher failure rate of products. His employees merely worked for money regardless of higher product quality due to their limited economic and educational backgrounds. However, Wang Hai persuades his employees from Buddhist view of mercy and causality. His employees gradually believe in the opinion that improving product quality is one kind of mercy

for workers, which will benefit themselves in the future. Therefore, his employees pursue higher product quality gradually, and the normal pass rate of product in Doublestar is higher than 99%. As a result, Buddhist businessmen integrate Buddhist thoughts into ethical practice, which then boosts sustainable development of business.

## Cross-References

- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Religiosity](#)

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## Buddhism and Business Ethics

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## Synonyms

Buddhist philosophy; Buddhist psychology; Moral behavior

## Introduction

As humanity gets confronted in ever-greater abundance with global trends and concerns, interest in spiritual practices is also increasing. Some relate these spiritual practices to religious foundations, while others prefer to keep the two phenomena – religion and spirituality – separate. Regardless of one's preferences, there has been

an overall growing fascination with Eastern traditions, whereby Buddhism could be considered the most prominent. The influence of Buddhism has particularly risen in recent decades due to an increasingly fertile climate toward change (Marques 2010).

## Buddhism: A Snapshot

Buddhism is, for many of its practitioners, not considered a religion, but more a philosophy or psychological stance. Yeshe (1998) phrased it this way:

When we study Buddhism, we are studying ourselves, the nature of our own minds. Instead of focusing on a supreme being, Buddhism emphasizes more practical matter, such as how to lead our lives, how to integrate our minds, and how to keep our everyday lives peaceful and healthy. In other words, Buddhism always accentuates experiential knowledge-wisdom, rather than some dogmatic view. In fact, we don't even consider Buddhism to be a religion in the usual sense of the term. From the lamas' point of view, Buddhist teachings are more in the realm of philosophy, science, or psychology. (p. 5)

Indeed, Buddhism is non-theocratic, and the Buddha is considered an enlightened teacher rather than a god (Johansen and Gopalakrishna 2006). Because Buddhism offers its followers a worldview aimed at understanding, happiness, and development, Johansen and Gopalakrishna prefer to label it as “a moral, ethical, value-based, scientific, educational system, the goal of which is to allow the individual to discover the true nature of things (becoming enlightened) and, in so doing, escape from suffering and attain happiness-not only for oneself but for all sentient beings” (p. 238).

The individual generally revered as “the Buddha” was an Indian man by the name of Siddhartha Gautama, born in affluence, and raised in blissful ignorance until he got confronted by happenstance with illness, old age, and death. Having been withheld these facts of life while growing up, Siddhartha set out to learn more about the world. He first lived for several years as a recluse but at a certain point obtained

enlightenment through insight meditation (Vipassana). Based on the insights Siddhartha attained during his meditative state, he finally realized the illusion behind ego, or “I,” and the fact that without an “I” everything becomes one (Snelling 1991). Once enlightened, he changed his name to Buddha, which means “The Awakened One,” and became a popular teacher with many followers (Marques 2012).

## The Need for a Firmer Ethical Stance in Business

It is generally accepted that the twenty-first century brought new standards and emphasized the need for more morally sound ways of doing business. The assumptions under which business was practiced in the twentieth century, whereby mass production was justified and profit was the only aim in business dealings, have run their course (Gupta 2017). They are now obsolete and in desperate need for a more enlightened narrative, validated by two simultaneous trends: (1) increased collective awareness and (2) a dire need to shift away from an inappropriate way of performing (also see chapters ► “Corporate Psychopaths” by C. R. Boddy and ► “Narcissistic Leadership” by C. R. Boddy in Encyclopedia of Business and Professional Ethics). These two trends are actually interrelated: *because* of our increased awareness, sharpened by the rampant availability of information and communication streams, we realize the error in our prior notions about business and its purpose. The call for more conscious leaders should also not be underestimated within this context as a result of our increased collective awareness. Today's employees yearn for leaders that are receptive to giving back to their communities and elevate their conduct beyond self-interest (Kemavuthanon and Duberley 2009). The time has arrived to shift our paradigms from growth prioritization to a focus on cultivation of life-sustaining resources. Profits are an important strategy for corporate evolution, but in our day and age, another evolution requires more attention: the evolution of life and, therewith, the safeguarding and restoration of critical

resources, along with a focus on initiatives and actions that promote a better quality of life for all occupants of planet earth (Marques 2017).

It is most likely the increase in collective awareness that has served as a catalyst toward the growing interest in Buddhism, since Buddhism is very focused on consciousness and the transformation this can bring to one's understanding and behavior. The overarching focus in Buddhism is to convert ignorance and mindlessness into empathy and mindful practice. Thich Nhat Hanh (1998), a globally renowned Buddhist leader, explains that transforming our ignorance through consciousness leads to wisdom.

## Buddhism and Business Ethics

Explaining the intersection of Buddhism and business ethics is easy and difficult at the same time. Easy, because there are so many grounds on which this intersection is justified, and hard, because space for explaining and analyzing all these grounds is limited. Within this chapter, the justification for adhering to Buddhist psychology in business will therefore be limited to four perspectives:

### – *Accepting personal responsibility for actions*

Buddhism strongly emphasizes the concept of cause and effect, explaining that our current circumstances are a result of prior decisions and actions. In popular terms, this concept is also referred to as karma. Because karma is considered factual, followers of the Buddhist psychology or philosophy will be mindful of their actions (Thondup 1995). It is therefore also more likely that adherence to the Buddhist mindset will discourage mean-spirited and predatory actions.

### – *Understanding the importance of healthy detachment*

Detachment is yet another strong virtue in Buddhist practice. This entails that a business practitioner following this mental model will understand the fleeting nature of everything in life and work and will have less control issues,

power hunger, or profit insatiability. Such a person will refrain from defining himself or herself through positions, titles, or possessions, knowing that they are all impermanent. As can be gathered, the foundational principle behind detachment is the fact that its opposite, attachment, is the main reason for much suffering among humans (Metcalf and Hatley 2001).

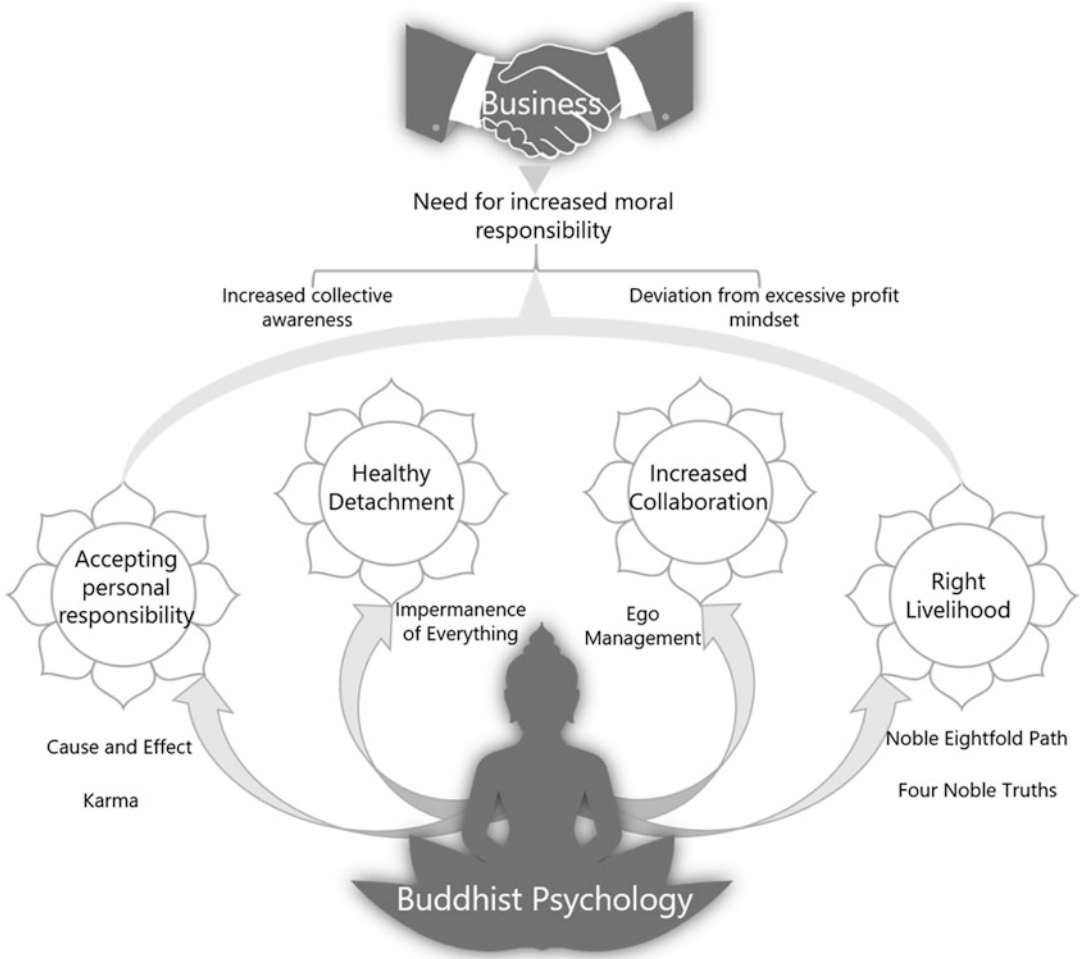
### – *Nurturing the will to collaborate with others*

It may be its origins in a collectivist tradition that encourage Buddhist practitioners to open themselves for greater collaboration and less selfishness. It may also be the foundational realization of the ego as a barrier toward interconnectivity (an important insight shared by the Buddha), which drives this mindset. Additionally, the understanding of karma as a driver toward doing the right thing should not be underestimated. At any rate, today's business environments call for heightened levels of collaboration, which further increase the appeal that Buddhist psychology has on twenty-first-century performance.

### – *Practicing right livelihood*

Right livelihood is one of the elements of the "Noble Eightfold Path," in Buddhism also known as the "Fourth Noble Truth." The four noble truths are foundational in Buddhism and basically entail that suffering exists (first Noble Truth), suffering has a cause (second Noble Truth), suffering can be ended (third Noble Truth), and the way to end suffering is through the Noble Eightfold Path (fourth Noble Truth). The Noble Eightfold Path encompasses the following practices or insights: Right View; Right Intention; Right Speech; Right Action; Right Livelihood; Right Effort; Right Mindfulness; and Right Concentration. There is no specific sequence in this set of insights, because they are interrelated (Marques 2017).

A Buddhist practitioner will refrain from wrong livelihood, which means not being engaged in destructive practices, or those that can lead to harmful outcomes. Consequently, engaging in Right Livelihood means that one has



**Buddhism and Business Ethics, Fig. 1** Buddhist psychology as a foundation for business ethics

to think deeply and broadly about one’s professional performance and consider the effects of this performance onto other living beings, human and nonhuman, on the short and long term (see also chapter ► “[Meaningful Work](#)” by A. Veltman in Encyclopedia of Business and Professional Ethics).

Figure 1 depicts the four perspectives on which we justify Buddhist psychology as a suitable way toward increased business ethics in this chapter. The figure also captures the considerations that support our notion that the business world may be ready for such a consciousness-based moral mindset.

## Concluding Thoughts

The Dalai Lama (2005) affirms that the highest spiritual ideal in Buddhism is to foster empathy for all living beings and contribute toward their well-being as much as possible. We have no shortage of challenges in the world today: starvation, illness, war, discrimination, abuse, rejection, and greed – the list is expansive and disheartening. Turning these challenges into virtues can only happen through enhanced collective awareness and mindful performance. Yet, a collective movement can only happen when each participating individual makes it a point to engage in the right conduct. Business, as the most powerful entity

worldwide, is in need for a narrative that supports personal responsibility, healthy detachment, collaboration, and the practice of right livelihood, as explained above. Given the development it can bring, business has the advantage to penetrate in the furthest corners of the globe. Considering the practice of Buddhist, psychology may instigate a long-overdue breakthrough in the way we perform in business, reduce the existing suffering, and make earth the respectful, compassionate, and ethically sound habitat that only we can make it.

## Cross-References

- ▶ [Awakened Leadership](#)
- ▶ [Buddhism](#)

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## Business and Ethics of Capital Punishment

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## Synonyms

Criminal execution; Death penalty

## Introduction

Capital punishment is the state’s purposeful execution of a legal offender according to due process of law. Depending on the jurisdiction, it might involve lethal injection, electrocution, firing squad, hanging, etc. The business of capital punishment concerns the everyday manner in which the system of capital punishment functions, while the ethics of capital punishment concerns the normative justificatory status of both the institution and practice of capital punishment. The institution of capital punishment includes the rules and regulations which govern its practice, which is the carrying out of the death sentence on duly convicted first-degree murderers, certain war criminals, and others strongly responsible for such crimes deserving of execution. Among other things, the business of capital punishment concerns itself with the practical viability of capital punishment, that is, the extent to which the institution and/or practice of it is economically feasible. On the other hand, the ethics of capital punishment concerns the extent to which the institution and/or practice of capital punishment ought to become legal. The business and ethics of capital punishment converge rather well when considerations of justice and economics are taken seriously. And one context in which this has come to light is in the State of California wherein in November of 2016 the institution and practice of capital punishment was re-approved by popular vote, while another proposition was approved that will, it is promised, bring substantial changes to the manner in which capital punishment will be



administered. This coincides rather well with a newly developed philosophical theory of capital punishment which directly addresses the business and ethics of capital punishment.

### Views About the Moral Justification of Capital Punishment

There are numerous views on the moral justification of both the institution and practice of capital punishment. First, there is capital punishment retentionism, according to which the institution and/or practice of capital punishment is morally justified as each exists currently, say, in a particular society and under a particular legal system. One concern with this view is that capital punishment is sometimes administered unfairly with innocents being either executed or offenders being over-sentenced. Another concern is that the practice of capital punishment costs the state too much in that inmates often wait decades until the final disposition of their cases, thereby violating, in the United States, the federal constitutional right to speedy due process. It is difficult, then, to remain a capital punishment retentionist in light of such difficulties.

The polar opposite view from that of capital punishment retentionism is capital punishment abolitionism, a view which denies that capital punishment is ever morally justified and that it can ever be made to function well economically. But this view also faces difficulties, namely, because it often relies heavily on the unproven assumption that there is an absolute and non-conflictible human right to life. This view often also assumes that the practice of capital punishment is “uncivilized” (Reiman 1985). There are, of course, counterexamples to the claim that no one deserves to be executed for even the most heinous offenses: former US president Andrew Jackson for his primary policy-making role in the genocide of American Indians, former US president George W. Bush for his causing the unjust military invasion and occupation of Iraq, David Westerfield for the first-degree murder of Danielle van Dam wherein there was much clear evidence and absent mitigating circumstances (see *California v. Westerfield*), etc.

Moreover, it states, because sometimes innocents are executed, the very institution of capital punishment ought to be abolished. However, that some innocents are executed is not a sufficiently good reason to defeat the claim that those who deserve (satisfy strongly the conditions of liability responsibility for the crime of genocide, first-degree murder, etc.) to be executed should be executed. Finally, for those who assert that those legal systems which employ capital punishment are uncivilized, one must recall that name-calling constitutes an ad hominem fallacy.

Capital punishment suspensionism is a newly developed and defended position on capital punishment which states that the institution of capital punishment is morally justified, but that the practice of capital punishment ought to be suspended until certain important reforms have been made to the institution and practice of executing the most serious offenders (Corlett 2014: Chap. 9). It recognizes that some cases of capital punishment are very easily identifiable, such as the ones mentioned in the previous paragraph. And this is all that is needed to justify the institution of capital punishment. Moreover, in such cases, the practice of capital punishment is most definitely justified due to the heinous natures of the crimes committed (i.e., genocide, starting an unjust war, first-degree murder). For one to deny (rather than prove) that capital punishment could ever be morally justified would be to deny any plausible principle of proportionate punishment as well as to deny that criminals could ever qualify as responsible agents deserving of execution. Yet with the counterexamples just marshaled, such an abolitionist claim seems unfalsifiable and hence implausible. That capital punishment sometimes is or could be morally justified, then, implies the need for its being institutionalized by law. Yet this alone does not justify the practice of capital punishment, as that would occur only to the extent that certain individuals qualify for the death penalty. If none do, then capital punishment would not be justified. If some do, then capital punishment would be justified in those cases. But to decide a priori whether or not capital punishment is morally justified is hasty at best, as how does one know whether or not a most serious offended

deserves it, whether past, present, or future? Thus, the institution of capital punishment must stand as a legal apparatus just in case there are such qualified candidates for the death penalty.

So just as capital punishment retentionism is problematic in that it refuses to even suspend the practice of capital punishment until the system is changed in order to safeguard against injustices in the execution of the most serious offenders, capital punishment abolitionism is problematic in that it unfalsifiably denies that any person can genuinely qualify for the penalty of death and that because some innocents are executed that none should be – even those who are duly convicted! In light of the above considerations, then, capital punishment suspensionism is the most reasonable position to adopt with regard to the punishment of the most horrendous duly convicted legal offenders.

However, it is one thing to clarify which general position is the most reasonable, yet it is quite another to explicate that position in some detail. Capital punishment suspensionism is in need of further explication, and doing so in light of the business of capital punishment seems to be a promising manner in which to do so. What precisely is capital punishment suspensionism?<sup>1</sup>

## Capital Punishment Suspensionism

The economic objection to the practice of capital punishment links to the unfairness objection and states that insofar as the practice of capital punishment is economically problematic in costing the state too much of its budget to carry out such sentences, it is unfair to the state and to the inmates to continue to incarcerate them for such lengthy periods of time prior to their executions. The main reasons for such pre-execution wait times is because, as in the state of California, habeas corpus petitions and appeals can take more than 20 years to process due in part to the fact that there is a shortage of qualified capital punishment defense attorneys to handle them. There is also a glut

concerning the State of California's Supreme Court which is charged with handling such matters. Thus, the glut leads to the tremendous cost of capital cases to the State of California. So the State of California's failure to invest the resources necessary in order to efficiently process such cases costs the state dearly and leads to the unjust over-incarceration of inmates, violating their constitutional rights to speedy due process. One proposed solution to this complex problem is to either reform the system of capital punishment in California such that sufficient resources are allotted to the institution of capital punishment in order for it to carry out capital sentences within a timely fashion and accurately or abolish both the institution and practice of capital punishment (Alarcon and Paula 2011).

Corlett (2014: 164f.) answers that this proposed solution commits a bifurcation fallacy of the following kind: either properly reform the institution of capital punishment or abolish both the institution and practice of capital punishment. Since the defenders of this position insist that the institution of capital punishment in the State of California cannot be adequately reformed, they argue for the abolition of both the institution and practice of capital punishment. The reason why this constitutes a bifurcation fallacy is because capital punishment suspensionism represents a plausible attempt to suspend the practice of capital punishment (in the State of California) in order to reform the very institution of capital punishment (in the State of California) so that the practice of capital punishment in the State of California can resume with moral integrity and economic efficiency. Thus, capital punishment suspensionism represents a third viable view between the two extremes presented by the proposal mentioned above.

Capital punishment suspensionism has a three-pronged proposal to reform the system of capital punishment in the State of California. The first part of the proposal is the Law School Innocence Program, the second is the Inmate Worker Program, and the third involves the compensation of incarcerated innocents.

The Law School Innocence Program (LSIP). This would be a voluntary program for law school students to participate for course credit during their final term of study (10–20 h per week).

<sup>1</sup> (What follows is a brief summary of capital punishment suspensionism as it is found in Corlett (2014: 164f)).

Each of the accredited law schools would participate, and each would want to compete for the distinction of being the one that trains the finest LSIP team which participated in the exoneration or lowering of sentencing of the most death row inmates in the State of California. It would also create prospective careers for their graduates of the program. Once these students gain expert law professor-supervised expertise in capital cases, they would be encouraged to apply for a full-time salaried position in the Habeas Corpus Resource Center (HCRC) or the Office of the State Public Defender (OSPD). Only about 2% of all such law school graduates in the State of California each year would be needed for this program to have sufficient numbers of legal personnel. In order to ensure such participation at the said level of the LSIP, 6 years of full-time excellent quality service is required in order for such attorneys to receive full forgiveness of their law school tuition by the State of California. It is conservatively projected that the LSIP would provide at least 100 such trained experts in capital cases per year who would be qualified to serve in either the HCRC or the OSPD, thereby constituting an unprecedented team of experts critically examining the case file of each death row inmate in the State of California (currently of which there are about 800). Each death row inmate would have a team of two to three full-time expert attorneys working her case, thereby dramatically working through the backlog of death row inmate cases awaiting final dispositions. This provides better justice for the inmates, as each will either be exonerated more quickly than otherwise or be executed more quickly. In either case, speedier due process is achieved throughout the backlog of cases. But simultaneously, the cost of incarcerating such inmates reduces significantly as older cases are handled first, until the most recent death row case is disposed.

The LSIP would take about 20–25 years to work through the backlog of death row cases. In the meantime, the practice of capital punishment could be suspended for about 10–12 years until there is sufficient number of full-time attorneys in the HCRC and the OSPD to provide the unprecedented expert legal representation that each current

death row inmate deserves. The overall quality of legal representation in such cases is indeed unprecedented perhaps in the world. But it is what justice requires, especially in capital cases. Once the suspension period is over and the newly and dramatically reformed system is functioning well, then executions of those who did not earn exoneration can and should resume without apology. For the best expert representation in the United States would have been afforded such inmates – from the law school students to the expert attorneys at the HCRC, the OSPD, and the additional judges and staff provided at the Superior Court level to handle such cases instead of the Supreme Court of the State of California. It turns out that with the State of California investing a great deal of resources each year to fund the LSIP, it almost pays for itself in terms of how many years into the future (once the LSIP program begins after the first 3–4 years of its being established) that the state is not paying the cost of death row inmates which currently averages about 25 years before such cases reach final dispositions. Considering the average annual cost to incarcerate each death row inmate is about \$140,000, this represents a substantial savings for the State of California. After about 20–25 years of covering the current backlog of death row inmate cases in California, then each death row inmate after that would receive very speedy due process (about 5–6 years, after which time the State of California transfers the inmates to a federal facility wherein the federal government covers the cost of such incarceration) until the final disposition of their cases. Yet once the backlog of capital cases is disposed, then the law students in question, the attorneys at the HCRC, the OSPD, and the Superior Court can turn their attention to the oldest non-capital inmates and work through such case files to see if there are any innocents or over-sentenced inmates among them. Thus, the criminal justice system is crucially reformed and inmates of all levels and kinds receive speedy due process and unprecedented quality and quantity of legal representation. The LSIP addresses directly the concern that the system of capital punishment costs the state too much in terms of its constantly struggling budget. As has been demonstrated, the LSIP can eliminate the

backlog of death row inmate cases within 20–25 years, and it can almost pay for itself. Yet the LSIP, when coupled with the Inmate Worker Program, can not only generate millions of dollars so that the LSIP pay back the State of California for its investment in the LSIP, but it can generate excess revenue which can total about one billion dollars more.

The Inmate Worker Program. This program involves uncompensated penal labor in the form of hard agricultural work that is presently performed mostly by migrant workers. The State of California can contract with local agriculture owners, especially those with large farms so that inmate workers can be provided security, to provide legal labor at a cost at or just above what current farm workers earn. The benefit to the agriculture owners is that they are functioning legally, without fear of the law's interference with their production which sometimes leads to gaps in production when illegal farm workers are caught and deported. The benefit to the State of California is that earnings from a 40-h work week at said wage by each criminal inmate throughout the state is given directly to the state. Annually, the State of California will generate just over \$1 billion from this program. The inmate worker program, coupled with the LSIP, will generate about \$1 billion in revenue for the state. But some of this revenue should be used to both reasonably (relatively speaking) compensate the exonerated inmates from death row and otherwise and to better fund existing and create new viable social programs in order to prevent people from becoming criminals or becoming criminal recidivists.

Compensating the Incarcerated Innocents. Currently, the State of California allows for a *maximum* of \$100 per day for wrongful incarceration in one of its prisons wherein the former inmate can prove to the state that it had nothing to do with her conviction. But Capital punishment suspensionism would make \$100 a day the *minimum* that would be paid to such inmates. One reason for this is that some inmates, death row or not, were incarcerated at a time when their income was substantially greater than \$100 per day. Another is that time in prison for innocents amounts to a most heinous

wrongdoing and must be compensated in approximate proportion to the tremendous harm of unwarranted legal imprisonment.

But there is more to the business of capital punishment than even the foregoing. It is also important that the state implement viable and affordable social justice programs in order to combat the conditions that lead to criminal behavior in the first place. A reasonably just society would do well to use some of its inmate worker program revenue to fund such programs as it constitutes a wise investment in people who might be able to be assisted to live productive and meaningful lives. Along these lines, John Rawls' theory of justice has much to offer, especially in term of his difference principle according to which the least advantaged in society ought to benefit no matter which law or policy is instituted (Rawls 1971).

## Conclusion

Thus, it is clear that capital punishment suspensionism can work in the State of California and perhaps elsewhere. It creates hundreds of new and well-paying and permanent legal careers and jobs. It reduces tremendously the wait period of incarceration from sentencing until the final disposition of cases such that death row inmates received speedy due process. And it creates a revenue base for the State of California to generously compensate the wrongfully convicted and innocent inmates both on death row and throughout the criminal justice system. It strengthens considerably the business side of both the institution and practice of capital punishment, and in a manner which comports with genuine moral justification.

## Cross-References

► [Rawls' Theory of Justice](#)

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## Business and Human Rights

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### Synonyms

Moral rights; Natural rights

### Introduction

Only a few decades ago, the prospect of aligning business and human rights seemed unlikely. Businesses were widely seen as private enterprises whose goal was to make profits, while human rights were standards of international law imposing treaty-based obligations on state signatories.

Yet increasingly the interaction between human rights and business has strengthened. Community expectations for business continue to change, pressing towards a more ethical approach to profit-seeking. At the same time, the powers of businesses – especially large multinational corporations (MNCs) – have been expanding relative to states. Further, due to globalization, MNCs have begun major operations in countries where human rights of employees and local communities are not guaranteed, and can be negatively impacted by business activities (Sampford 2012). These ingredients of capability, proximity, and impact are common devices for attributing moral responsibility (Campbell 2006).

Nevertheless, there is significant contestation over what exactly human rights require of businesses. Despite important developments in settling and institutionalizing these requirements, controversy and fluidity remain.

Some of this fluidity stems from unresolved definitional and philosophical questions about human rights themselves. To be sure, many aspects of human rights are relatively settled. Historically, human rights developed out of natural rights thinking in the early enlightenment. These gave rise to the “rights of man” invoked in the French Revolution and the “unalienable rights” in the US Constitution. The expression *human rights* attained significance in the mid-twentieth century with their invocation in the 1945 Charter of the United Nations, and subsequently in major international treaties. Their legal status in multinational treaties and state constitutions, and their institutional status at the United Nations, gives human rights a claim to being the world’s ethical lingua franca – though other normative regimes like “human security” and the Sustainable Development Goals should be noted.

Substantively, contemporary business ethics accepts the received view that human rights are especially important inalienable rights held by all individuals equally on the basis of their common humanity (Brenkert 2016, 3). While the precise content of human rights is disputed, the touchstone remains the list of freedoms and protections found in the “international bill of rights,” consisting of the 1948 *Universal Declaration of Human Rights* and the major treaties on civil, political, economic, social, and cultural rights stemming from the *Declaration*. Nevertheless, because of the expansive entitlements these invoke, some ethicists argue for a narrower, more achievable list of human rights.

As well as controversies about the inclusions in a list of human rights, unresolved questions about human rights include whether they are specifically Western (a concern about relativism); whether they are inherently legal or ethical obligations; whether they are morally basic or arise from other devices (such as a social contract); whether they derive their ethical force from concerns with human dignity, autonomy, or some other quality;



and, whether human rights function as “trumps” or whether they can be weighed against other ethical values (such as democratic lawmaking). Answers to these general questions about human rights impact on how they should apply to business specifically (Brenkert 2016).

## Business and Human Rights

In the close of the twentieth century, the rise of globalization and capitalism shifted the balance between business and state, creating new “governance gaps” where serious wrongs (including complicity with armed factions and modern slavery) could be committed by corporations without effective sanction from either domestic or international law.

This gave rise to increasing calls to have ethical constraints – and perhaps ethical ideals – incorporated into business functioning. One promising avenue was to have corporations bound by human rights obligations. To be sure, despite their growth in power and resources, corporations differ greatly from nation states. Almost all commentators accept that the major differences between states and human rights mean that businesses must have a different array of obligations compared to states (e.g., Campbell 2006).

This opens the question of how human rights can be properly incorporated into business activities, perhaps using codes or other instruments of guidance. A baseline position holds that human rights are the primary responsibility of nation states, who are, after all, the signatories of treaties and therefore bound by international law. The moral minimum required of business is to respect the many ways states endeavor to promote human rights. As corporations are not humans, they have no human rights against being regulated for human rights purposes (Sampford 2012). States may implement laws to protect the human rights of both their own citizens and of any people impacted by corporations headquartered within their borders. Key areas of human rights concern on this basis include labor laws, non-discrimination laws, health and safety laws, and environmental laws.

If the minimum standard imposed by human rights is for businesses to respect the legal obligations imposed by rights-respecting governments, beyond this baseline there is a variety of views on the relationship between human rights and ethical business. Two main approaches are noted below, consisting of instruments developed by authoritative institutions to codify business’ human rights requirements, and a more flexible, judgment-based approach.

### Institutionalizing Human Rights and Business: The UN Guiding Principles

Given the indirect and fragile application of international human rights law to businesses, and the governance gaps exposed throughout the 1990s, many attempts were made to improve human rights outcomes by better codifying and institutionalizing human rights requirements for businesses. Even in the absence of black letter law, codifying serves many important processes. It can help settle expectations, clarify duties and priorities, communicate higher standards, and create institutions to facilitate and monitor outcomes (Campbell 2006).

In this context, human rights were invoked as relevant Corporate Social Responsibility (CSR) obligations in major instruments including the *Global Compact* – where human rights make up the first two principles – and the ISO26000 *Guidance on social responsibility* – where human rights appear as both a “core subject” and a “key principle.” However, the *UN Guiding Principles on Human Rights and Business* stands as the most influential codification of human rights duties for business. (The most recent versions of the *Global Compact* and the *OECD Guidelines for Multinational Enterprises* explicitly incorporate the *UN Guiding Principles*.)

The *Guiding Principles* developed out of a lengthy international research and consultancy period. Initially, the draft norms specified only a limited array of human rights to which business needed to attend, but laid down expansive responsibilities with respect to those rights. Over the course of the consultation, however, a different approach gained traction. This approach *widened* the amount of human rights that should be



respected to the full list enumerated in the international bill of rights. At the same time, it *restricted* the types of obligations that businesses must shoulder to implement those rights (Ruggie 2008).

To explain: It is widely accepted in both law and ethical theory that are multiple ways in which an agent, X, can help implement a given human right of another person, Y (e.g., Sampford 2012; Brenkert 2016). (Unfortunately, there is no consensus on terminology for these modes of rights implementation. The terminology employed in what follows is common, but variations abound.) X might *respect* Y's right – by ensuring that X does not personally violate Y's right. X might *defend* Y's right – by preventing others from violating Y's right. X might *facilitate* Y's right – by influencing or helping others to implement Y's right. X might *fulfil* Y's right – by delivering its substance directly to Y. And X might *remedy* Y's right – by compensating Y for having their right violated. States are called upon to implement rights by delivering a “scheme of social arrangements” that strategically employs all of these possibilities (Sampford 2012).

Of course, businesses are not states. With this in mind, the Guiding Principles adopted a tripartite approach to rights implementation, holding that states had the duty to *protect* the right (which included the above-noted obligations of defending, facilitating and fulfilling the right), but that businesses held a duty to *respect* the right. Both shared duties to *remedy* the right.

The fundamental obligation to respect (i.e., not personally violate) human rights was based on social expectations, as well as businesses' apparent willingness to accept this duty. Businesses themselves wanted to say that they would never violate others' human rights, and society expected them to live up to this standard.

While the obligation to respect (rather than to promote or protect) might sound narrow, the *UN Guiding Principles* held that it carried significant requirements (Ruggie 2008). First, it was not a merely “negative” requirement to avoid violating rights. Rather, large institutions needed due diligence, in the form of proactive analysis and risk management, to ensure they had processes that

would empower them to reliably recognize and avoid human rights impacts. Second, the Guidelines held that businesses can rightly be held responsible not only for violations they directly perform but also violations in which they are *complicit*. Close involvement with armed groups or authoritarian governments, or exploitation of modern slavery in supply chains, became core concerns of this approach.

The obligation to provide a remedy in the form of effective grievance mechanisms was held to follow from the obligation to respect. In the course of ensuring they did not violate human rights, businesses had obligations to provide effective mechanisms to have claims against them appropriately heard and judged – even if the domestic law or local courts were not viable options for the protection of rights.

The *Guiding Principles* stands as a powerful example of the attempt to codify human rights obligations for business. It lays down not only the specific rights to which businesses should respond but also details the types of duties (i.e., to respect and to remedy) businesses must shoulder to live up to their responsibilities.

### **Judgment: Human Rights and Flexible, Contextual Obligations**

Codification provides important advantages, giving stability and concrete form to businesses aiming to uphold human rights responsibilities. But it has costs too. Several recent philosophical theories of human rights take the position that – while human rights themselves remain primary and stable – many of the types of duties that can flow from them should be understood flexibly and with attention to context.

It was noted above that human rights can be protected through many modes. While codification through courts and treaty provisions can be important, from the moral point of view what matters is that states respond effectively and fairly to further human rights (Sen 2004; Breakey 2015). States are therefore called upon to use the many policy levers at their disposal – including legislation, executive action, public services, and regulation – to craft a scheme of social arrangements that works to respect, protect, facilitate,

fulfil, and remedy human rights. While some types of duties (e.g., to respect and protect rights) may be fixed and stable over time, overall this scheme may be in perpetual flux, responding to new threats to rights and seizing new opportunities to fulfil them as context determines.

Just as states can and do respond flexibly, so too can ordinary human subjects and the institutions they create – including businesses and corporations. As Amartya Sen (2004) argues:

Human rights generate reasons for action for agents who are in a position to help in the promoting or safeguarding of the underlying freedoms. The induced obligations primarily involve the duty to give reasonable consideration to the reasons for action and their practical implications, taking into account the relevant parameters of the individual case.

On this footing, corporations rightly have responsibilities for human rights, either intrinsically on the basis of their status as (collective) agents or because the human beings that populate them have those responsibilities, which are then mediated through the work of the institutions they create. Some of the ensuing duties will be stable over time – such as the obligations to respect human rights. But other obligations will arise more flexibly, depending on context, capabilities, opportunities, and risks.

As well as its philosophical defenders (Sen 2004; Breakey 2015), this flexible approach is practically embodied in instruments like the UN Global Compact. The Global Compact follows the Guiding Principles in seeing the obligation to respect human rights (including not being complicit in human rights violations) as an absolute baseline requirement. It lists three sets of factors for determining the scope of these obligations: the particular challenges created by the local country context; whether the business is contributing to human rights violations in their capacity as producers, service providers, employers, or neighbors; and, the relationships the business has with other agents who pose risks to human rights. These factors parallel those used in philosophical analyses of human rights obligations (Breakey 2015). Further, the Global Compact also invokes the need to *support* human rights, where

companies can make a positive contribution to human rights, especially in areas that are strategically relevant to their core business activities – such as through providing decent work and producing quality goods or services that improve lives.

## Concluding Remarks

The Global Compact and the UN Guiding Principles are both, like all other international CSR instruments, voluntary initiatives. However, the fact that these codes are *legally voluntary* does not mean their obligations – especially their human rights obligations – are *morally optional* (Campbell 2006). Equally, the fact that some human rights obligations may be flexible and contingent on context does not mean these duties are not mandatory (Sen 2004; Breakey 2015).

Ultimately, the relationship between business and human rights is still evolving. Some aspects of human rights obligations for business are relatively uncontroversial. These include the legal obligation to obey the government's human rights-based laws, the moral obligation to respect (not violate) human rights, and to remedy violations when they occur. For businesses, these are not purely negative duties, but require due diligence and strategic action. Yet there are rights-based reasons for extending obligations beyond these baselines, including widening the sense of complicity at work in rights violations (including supply chains) and expanding the modes of obligation from respect and remedy, to fulfilment and facilitation.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Corporate Social Responsibility](#)
- [Human Rights](#)
- [Human Rights and the Multinational Corporation](#)
- [Justice](#)
- [Officer-Fiduciary Duties](#)

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## Business and Peace

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## Introduction

The concept of business and peace focuses on the ways in which business organizations can contribute to peace both through direct action in conflict-sensitive zones and in general business conduct whether or not connected to a conflict-sensitive zone.

## The Concept of Business and Peace

Kant (1795) and Montesquieu (1748) both held that trade had the potential for enhancing peaceful relations. Economists, such as the Nobel Prize recipient F.A. Hayek (1988), made a similar argument in that trade most efficiently depends on trustworthy relationships, where ethical virtues such as truth-telling, promise-keeping, and

delivery of high-quality products and services are practiced. The benefits of trade create incentives for individuals to participate in the same circle of trade most efficiently proceeding on the base of this mix of ethics and trade. Taken to its logical conclusion, Hayek suggested that an expanding circle of trade and the ethical relationships producing optimal trade could produce international peace. The idea that trade contributes to peace has been promoted by government leaders from a variety of perspectives.

The focus on how specific business organizations might impact peace, however, is relatively new. Its origins lie in a book by Jane Nelson, writing for the Business Leaders Forum. In 2000, she published her *The Business of Peace*, (Nelson 2000) which essentially set out business's contribution to peace as a mechanism of strategic corporate social responsibility with a benefit to business itself. A year later, Virginia Haufler, writing for the Carnegie Endowment of International Peace, published *A Public Role for the Private Sector*, (Haufler 2001) which complementarily developed the positive political role that businesses could play in addressing many underlying conditions that could lead to violence, if unattended, but which could benefit constructively through the participation of business organizations.

From an academic standpoint, these starting points provided the foundation for a series of books by Timothy Fort (Fort and Schipani 2003; Fort 2007, 2008, 2015). The general thrust of these books has been that businesses can make three central contributions peace. First, business organizations are the engine for economic development, which creates jobs. Evidence shows that alleviating poverty, engineering technological and managerial transfer, and differentiating an economy away from commodity-based economics are associated with reduction of violence. Second, companies that follow and reinforce rule of law principles and structures such as protection of property and contract rights and dispute resolution forums. Perhaps more importantly, there is a clear correlation between corruption (here, bribery) and violence so that companies adopting strong anti-

bribery policies also make a contribution to peace. Third, to the extent companies create a sense of community in their work, they promote peace. This includes an external dimension through corporate citizenship, and it also includes building an internal corporate community that respects employee voice, gender equity, human rights, and sizes groups to match the optimal neurobiological capabilities; in doing so, one not only provides the environment so that employees recognize the consequences of their actions, but it is also a feature that replicates anthropologically determined attributes of nonviolent societies.

Indeed, this stream of argument links business and peace to the field of business ethics and corporate social responsibilities. If it is true that the above are attributes of nonviolent groups, established empirically through anthropology, political science, and economics, it is also notable that such practices are also those generally recommended by most businesses ethicists. Thus, ethical business conduct – as defined by these peace-building practices rather than by adherence to any particular philosophical or political point of view – has the potential, in a virtuous circle, to build peace.

Multiple special issues of academic journals, such as the *Journal of Business Ethics*, *American Business Law Journal*, *Vanderbilt Journal of Transnational Law*, *Academy of Management Perspectives*, and *Business Horizon*, have all expanded upon these arguments.

Additional scholarship has been generated with respect to specific industries. For example, Natalie Ralph (2015) and Jill Shankleman (2007) have each written books on the possibilities for peacebuilding within the extractive industry. Others focus on the specific responses businesses make in conflict sensitive zones, such as Jennifer Oetzel and Kathleen Getz (2012) and also Angelika Rettberg (2014). Cindy Schipani and Norman Bishara (2010), and Terry Dwokin and Schipani (2002) have examined the impact of gender policies and opportunities, and Gretchen Spreitzer has written about the peacebuilding aspect of voice in the workplace.

Still others focus on a particular geographical area such as John Forrer and John Katsos with

respect to Cyprus. Non-Governmental Organizations (NGOs) have also devoted specific attention to business and peace, such as the United Nations, International Alert, the Institute of Economics and Peace, the Business for Peace Foundation, and Peace Through Commerce. The United States Institute of Peace sponsored a task force studying the topic as well. Related to the governmental role in this area, Jo Ford has written on the essential feature of public policy in establishing parameters for business activity (Ford 2015).

With this growth in the field, scholars increasingly attempt to categorize the emerging segments of this research. One such categorization is among peacemaking, peacekeeping, and peace building.<sup>1</sup> The first two look at the actions of business in conflict-sensitive zones. What can businesses do in order to bring conflicting parties to a negotiating table. This might include direct intervention in meeting with leaders of conflicting sides, as was reportedly the case with respect to General Electric executives and the leaders of Pakistan and India in the late 1990s (Friedman 2002). It could include generalized statements from business encouraging conflicting sides to find ways to make peace, such as occurred in Northern Ireland. The aims of these two aspects of business and peace relate to dampening existing conflict.

Peace building is a more generalized approach where businesses take actions that have been shown to increase the likelihood of constructive relationships with stakeholders. There is much overlap with the fields of business ethics and corporate responsibility though most advocating for this approach steer away from a philanthropically oriented corporate social responsibility strategy.

Another division is among peace entrepreneurs, corporate foreign policy, and unintentional contributions to peace (Fort 2015). Some businesses are social entrepreneurs. They specifically use the business organizational model in order to achieve financial success but also social goals. In some cases, there are corporate chartering models, such as the “B” corporation in the United States,

<sup>1</sup>International Council of Swedish Industry

that makes this social entrepreneurship more secure, but given the fact that all corporations are based on a principal-agent relationship, as long as the shareholders desire noneconomic objectives, the peace entrepreneur could use any business model.

Regardless of that choice, peace entrepreneurs may seek to employ members of opposing groups in a conflict so they have the experience of engaging with the “other” or to run tours to both sides of a conflict, so that tourists can gain an appreciation of each side of a conflict.

Many multinational corporations seek themselves as independent geopolitical actors and thus calculate what is in the corporation’s best interest. This could mean that the company believes that it is benefitted more from violence than peace, but with less than 10% of the world’s gross product in the military-industrial complex, most businesses benefit from peace and stability rather than from violence. Thus, there can be instrumentalist calculations that peace is in a business’s self-interest.

Finally, many (probably most) companies do not see themselves as involved in peace-related activities. They simply are doing their own businesses. Yet, the way they do business can matter. Are they exploiting workers or spoiling the environment? Do they constantly break the law and bribe? As already noted, these factors are associated with violence while their opposites associated with peace. Thus, business engaged in solid ethical conduct makes a contribution toward peace even if they are unaware of it.

## Cross-References

- [Bribery](#)
- [Corruption and Gender](#)
- [Corruption and the American Foreign Corrupt Practices Act](#)
- [Economics and Business of War and Responsibility for Unjust Wars](#)
- [Hayek, Friedrich, The Work of](#)
- [Military Industrial Complex \(MIC\)](#)
- [Organizational Culture and Corruption](#)
- [Property Rights](#)

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## Business and Society

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## Synonyms

Business ethics journal; Journal on business ethics; Journal on social responsibility of business

## Definition/Introduction

This is a brief description of the origins of what is currently the official journal of the International Association of Business and Society.

## Description

The first issue of the *Business and Society (BS)* appeared in September 1960, with 36 pages. This

was also the total number for the first volume. Its basic aim and scope were described by its editor, Richard Thain, in an editorial called “Declaration of Interdependence.” We are told that the aim is “especially to stress the interdependence of business and all other disciplines which contribute to society. We will attempt to examine the total fabric wherein the contributions of the humanities, the sciences and the arts are inextricably interwoven with the concerns of modern management...Business decisions are of such import to the lives of everyone that moral and ethical values are as much concern to businessmen as to philosophers...The articles range from research reports, articles of opinion and essays to literary forms...satire, the short story and the poem are admirable media for the sensitive conveyance of commentary and impression to educated readers.”

The original sponsor of the journal was the College of Business Administration of Roosevelt University in Chicago. The plan was to have a semiannual publication appearing in the fall and spring. The first issue was sent to a select group of potentially interested readers and writers, based on a “carefully built” mailing list of “literate readers from all walks of business and society – people who would be likely to share our concerns.” The price was set at 60 cents per copy, \$2 for a 2-year subscription. Financial contributions to the “magazine” were welcomed and would “receive the tax treatment accorded any educational contribution.”

As of May 2017, there have been 56 volumes produced with various numbers of issues and pages per volume. The publisher is now SAGE. The current volume has five issues making 781 pages. Printed volumes sell at \$150 per volume. The coeditors are listed as Andrew Crane, Irene Henriques, Bryan Husted, and Dirk Matten.

## Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [International Association for Business and Society](#)

- [Journal of Business Ethics](#)
- [Society for Business Ethics](#)

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## Business and War

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## Synonyms

Corporate Responsibilities; Just War Theory; War Ethics

## Introduction

This entry is about the ethics of war and the ethics of business and how moral justifications about the war and the way a war is waged have an impact on the responsibilities of noncombatants, that is, those who are not direct participants of the war effort, including civilians, business firms, and their executives and employees.

## Business and War

As of December 2022, over one thousand American companies have publicly announced that they are voluntarily curtailing business in Russia amid pressure from consumers to protest Russia’s invasion of Ukraine and beyond what is legally required by international sanctions (See “Over 1,000 Companies Have Curtailed Operations in Russia – But Some Remain,” Chief Executive Leadership Institute, Yale University <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>). Will these efforts force Russia to end the war? Are the companies leaving Russia motivated by moral concerns?

The war in Ukraine has revived interest in the involvement of business corporations in war. Is it



morally permissible to seek and make profits from war? Do business firms have distinctive moral obligations in wartime as opposed to a context of peace?

The traditional view about the morality of war is summarized in Just War Theory, an ethical framework originated in Christian theology that is concerned with the justification of why and how wars are fought. Traditional Just War Theory holds that the responsibility for resorting to war rests on state political authorities and that the responsibility for how the war is waged rests on the state's army. According to that view, business firms and civilians have no special obligations in wartime (Walzer 1977).

The purpose of this entry is to critically examine this traditional understanding of war as a way to reconsider the responsibilities of business firms and executives in armed conflicts.

Building on a revisionist take on Just War Theory, this entry considers the status of the rules of engagement in war. Two claims are defended in the course of this entry. First, the principle of discrimination should be redefined according to the civilian's contributions to posing an unjust threat, the regularity of her behavior, and the intentionality of her acts. Second, the moral obligations of civilians and business corporations are fundamentally altered by the war context. Thus, the standards of liability to defensive attack should embody reasonable expectations about their behavior in wartime.

Despite the fact that war and ethics do not seem to go well together, warfare has been infused with moral concerns from the very beginning, as exemplified in Homer's *Iliad*. War is brutal, and we humans have every reason to consider moral principles that may justify resorting to war and avoiding particular forms of warfare. The "just war tradition" started with Christian thinkers St. Augustine and Thomas Aquinas and has informed a historical body of international rules applied in wars through the years, with the Geneva and Hague conventions as examples of legal limitations to certain forms of warfare.

Just War Theory offers a set of moral principles that work as an ethical framework for waging war. It comprises three distinctive parts. *Jus ad bellum*

concerns the justice of resorting to war in the first place. *Jus in bello* concerns the justice of conduct within war after it has begun. And *jus post bellum* concerns the responsibility and accountability of belligerent parties after the war has finished.

The principles of the justice of war (*jus ad bellum*) are that war should have a just cause, be the last resort, be declared by a proper authority, possess the right intention, have a reasonable chance of success, and have an end that is proportional to the means used. The principles of just conduct within war (*jus in bello*) hold that non-combatants are not permissible targets, that collaterally harming them is permissible only if the harm is proportionate to the goals of the attack, and that collaterally harming noncombatants is permissible only if it is necessary and the least harmful means feasible. Under traditional Just War Theory, these principles are independent of each other.

The central requirement of *jus in bello* is the requirement of discrimination, that is, the principle of civilian immunity. According to the traditional understanding of this principle, combatants ought to discriminate between combatants and noncombatants, intentionally attacking the former but not the latter because noncombatants pose no immediate threat to the soldier (Lazar 2015). This interpretation relies on the assumption that what makes an agent morally liable to defensive force is to pose a threat. Hence, the argument goes, the distinction between legitimate and illegitimate targets coincides with the distinction between combatants and civilians. "Noncombatants" includes civilians and combatants who no longer pose an external threat, such as the naked, wounded, sleepy, or surrendered soldier.

Against that argument, the author has argued elsewhere that posing a threat is neither a necessary nor a sufficient condition for moral liability (Alzola 2011). Not sufficient because there is no right of self-defense against non-responsible threats. A person does not lose her right not to be attacked by posing an unjust threat to another person if she is not morally responsible for that action (Otsuka 1994). Not necessary because a person may be morally liable to defensive force by virtue of being morally responsible for an unjust threat she is not directly posing (Rodin 2004).

What makes someone a legitimate target, what makes someone morally liable to defensive violence, is her moral responsibility for creating or maintaining an unjust threat. That entails breaking the wall between *jus ad bellum* and *jus in bello*: the justice of the war (e.g., a just cause) matters to the assessment of combatants. The Just War Theory's doctrine of the moral equality of soldiers does not hold. It makes sense to distinguish between just and unjust soldiers. Consequently, soldiers should distinguish those morally responsible for an unjust threat that provides a just cause for war from those who are not morally responsible (McMahan 2004). Unjust combatants are then legitimate targets of belligerent actions, but just combatants (and noncombatants) are not.

That creates a different set of obligations for combatants, who can disobey orders to fight an unjust war – unless they are members of a legitimate state acting in good faith (Renzo 2019). But how does this matter for business? How is it relevant to the firm's responsibilities and its executives?

Revising *Just War Theory* along the lines of responsibility has radical implications not only for soldiers but also for civilians. Under this account of moral responsibility, it matters less what uniform one wears and more what contributions one makes to a just (or unjust) war.

One may object that using moral responsibility as the basis for liability to defensive force does not work because moral responsibility comes in degrees, which makes it hard to establish a threshold to determine whether someone is a legitimate target. Nevertheless, this concern is not unique to the criterion of responsibility – and it is even more critical in traditional *Just War Theory* because its criterion of liability is all or nothing.

Admittedly, it may not be easy to obtain accurate information about the noncombatant's responsibility for the unjust threat that her country poses. A person's responsibility for posing an unjust threat can be summarized in her contributions to the war effort, the nature of her behavior, and her intentions.

First, if moral responsibility is a matter of degree, civilians' contributions to the unjust threat should be a standard to establish their war status.

Civilians participate in war as citizens who vote for belligerent political leaders, as taxpayers who fund the war, as journalists who can manipulate public opinion for or against the war, and as politicians who make war decisions. They can also do that in the context of business firms, where employees, managers, and business executives can contribute to the war effort in different ways. The firm itself, as a legal person, can also contribute to war and even influence public opinion by taking a stand on the war and deciding to withdraw or remain in the country pursuing an unjust war.

Civilians working as farmers and workers in munitions factories might perform causally necessary actions to destroy the just combatant. But there may be good reasons to distinguish civilians' liability to defensive force based on the degree of such contributions. Of course, those who provide the unjust combatant the material resources to fight an unjust war contribute to it but so do the civilians who provide food, shelter, protective clothing, and medical care. Traditionally, civilians who provide military resources such as weapons are considered legitimate targets but those who provide food and medical services are not. Still, a physician treating an unjust combatant contributes to prolonging the unjust war and making an unjust threat possible (Kamm 2004). Thus, regardless of whether civilians contribute guns or food to unjust lethal threats, only those whose contributions pass a certain threshold of causal and moral responsibility are liable. What follows is that regardless of how such a threshold is established, revising the traditional view leaves the door open, at least in principle, for regarding some civilians as legitimate targets (Fabre 2009).

A similar distinction can be made to determine corporate responsibilities as professional armies increasingly rely on private military contractors. Considering the type of services they provide and their location in the battle space, a spectrum of business corporations can be identified, ranging from regular commercial firms to military provider firms, military consultant firms, and military support firms. There is a gradient of presumed moral responsibility: the closer the activities of the corporation to the actual fighting, the higher its level of

contribution to the unjust threat and, the higher its degree of moral responsibility for posing an unjust threat and, therefore, the more legitimate its targeting by just combatants (Alzola 2011).

A second standard to determine the civilian's (or the firm's) moral responsibility is the degree of regularity of her behavior. Many civilians whose activities are essential to the war effort continue doing what they would have done in peacetime in their usual occupations (e.g., farmers, employees in the public sector, members of fire brigades, and priests). Since they are doing so little different from their peacetime occupations, even if their services are essential to the well-being and even the survival of combatants, they are not as legitimate targets as civilians who give shelter to unjust combatants or offer themselves as voluntary shields. Moreover, while the farmer, the doctor, and the priest are helping the soldier *qua* human being, the voluntary shield is helping the soldier in his capacity as a fighting man. The enemy is not the unjust soldier as a human being but as a soldier. In sum, a civilian who makes a material contribution to the war effort by acting in the same way he would be doing if the war were not in progress is less liable to defensive force than someone acting in a radically different way as a result of the ongoing war (Alzola 2011).

But contribution and behavioral regularity are not the only criteria for moral responsibility. A research scientist makes a discovery that contributes to developing new injurious weapons. A televangelist uses his TV program to promote the assassination of a foreign political leader. A newspaper agitates in favor of an unjust war by publishing false information. Although these civilians make a small causal contribution to the unjust threat, and their acts may be performed in the ordinary course of their occupations, they are more responsible if they intend to do so than other civilians who intend to keep themselves neutral or disassociate themselves from an unjust threat. Intentions make the difference in the permissibility of the civilian's actions.

Similarly, business firms are said to develop intentions on their own, presumably instrumental to achieving their goals. Arguably, the purpose of

business firms is evolving from a shareholder to a stakeholder orientation. However, corporate goals are grounded on the implicit assumption of relative peace and legitimate political institutions. What is the purpose of business in a different historical context? Is war a game for businesses to play for profits? Companies are invoking moral reasons to exit from Russia (See McDonald's announcement that it would exit the Russian market here: <https://www.sec.gov/Archives/edgar/data/63908/00006390822000020/exhibit991-05162022.htm>). Does the war context change corporate purpose even to the point of requiring withdrawing from (or remaining in) aggressor states and imposing the losses on the firm's shareholders?

Corporate participation in war must have a higher moral and political justification than economic profit. And corporate decisions to participate and profit from war – even for a just cause – carry moral and legal responsibilities (Orts 2002).

Consider I.G. Farben (Interessen-Gemeinschaft Farbenindustrie AG), a German conglomerate of companies formed in 1925, which held a monopoly on chemical production later during the time of Nazi Germany. I.G. Farben held the patent for the pesticide Zyklon B, which was manufactured by a company owned by I.G. Farben and was used in the gas chambers for mass murder. Eventually, 24 directors of I.G. Farben were indicted in the so-called I.G. Farben Trial before a U.S. military tribunal at the Subsequent Nuremberg Trials. Thirteen directors were sentenced to prison terms, and the company was considered too corrupt to continue to exist. The company was officially liquidated in 1952, but it continued to be traded on the German stock exchange until it was declared bankrupt in 2003 by its liquidators.

However, these are *jus post bellum* considerations after the war has finished. Can business firms and their executives be legitimate targets *in bello* for imposing an unjust threat? This chapter has explained why the notion of "combatant" does not properly comprise sufficient moral conditions for being a legitimate target of defensive force. If the principle of responsibility provides the moral basis of liability, besides being a guide to the combatant's individual conscience, it has crucial

implications for civilian (and business) responsibilities in wartime. To reiterate, noncombatants who bear significant responsibility for initiating or sustaining an unjust war might be responsible to a greater degree than combatants and, therefore, become legitimate targets.

*Harsh Times*, Vargas Llosa's most recent book, opens with the story of "the two most influential people in Guatemala's history and Central America's destiny in the twentieth century" due to their role in the 1954 coup d'état (2019: 15) Samuel Zemurray, nicknamed "Sam the Banana Man," was an American businessman who made his fortune in the banana trade as founder and president of the United Fruit Company, the world's most influential fruit company at the time. Edward Bernays was the public relations director of United Fruit. High-ranking officials in the Eisenhower administration had close ties to the company. Secretary of State John Foster Dulles had worked for United Fruit's U.S. law firm, and his brother, CIA director Alan Dulles, sat on its board. The company owned 42% of Guatemala's land in the 1950s but had never paid a cent in taxes. Juan José Arévalo, Guatemala's first democratically elected president in 1945, wanted to make Guatemala a democracy like the USA's, the country he admired and had as a model. He had an ambitious electoral and education reform plan whose entire point "was to prevent poverty, injustice and social inequality from pushing Guatemalans towards communism." The president's plan would require multinationals to start paying taxes. Bernays had reported that "the danger that Guatemala should turn communist . . . is remote." Still, in order to protect United Fruit profits and avoid paying taxes, Bernays argued they needed to invent something – a "grave, immediate threat." "What threat? The very same one that I have just told you Guatemala does not represent: the Soviet Trojan horse sneaking through the USA's back door" (2019: 25). That is how a lie (the false accusation of communism) was taken as true to begin the 1954 CIA-backed military coup against a democratically elected Guatemalan president.

Whether or not the 1954 Guatemalan coup d'état started precisely like this, historians agree

that United Fruit and its executives set in motion the events that brought civil war to that country and disrupted the whole continent. It is certainly a case of an unjust war.

According to the principle of responsibility, it might be plausible to presume that Zemurray, Bernays, the Dulles, and the likes bore at least a significant degree of responsibility for the killing of thousands of just combatants and innocent civilians and the violation of national self-determination. It follows that Bernays, Dulles, and other executives involved in the decision would be legitimate targets for defensive force by just combatants. In other words, if attacking these business executives had been as effective as attacking soldiers in preventing the coup, it would have been permissible to attack them. Indeed, such an outcome would have been preferable to attacking combatants if that meant fewer people had to be killed (McMahan 2004).

In any event, the use of lethal force against these executives had ultimately been impermissible if the other constraints of *jus in bello* – namely, proportionality, necessity, and minimal force – were not fulfilled. And if responsibility is a matter of degree, some degrees of moral responsibility may not be significant bases for liability to defensive force (Alzola 2011). Ultimately, liability in war is not always a liability to intentional military attack.

## Cross-References

- [Economics and Business of War and Responsibility for Unjust Wars](#)

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## Business Case for Business Ethics

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### Synonyms

Ancient views on ethics in business; Argument for social responsibility in business; Argument for business ethics; Cicero on the business case for business ethics; Machiavelli on a variation of the business case for business ethics

### Definition

This is an account of the business case for business ethics from Cicero to 2017.

### Description

The business case for business ethics is the thesis that morally good behavior in business is materially good for business. Michalos (1995) called this the “single worst argument” for business ethics. It is, nevertheless, a frequently asserted

argument by businesspeople and academics alike. Mahoney (1992) noticed that “in 1988 the US Business Roundtable issued a report on corporate behavior with the enticing title, *Corporate Ethics: A Prime Business Asset*.”

While the argument is familiar to many contemporary scholars and practitioners, and there is something to be said for it, it is defective and dangerous to use in support of morally good or socially responsible business practice. What can be said for it is just this. Sometimes, the display of morally good behavior in business will be perceived as such, praised, and rewarded by beneficiaries and uninvolved observers. As well, perceived morally bad behavior is often punished in ways that not only destroy perpetrators’ reputations but also the material interests of their businesses. If the behavior violates civil or criminal laws, perpetrators may be prosecuted and their businesses totally destroyed.

Granting the obvious, as just described, Marcus Tullius Cicero (106–143 BCE) was perhaps the first western philosopher/statesman to challenge the argument in writing. In his essay “On Ends,” he wrote:

In friendship some profess that the Wise Man will hold his friends’ interests as dear as his own, while others say that a man’s own interests must necessarily be dearer to him; at the same time the latter admit that to enrich oneself by another’s loss is an action repugnant to that justice toward which we seem to possess a natural propensity. But the school that I am discussing [i.e., Stoicism] emphatically rejects the view that we adopt or approve either justice or friendship for the sake of their utility. For if it were so, the same claims of utility would be able to undermine and overthrow them. In fact the very existence of both justice and friendship will be impossible if they are not desired for their own sake. (Cicero 1931, p. 291).

In short, Cicero clearly saw that if morally right actions are finally only warranted by their financial profitability, then they could be undermined and overridden by immoral actions whenever the latter promised greater profitability, a consequence that would effectively destroy the institution of morality. So, morally right or good actions can only be properly performed for their own sake.

About 1500 years after Cicero, Niccolo Machiavelli (1469–1527) recommended behavior to aspiring princes that is a variation on the theme of the business case for business ethics. This is what he wrote:

A prince . . . ought to take great care that nothing goes out of his mouth which is not full of the five qualities . . . all pity, all faith, all integrity, all humanity, and all religion. Nothing is more necessary than to have this last quality. For men, universally, judge more by the eyes than by the hands . . . Everyone sees what you seem to be, but few touch what you are . . . And with respect to human actions, and especially of those of princes where there is no judge to whom to appeal, one looks to the end. Let a prince then win and maintain the state – the means will always be judged honorable and will be praised by everyone; for the vulgar are always taken in by the appearance and the outcome of a thing, and in this world there is no one but the vulgar. (Machiavelli 1980, p. 109.)

For Machiavelli, whose name translates roughly as “hard nails,” the success of a prince is more the result of appearing morally good than of being morally good. The two necessary conditions for success are to appear morally good and to maintain the state. If he had been addressing an aspiring businessperson, he might have said that the two necessary conditions for success are to appear morally good and make a profit. Then, since asserting the business case for business ethics gives one the appearance of moral rectitude, the aspirant should assert the case. Merely asserting the business case for business ethics is materially good for business. Whatever else one does will be ignored, so long as there is a profit over some reasonable length of time. “Where there is no judge to whom to appeal, one looks to the end.”

While there may well be some personal and/or corporate material payoffs to be made from asserting the business case for business ethics, such payoffs should be regarded as serious threats to individuals’ understanding of and action consistent with moral virtue, as well as threats to the very institution of morality. Whatever business case there is for business ethics itself or for the assertion of the business case for business ethics, such business cases are not moral arguments and

are no more morally praiseworthy than the business cases for selling any other product from automobiles to zippers.

(This article is adapted from Michalos 1995, 2008, 2013.)

## Cross-References

- [Deception and Research](#)
- [Fair Trade Consumerism](#)
- [Machiavellianism](#)

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## Business Code of Ethics

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## Synonyms

Business code; Business principles; Code of conduct; Code of ethics; Code of integrity; Code of practice; Credo; Declaration; Deontological code; Philosophy; Policy principles; Standards; Values statement



## Definition

A business code of ethics (BCE) is a distinct and formal document containing a set of prescriptions on a range of issues, which has been developed by and for a company for the purpose of guiding its employees' behavior toward each other, the company, external stakeholders, and/or society in general. A BCE is a device for self-regulation developed for and by a particular company. A BCE is one of the layers in the whole spectrum of codes for businesses that consists, among others, of professional, industry, national and international codes.

## Adoption

In the business ethics literature, a BCE is the most frequently cited instrument for managing the ethics of business. Nowadays, many companies have a BCE. For example, 76% of the Fortune Global 200 companies have a BCE (KPMG 2014).

## Content

BCEs range from a single page up to 80 pages and their content also differs. One-fifth of the codes of Fortune Global 200 companies describe the organization's mission and/or vision, and 43% describe the organization's core values. The most cited of these values are integrity (50%), respect (36%), honesty (34%), responsibility (27%), and trust (26%). In almost all these codes (95%), the company describes its responsibilities toward its employees. A company's responsibilities toward society, natural environment, competitors, and customers are described in 79%, 70%, 53%, and 52%, respectively, of the Fortune Global 200 codes. The most common standards and rules apply to confidential or secret information (93%), corruption and bribery (91%), accuracy of reporting (90%), protecting the organization's assets (90%), accepting gifts (84%), and performing side-line activities (83%).

## Functions

A BCE fulfills a diverse range of internal and external functions. The internal functions with regard to employees include:

- An *orientational function*. A BCE sharpens awareness of the company's mission, the relevant values, responsibilities, standards and rules, and it confronts employees who have old bad habits. Apart from its content, the code's presence is itself a significant signal of the importance of ethics for employees.
- A *clarifying function*. A BCE provides clarity about the ethic that ought to prevail. A BCE illuminates and explains. It draws boundaries, sets down the rules of the game, and makes explicit what should and should not be done.
- A *guiding function*. A BCE formulates the company's expectations toward employees and provides guidance. After all, the objective of a BCE is to direct the conduct of employees.
- A *stimulating function*. A BCE stimulates the engagement and loyalty of employees by appealing to their sense of responsibility and inspires them to commit themselves to the ethics of the company.
- An *initiating function*. A BCE stimulates activities aimed at improving the ethics of the company. The code acts as a tool for detecting and addressing gaps and deviations.
- An *internal corrective function*. A BCE creates checks and balances. Employees can call each other into account regarding compliance with the code. A BCE creates a common ground, a vocabulary, and a framework for holding discussions and provides a basis for social correction.

A BCE can also have the following external functions:

- A *distinguishing function*. A BCE enlarges the recognizability of the company to the outside world: it makes known what the company stands for.
- A *legitimizing function*. A BCE clarifies what a company would and would not do and what

guides it. A BCE can therefore enhance stakeholder's trust in a company.

- An *external corrective* function. A BCE creates checks and balances. Stakeholders can monitor a company's compliance with the code and confront the company with its own code when there is inconsistency with the behavior of its employees.

## Effectiveness

A review of 79 empirical studies by Kaptein and Schwartz (2008) shows that the empirical findings on the effectiveness of BCEs are divergent: 35% of the studies found that BCEs are effective, 16% found that the relationship is weak, 33% found that there is no significant relationship, and 14% yielded mixed results. One study even found that BCEs could be counterproductive. These mixed findings can be attributed to the fact that the mere existence of BCEs does not necessarily amount to its effectiveness. As Cooper (1990: 8) notes: "A code of ethics cannot make people or companies ethical. But nor can hammers and saws produce furniture. In both cases, they are necessary tools, which need intelligent design and use." A code is nothing, coding is everything.

A study by Kaptein (2011) among US working population indeed shows that a code alone is hardly effective but that its effectiveness depends on the content of the code, on the quality of the communication activities, and on how embedded the code is in the organization through its senior and local management. When these factors are present, the frequency of unethical behavior in the workplace substantially reduces.

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Core Values](#)
- [Deontology](#)
- [Ethical Dilemmas](#)
- [Values-Based Management Theory](#)

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## Business Ethics and Corporate Responsibility in South Africa

### *Business Ethics in South Africa*

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## Synonyms

Business ethics; Professional ethics

## Introduction

Business ethics and corporate social responsibility were conspicuous in their absence in South Africa prior to the first democratically elected government in the country in 1994. Since then they have developed rapidly. In the case of Business Ethics

this has been most evident in its development as an academically respected area of teaching research. Corporate social responsibility has been subsumed as an academic focal area under the main discipline of Business Ethics, and as a widely implemented practice in progressive business organizations in South Africa.

## Business Ethics in South Africa

Business ethics in South Africa prior to the establishment of the first democratic government and the demise of the apartheid state was virtually nonexistent in any meaningful way. Businesses were run and structured in a fully segregated and discriminatory manner, and jobs of certain kinds were the exclusive preserve of Whites, underwritten by prevailing law. As the economic sanctions' noose tightened in the late 1980s and early 1990s, South African businesses were forced to find illicit means to try ensure their enterprises remained economically solvent. Such actions involved sanction-busting maneuvers which incorporated illicit business behavior that took various forms. Much of this sanction-busting behavior could be regarded as unethical since it supported, directly or indirectly, the continuation of the morally untenable apartheid regime. However, the methods used by organizations involved in the war against apartheid also incorporated business practices that in themselves could be regarded as immoral but were justified ethically as relatively minor immoral means to achieve a greater moral end (Rossouw 2016).

Since 1995 business ethics has gained momentum in South Africa and has taken a central position in recent anti-discriminatory labor legislation and attempts to redress the balance of unequal employment opportunities by initiating legislatively backed processes such as affirmative action and Black Economic Empowerment. Today in South Africa, as Rossouw (1997:1539) puts it: "Business ethics has become part of the South African vocabulary both on a practical and a theoretical level. The need for business ethics has been expressed by politicians, business leaders, and academics. The president of

South Africa, Nelson Mandela, for example, said at the opening of Parliament (February 17, 1995): 'We are conscious of the reality that corruption in many forms has deeply infected the fibre of our society. Precisely because we face the challenge of dealing with systematic corruption, we need a dispassionate and systematic approach to this question.'

Recently and especially in the last 5 years (2009–2016), business ethics as an academic discipline has begun to take a strong hold in the curricula of business schools and universities throughout South Africa. Apart from teaching and learning aspects, South African universities have initiated ethics committees tasked with the responsibility of ensuring that high standards of ethical practice are maintained in science, social science, and humanities research practices. The emphasis in the teaching curricula of these institutions has been to try to engender knowledge of ethical responsibilities in business and cultivate a new fresh moral perspective in future business leaders in a country that has an unenviably high international ranking for corruption. Teaching of business ethics at South African universities and business schools sometimes comprises separate, stand-alone modules or as integrated aspects of particular business science disciplines. Such business ethics modules are sometimes positioned as compulsory modules or as electives in particular degree curricula.

Although tentative and perhaps temporary, there is recent evidence that perceptions of corruption in South Africa have improved. South Africa has moved up six places in an international ranking index (the Corruption Perception Index, CPI), suggesting that such combined efforts may have been fruitful, although South Africa is still ranked a lowly 61st place on the Transparency International (2015) achieving a score of 44/100 (with 0 being a most corrupt perception and 100 a perception of the highest propriety).

The general upward trend in business ethics' profile has resulted in a number of specialist institutes and media for its propagation. The Ethics Institute which is a nonprofit, public benefit organization was incorporated in September 1999 and

made up with a board of ten directors, mostly Afrikaans academics (6/10) and in addition two Black, one Indian, and one White businessmen serving as board members. The University of Johannesburg (erstwhile the Randse Afrikaanse Universiteit) also has initiated a journal, the *African Journal of Business Ethics*, specifically aimed for the communication of scholarly research in the field of business ethics in South Africa and Africa as a whole.

### Corporate Social Responsibility in South Africa

Although the Companies Act 61 of 1973 had evolved over the years, changes in societal and international expectations required upgrading to recognize the new business-friendly approach that encouraged entrepreneurship and the need to incorporate new concepts, such as stakeholder rights and corporate governance. This led to the Companies Act of 2008 and more recently the Companies Amendment Bill of 2011. These Acts tended to put more emphasis on corporate responsibilities but are not adequate in their scope to provide enforcement of specific corporate governance requirements for the new democratic South Africa. However, nonlegislative corporate governance guidelines have been developed over the years in South Africa which have gained increasing currency in South Africa and overseas and have taken the form of four regularly updated reports known as the King Reports.

In 1994 the first corporate governance report in South Africa was published which later became known as the King Report on Corporate Governance. Although the report was not underwritten by legislation, it promoted an ethical ethos and an injunction that company boards of directors should be responsible to all stakeholders and not simply shareholders.

A second King Report on Corporate Governance was published in 2002. This report extended the stakeholder approach further by incorporating what became known as the “triple bottom line” consisting of economic, social, and environmental aspects of doing business in

particular companies. Despite a lack of legal enforcement of King II governance recommendations, they have been generally accepted by South African business and widely implemented.

A King III report was made public in 2010 which in contrast to King I and II aims at governance recommendations for *all entities* regardless of the type of corporation or establishment. In King III it is recommended that all entities indicate which principles or practices they have decided not to apply or explain thus potentially allowing all stakeholders to challenge the board on particular omissions and thereby improve corporate governance in that entity.

The focus of King III is on the importance of an entity reporting annually on the ways in which the entity has positively or negatively affected the life of the community in which it operated in the specific year of review. It also enjoins the entity to disclose how it intends to augment the positive aspects and diminish the negative ones in the year ahead.

A report by the consultancy group Price Waterhouse and Cooper (2016, online) indicates that King III incorporates the following key dimensions:

- The need for an annual integrated report that focuses on the impact of the organization in the economic, environmental, and social spheres
- A statement by the audit committee to the board and shareholders on the effectiveness of internal financial controls to be included in the integrated report
- The consideration of the strategic role of IT and its importance from a governance perspective
- The positioning of internal audit as a strategic function that conducts a risk-based internal audit and provides a written assessment of the company’s system of internal control, including internal financial controls
- The governance of risk through formal risk management processes

Most recently a draft King IV report (2016) has been drawn up. King IV focuses on:

- Ethical leadership
- The company’s responsibility and function in society

- Corporate citizenship
- Sustainable development
- Stakeholder inclusiveness and participation
- Integrated reporting and thinking

Deloitte (2016) indicates that there are three fundamental paradigm shifts in corporate governance: from financial capitalism to inclusive capitalism, from short termism to long-term sustainability, and from silo reporting to integrated reporting. Deloitte (2016) indicates that:

Although the role of ethical leadership was recognised in King III, King IV brings a more refined focus in terms of the obligation of the organisation (to be accountable and transparent) as well as the accountability of the company as broader stakeholder within the broader society.

The King reports on corporate governance have been widely accepted by the international community as among the most forward-thinking and best thought-through documents for the general ethical guidance of businesses in both internal company practices and external interface with the community, society, and the environment.

## Cross-References

- [Business Case for Business Ethics](#)
- [Corporate Social Responsibility](#)

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## Business Ethics and Sexual Harassment

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## Synonyms

Ethics and workplace sexual harassment

## Introduction

Notwithstanding the progress made in business ethics over the past several decades, discrimination, inequality, and unsafe work environments persist (Brenkert 2019). A jarring exemplar is workplace sexual harassment, as exemplified by the explosion of harassment allegations in the media as a result of the #metoo movement. The persistence of sexual harassment in the workplace is due, at least in part, to organizational mismanagement of the phenomenon, which is in turn based on inadequate law. The makers of both public and organizational policy have ignored a sizeable body of scientific knowledge on the causes and effects of workplace sexual harassment, allowing the continuance of conditions that foster sexual harassment and discourage reporting.

Keyton and Rhodes (1997) noted the paucity of scholarly work on business ethics and sexual harassment. Almost two and a half decades later, and despite the continuing pervasiveness of sexual harassment in workplaces, this has not changed. In fact, since the 1990s, published scholarship on sexual harassment and business ethics is almost nonexistent. Largely, the work in this area examines sexual harassment through morality-based ethical lenses as alternatives to the law-based approach found in organizations. However, extant literature is devoid of guidance that can lead to the ethical management of sexual harassment in organizations.

## Legal-Centric Management of Workplace Sexual Harassment

Management of workplace sexual harassment is consistent across organizations, and comprises anti-harassment policies, reporting mechanisms, and sexual harassment training (Clarke 2020). These efforts are not intended to prevent sexual harassment, as misconceived by some ethics scholars (see, e.g., White 1998), but only to defend against legal claims (Clarke 2020; Keyton and Rhodes 1997). This legal-centric approach is typical in human resource management (Roehling and Wright 2006).

Research has demonstrated that anti-harassment policies have no impact on incident rates, reporting mechanisms do not encourage filing complaints, and sexual harassment training has no effect on attitudes toward, or even the correct identification of, sexual harassment (for a summary of this research, see Clarke 2020). Yet these three elements are the extent of organizational efforts to address workplace sexual harassment, and they are adopted solely for legal reasons. Courts will consider these elements as evidence that an employer exercised due diligence in preventing harassment, which is a defense against claims of hostile work environment sexual harassment. Thus, although sexual harassment policies, procedures, and training do not actually prevent harassment, they can be enough to establish due diligence in preventing harassment. An employer can also successfully defend a claim if a sexual harassment target failed to report the harassment through the formal reporting mechanism. However, there are many reasons targets do not report including, but not limited to, retaliation, social punishment, and not being taken seriously. Hence, an organizational climate that is tolerant of sexual harassment simultaneously gives rise to incidents of harassment, inhibits reporting those incidents, and provides a defense to legal claims.

This legal-centric management approach has fostered a collective willful blindness to the realities of workplace sexual harassment. It has permitted organizations to claim compliance with the

law without taking any responsibility to actually prevent harassment. Notwithstanding that men are also sexually harassed (although heterosexual men are harassed at much lower rates than men who are sexual minorities), women are far more likely to be harassed and men are far more likely to be harassers (Clarke 2018). Given that upper leadership decides what gets attention in an organization, and upper leadership is male dominated, it is unsurprising that preventing sexual harassment is not a priority for organizations. As long as organizational policies and practices are based solely on the law, management of sexual harassment will never be ethical because the law on which it is based is itself unethical.

## Public Policy on Workplace Sexual Harassment

Codes of ethics are frequently a restatement of the law (Keyton and Rhodes 1997), as is the case with sexual harassment. Irvine (2000) argued that sexual harassment should not be considered unethical because it is illegal sex discrimination. In fact, he asserted that sexual harassment should not be considered a form of sex discrimination since men are also sexually harassed. Irvine (2000) stated “it is obviously impossible to discriminate against a group if you are not treating it differently from other groups” (p. 356). Setting aside the facts that women are harassed far more frequently and experience sociosexual behaviors differently, Irvine completely miscomprehends discrimination law. The law of discrimination does not require, and has never required, that every member of a protected group must be treated differently than every member of the advantaged group. Discrimination is, and has always been, treating an *individual* differently on the basis of a prohibited ground. Because sexual harassment is treating an individual differently on the basis of their gender, it is illegal sex discrimination. Still, the ethics of sexual harassment cannot be based on the law because the law itself is inadequate.



Public policy on occupational safety and health is two-pronged: compensation and prevention. Workers' compensation law is reactive and compensates employees for work-related injuries and illnesses. Occupational safety and health law is proactive and aims to prevent injuries and illnesses through safety standards and a general duty of employers to maintain a workplace free from recognizable hazards. With respect to workplace sexual harassment, however, the law seeks only to compensate after the harm has occurred, if a claim is successful. A target can seek redress, most commonly through discrimination legislation, after experiencing harassment and its damaging effects. No legal obligations exist with respect to preventing and abating the conditions that give rise to the harm. There are no OSHA standards pertaining to sexual harassment and the employer's general duty applies only to physical hazards likely to cause death or serious physical harm.

Even the impotent trifecta of management policies discussed above is rarely mandated. Only a handful of states require sexual harassment policies or training. At the federal level, they are recommended by the Equal Employment Opportunity Commission (EEOC), but not required. This is so despite a substantial body of research identifying predictors, including organizational conditions, which foster sexual harassment (e.g., Willness et al. 2007). Since public policy represents the conscience and values of the people, these laws, enacted by male-dominated governments, suggest that physical safety is more important than psychosocial safety and dignity.

Because governments failed to require employers to prevent harassment in their organizations, the onus fell upon the judiciary to provide greater protection, but it too failed to do so. In hostile work environment cases, a male-dominated judiciary determines whether the harassment was severe enough or pervasive enough to merit compensation. Since men and women do not experience sociosexual behaviors the same way, it is unlikely that a male judge can take the perspective of a female target (Clarke 2018, 2020). This is evident in court decisions

adopting the "boys will be boys" attitude by excusing "boorish" behavior and requiring women to take resistance training (Clarke 2020). The lack of perspective-taking is further evidenced in the denial of claims where targets do not strictly follow formal reporting procedures, thereby shifting the responsibility away from both the harasser and the organization to the target. The message sent is that those who are targeted have an obligation to report it, despite the risk of retaliation, ostracism, and humiliation. Whereas the message that should be sent is that the harassment should not have occurred in the first place.

If workplace sexual harassment is to be eradicated, it will be through the ethical policies and practices of organizations but as long as management of sexual harassment is based on inadequate, reactive law, it will never be ethical. Some scholars have stated that there are two sources of business ethics: the law and morality (e.g., Wells and Kracher 1993) and have thus proposed morality-based approaches as alternatives to the legal-centric approach.

### **Morality-Based Ethics and Sexual Harassment**

Workplace sexual harassment has been examined from morality perspectives, both deontological and teleological. Through a deontological lens, sexual harassment is unethical because it is morally repugnant *per se*; the act itself is impugned regardless of its outcomes. The challenge with this approach is that it requires consensus. There must be consensus that sociosexual behaviors in the workplace are sexual harassment, wrongful, and should be sanctioned. Yet such consensus does not exist. A striking example of this lack of consensus is found in the literature on gender differences in perceptions of sexual harassment (Clarke 2018). In comparison to men, women perceive a wider range of behaviors to be harassment, they perceive sociosexual behaviors as more threatening, and are more likely to experience them as discrimination.

In an attempt to find a path toward consensus, Wells and Kracher (1993) argued that an ethical approach to sexual harassment requires not only that the harasser takes the perspective of the target but also that the target takes the perspective of their harasser. They claimed that the target “must allow some sexual behavior that she finds merely annoying for the sake of the person with a more highly sexual orientation” (p. 428). This assertion is based on a number of fallacious assumptions. The first is that harassers are capable of taking the perspective of targets; research suggests otherwise (Clarke 2018). The second faulty premise is that sexual behavior in the workplace is normal and unavoidable. Booker (1998) echoes this sentiment by asserting that zero tolerance sexual harassment policies prohibit social conversation between men and women, necessarily implying that men cannot have social conversation with women that is devoid of sexual content. Third, Wells and Kracher incorrectly assume that sexual harassment is always about sex, which is inconsistent with theory and research. Sexual harassment is often not about sex but about the desire to assert power over another to put them in their place (e.g., Berdahl 2007) and maintain social dominance (Clarke 2020). The fourth baseless assumption is that women who complain about sexual harassment are frigid and have low sex drives. Not only does this promote victim blaming, by suggesting that complainants are hypersensitive or overly dramatic, it also equates being a sexual woman with being a sexual object, subjugated to men in the workplace.

Even if one accepts that some level of sexual harassment must be tolerated, it does not avoid the consensus problem, as there must be agreement as to which sociosexual behaviors are minimal enough to be merely annoying rather than degrading or threatening. Given gender differences in the experience of sociosexual behaviors, it is unlikely that consensus could ever be reached as to whether or which sexual behaviors in the workplace are normal or harassment. Further, it is unlikely that this qualification would be attached to other forms of discrimination. For instance, it is doubtful that a deontological perspective would

require that some amount of racism be tolerated in the workplace. To require the consensus of those who are not harassed, even of those who are harassers, suggests that the respect, dignity, and well-being of targets are not sufficiently important. Since women are most commonly the targets, it suggests that actions that infringe upon the respect, dignity, and well-being of women are not immoral unless men agree that they are. Hence, a deontological ethics approach is unlikely to be more effective in guiding the management of sexual harassment than the extant legal-centric approach.

A teleological approach, that an act is unethical not because it is inherently wrong but because of its consequences, may avoid the need for consensus. From this perspective, sexual harassment is impugned because of its negative effects. Indeed, research has demonstrated the negative physical, psychological, and job-related effects of harassment (e.g., Willness et al. 2007). Keyton and Rhodes (1997) argue that sexual harassment is an ethical issue, not because it is illegal, but “primarily because it harms others” (p. 132). Similarly, White (1998) proposed that sexual harassment should be examined not from a deontological morality of justice or rights approach, but from a teleological ethics of care or responsibility. The reasoning is that the model of ethics that women employ is more heavily based on emotions and care for others, while men’s is more oriented toward equality and fairness, thus the former should be applied to the ethics of managing sexual harassment. However, this is not congruent with the conceptualization of sexual harassment as an abuse of power or the research findings that women but not men experience perceptions of injustice following exposure to harassment (Clarke et al. 2016). For women, sexual harassment is unequal treatment in the workplace and a reminder that they are not valued in the same manner as their male counterparts. Thus, a teleological examination must acknowledge not only the threatening nature of sexual harassment but also its unjust, discriminatory nature.

## Conclusion

The legal-centric approach to managing sexual harassment, comprised of the trifecta of anti-harassment policies, reporting mechanics, and training, demonstrates a lack of concern for the respect and well-being of all employees. However, due to the lack of perspective-taking, the consensus required to support a deontological basis for the ethics of sexual harassment is likely unattainable. Teleological ethics appears to be the most conducive to managing workplace sexual harassment. Sexual harassment is unethical because of the harm it causes: the derogation of the equality and dignity of women in the workplace. It is irrelevant that men do not experience it in the same manner; consensus is not required.

Through its failure to legally mandate efforts to prevent harassment in the workplace, male-dominated governments have failed to recognize the destructive nature of this phenomenon, as has a male-dominated judiciary through carving out generous legal defenses for employers. Adopting a legal-centric approach to managing sexual harassment, male-dominated organizational leadership has chosen not to give it sufficient attention or to make the prevention of harassment an organizational concern. Thus, the onus passed to business ethics scholars to call attention to these failures and to provide a path toward ethical management. In order to do so, business ethics scholars must obtain a better understanding of the law, the legal-centric approach to managing sexual harassment, and the experience of sexual harassment.

## Cross-References

- [Gender-Based Violence Against Women and Girls](#)

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## Business Ethics as an Academic Discipline

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## Synonyms

Applied Ethics; Corporate Social Responsibility in Business; Professional Ethics

## Introduction

Business Ethics is an applied field of research and a subject of university teaching that is

disciplinary, as well as, multidisciplinary and interdisciplinary in nature. Although some people would place the beginning of Business Ethics as a field with Bowen's 1953 text which posed the question of what is a reasonable expectation for businessmen to society, business ethics more systematically emerged as an academic discipline in the 1970s and 1980s. Business Ethics was one of a number of primarily interdisciplinary academic fields which emerged partially from political community-based action in the 1960s and 1970s. Based on concern from community activists about practices in a number of professional fields and with respect to government policies and practices in many parts of the world, the 1960s and 1970s were a time of change and protest in many nations.

Many of the academic disciplines that developed during this period were interdisciplinary in nature and focused on ethical issues. These include: Afro-American Studies; Women's Studies; Bio-Medical and Healthcare Ethics; Latin American Studies; Environmental Studies, and a number of other fields related to responses to social justice issues and human rights. Women started mobilizing to respond to inequalities in salaries and working conditions; reproductive rights and disparities in roles, and responsibility within the family, for example. Issues related to race, ethnicity, and human rights also emerged. Post-colonial studies focused on the impact of colonization on nations from Imperialist countries, such as, the United Kingdom, Portugal, Spain, and France and the impact and complexity of colonized nation states engaging in decolonization and evolutions to autonomous statehood. The globalization of capitalism was increasing rapidly and having far-reaching and complex impacts on many parts of the world, including issues related to labor and human rights as well as concern for the environmental impacts of the growth of industry. Part of the questions which individuals and groups were raising specifically raised ethical concerns which, in turn, were part of the rationale, which led to the establishment of a number of new scholarly fields which are generally conceptualized as applied ethics. Applied ethics is a cluster of scholarly subjects, which are broadly concerned with particular issues

within business, many professions, and with respect to the public policy of governments. Bioethics, Environmental Ethics, and Business Ethics were just three of the scholarly fields that are now standard curriculum in university teaching and research.

At the same time, more and more scholars began to write specifically on the relationship between business and society and business and social responsibility. This will be discussed further in this entry with the exposition of the emergence of the contemporary study of business ethics as an academic discipline.

Rittel and Webber (1973) writing of the changing context of new studies, in their case with respect to planning, coined the phrase "wicked problems" to identify the complexity of some types of disciplinary issues. In many ways, business ethics is a perfect candidate to describe as involving wicked problems.

Briefly, Rittel and Webber describe wicked problems as having the following ten attributes:

1. "There is no definitive formulation of a wicked problem."
2. "There is no stopping rule."
3. "Solutions to wicked problems are not true-or-false, but good-or-bad."
4. "There is no immediate and no ultimate test of a solution to a wicked problem."
5. "Every solution to a wicked problem is a 'one-shot operation'; because there is no opportunity to learn by trial-and-error, every attempt counts significantly."
6. "Wicked problems do not have an enumerable (or an exhaustively describable) set of potential solutions, nor is there a well-described set of permissible operations that may be incorporated into the plan."
7. "Every wicked problem is essentially unique."
8. "Every wicked problem can be considered to be a system of another problem."
9. "The existence of a discrepancy representing a wicked problem can be explained in numerous ways. The choice of explanation determines the nature of the problem's resolution."
10. "The planner has no right to be wrong."

Briefly, these ten items are intended to capture the complexity of issues that cannot be effectively dealt with definitively and through one course of action. As they put it, "pluralities of objectives

held by pluralities of politics makes it impossible to pursue unitary aims.” Many complex issues in the world have some desirable impacts and some negative unintended consequences, such as, the use of fossil fuel for heating and which has multifunctional benefits for human life but also creates pollution as well. These are examples of wicked problems that began to take on public prominence during the politics of the 1960s and 1970s.

The complex interplay among such clusters as, capitalism, pollution, and environmental sustainability, or, the economic distribution of wealth and income disparities, creates a number of wicked problems where interventions in a “free market” create solutions that are partial at best and follow Rittel and Webber’s point 3 above, for example, where public or political intervention may mitigate some ethical concerns regarding social justice problems while leaving many unsolved. Many issues raised during the period of highly engaged community protests were concerned with issues, such as, the by-products of business production, which pollute rivers, lakes, and the air in ways that were perceived to be unsustainable. Animal rights activists also raised issues of harmful use of animals in testing of drugs and cosmetics.

Incompatible complex goals frequently seem incommensurable and oppositional in nature. In a business context, extreme global poverty exists in the face of excessive wealth. Jeff Bezos 2020 salary is listed as \$200 billion USD while as Roser and Ortiz-Ospina (2013) note, “Most people in the world live in poverty. Two-thirds of the world population live on less than 10\$ - int per day. And every tenth person lives of less than 1.90\$ - int per day.” In a world with such extreme disparities in distribution of income and wealth, where do ethical issues of social justice become a consideration?

By the early 1980s, these issues started to be formulated in the context of various scholarly disciplines where research in Business Ethics looked at wicked problems from the perspectives of Sociology, Psychology, Business Administration, Philosophy, Economics, Religious Studies, and various others. All of these disciplinary and interdisciplinary perspectives looked not just at

business economic outcomes but also at the ethical considerations that such practices raised. Required or recommended university courses in business ethics were introduced into the curriculum for students studying Business and Commerce as well as undergraduates in Philosophy, Religious Studies, Political Science, and Public Administration, among others.

## Business Ethics and Ethical Theory

Business Ethics, like all applied ethics fields, is grounded in ethical theory. Ethical theories are the systematic study of moral decision-making. There are a number of ethical theories that serve as foundational grounds in which to situate business ethics. Some of these theories are: deontology, utilitarianism, virtue ethics, and the ethics of care. Each has strengths and limitations, advocates and critics. The most dominant two theories usually discussed in the context of business ethics are deontology and utilitarianism. Both of these topics are discussed in more detail in specific independent chapters of these topics.

## Deontology

Briefly, deontology is a theory developed in the eighteenth century by Immanuel Kant. It is based on a belief that there are universalizable moral maxims or rules that Kant believed could be rationally intuited. These moral maxims are only morally operationalized, according to Kant, when they are acted upon both independent of the wishes and desires of the actor and independent of the consequences of the action. As Kant (1995) puts this latter point,

...[A]n action that is done from duty gets its moral value, *not from the object* it is intended to secure but from the maxim by which it is determined. ...[and] if only the *principle* by which it is determined to act is independent of every act of sensuous desire.

Kant also claims that there is a universalizability requirement that all moral maxims must be always followed, without exception, and further, that all rational human beings



must be universally treated as an end of themselves and never as a means to some other ends.

Critics of deontology usually cite two main flaws with the theory. One is that it seems fundamentally wrong to never contemplate the consequences of following a moral maxim which can result in a mix of benefits and harms to people impacted by following the rule. A second criticism is that universalizability seems an arbitrary rather than a rationally intuition expectation for moral action.

## Utilitarianism

Utilitarianism was also an ethical theory initially posited in the eighteenth century by Jeremy Bentham and the Radical Philosophers of the time. The two authors most closely identified with Utilitarianism and Bentham and John Stuart Mill who edited and published Bentham's work and further developed, explained, and extended Bentham's theory of Utilitarianism. John Stuart Mill was raised in a highly unorthodox and intense fashion from early childhood by his father, James Mill. He basically was educated from a very young age in very complex and advanced subjects with his father as educator. As an adult, John Stuart Mill edited the works and papers of Bentham for publication as well as publishing many of his own books on various philosophical topics, including his own book on Utilitarianism. Generically, utilitarianism is understood to be the recommendation that in deciding what is a morally good rule or act to follow, one should do what maximizes good over bad. Bentham's articulation of doing what was morally good was described in terms of maximizing pleasure and minimizing pain. This led to critics associating utilitarianism with hedonism. Mill took exception to the characterization and in his treatment of utilitarianism argued against characterizations of utility in terms of individual desires. He states (Mill 1863, 24)

I must again repeat, what the assailants of utilitarianism seldom have the justice to conduct is not the agent's own happiness, but that of all concerned. As between his disinterested and benevolent spectator... to love your neighbour as yourself, constitute social arrangements should place the

happiness, or, ...the interest, of every individual, in harmony with the interest of the whole; and secondly, that education and opinion, which have so vast a power over human character, should so use the power so as to establish in the mind of every individual an indissoluble association between his own happiness and the good of the whole...

Thus, Mill believes that with education, all persons in a society will understand that what is morally good is to follow rules or actions which maximize good outcomes for the majority of individuals in that society. Further he asserts that educated persons will operate in such a way as to objectively maximize average utility for the majority and not simply try to follow rules that only favor oneself. Mill believes that education is fundamental to the successful operation of utilitarianism because it allows persons to learn to appreciate higher order goods, like education, good government, and health, for example, over lower level goods like eating and pleasuring one's sensations.

The main criticisms of utilitarianism are the following: (1) Maximizing the good for the majority may mean that the minority still suffers and does not benefit from the good; (2) Quantifying what is good for the majority is difficult and contentious; (3) Utilitarianism justifies scapegoats since intentional harm to some innocents may result in a greater good for the majority; and finally, (4) That human nature becomes more benign and capable of disinterested decision-making through education which is an empirical claim for which Mill did not provide valid empirical justification.

## Connections Between Ethical Theory and Teaching Business Ethics

Because all applied ethics have a foundation in ethical theory, students in Business Ethics are minimally introduced to these key ethical theories to provide a context for the discussion of contemporary issues and theoretical approaches to Business Ethics. As noted above, depending on who teaches the course and where it is taught (e.g., a Commerce Department or a Philosophy



Department) students may or may not be introduced to other ethical theories.

## Contemporary Teaching of Business Ethics

As noted in the beginning of this entry, teaching Business Ethics as an independent field of study emerged within universities during the late 1970s and early 1980s. The early literature explored the nature and extent of the responsibility in addition to the responsibility that businesses had to make money for their owners and/or stockholders in the company. In fact, earlier literature in the 1960s voiced early articulations that businesses existed not just for the purpose of economic flourishing but also noted that businesses exist within society and as such hold some social responsibility to the society. As one early author, McGuire (1963) articulated this contention, “The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations.”

Much of the literature at the time referred to the social responsibilities of business which later was more clearly delineated and defined as corporate social responsibility as well as stakeholder theory. While many authors articulated a case for a larger societal responsibility of business to community, one famous critique who opposed any larger societal responsibility came from Economist Milton Friedman.

As Poff (2020) summarizes this critique:

[Friedman] has been the catalyst for decades of discussion about the purpose and responsibility of business to shareholders and to society.

In 1970, Nobel Prize-winning economist, Milton Friedman, popularized a view he first articulated in his 1962 book, *Capitalism and Freedom*, in a 1970 *New York Times* article. That article was and continues to be the impetus for ongoing critiques which question most of the assumptions in Friedman’s arguments. In that article, entitled “The Social Responsibility of Business is to Increase Its Profits,” Friedman (18–23) made the following claims:

1. “In a free-enterprise, private-property system a corporate executive is an employee of the owners of the business.”

2. As such, “. . . He has direct responsibility to his employers.”
3. To fulfill that responsibility, he must act solely as an agent to the desires of the principals who are his employer.
4. Those principals’ sole desire “generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.”
5. Further, he states that businesses are merely artificial persons and cannot be said to have “responsibilities, even [in a] vague sense.”
6. If an executive of a business acts in socially responsible ways while he is acting as an executive, he is violating claim 3 which is akin to taxation without representation.
7. If an executive’s socially responsible behavior results in raising costs to consumers, “he is spending the customers’ money.”
8. If an executive’s socially responsible behavior results in the suppression of employee wages, then “he is spending” employee wages.
9. Executives are not experts in socially responsible choices the outcomes of which, in addition, are uncertain even if the choice is correct.
10. Most damning, Friedman argues that interfering with social initiatives by executives undermines a free society.

Friedman’s fundamental, underlying foundational assumption is based upon Adam Smith’s theory of the “invisible hand.” In Smith’s 1776 treatise, *The Wealth of Nations*, he articulated his theory of how following rational self-interest in the pursuit of one’s own business operates, not only to improve the common good but to do so in a manner that is better than if one consciously attempted to create such a good. In the famous quote from Smith on this matter, he stated:

As every individual, therefore, endeavors as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he

really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

Perhaps no other single article has been the object of so many critiques in Business Ethics than this one article. It continues to provide fodder for articles in Business Ethics Theory; Stakeholder Theory, and Corporate Social Responsibility.

## Teaching Business Ethics

Briefly, in teaching business ethics three foci can be clearly identified. Business Ethics Theory appeals to traditional moral philosophy to identify reasons why businesses cannot and should not narrowly define themselves are constrained by contained within their economic interests. Stakeholder Theory identifies broader categories of responsibility than merely the stockholders of a company. These include but are not limited to: consumers; employees, the environment, and the impact of the economy on human rights and social justice. Corporate Social Responsibility includes discussions concerning ethical theory and the moral responsibility to include broadly based consumers in the economic calculus of profitability of business. Generally, all three perspectives are utilized in teaching business ethics as an academic discipline.

As technology, politics, globalization, and social justice claims evolve, Business Ethics continues to be a vital topic in the curriculum of university undergraduate and graduate education. What is clear is that the emergence of classical and contemporary issues in ethics will continue to make the field critical to education in many disciplinary fields.

## Cross-References

- [Academic Business Ethics in the United States](#)
- [Academic Integrity and Business Ethics Teaching](#)

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## Business Ethics in Australia

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## Introduction

Scientists describe Australia as the oldest, the flattest, and the driest of the inhabited continents, with the least fertile soil. Australia is also one of the most sparsely populated continents with its population of 26 million occupying a land mass of close to three million square miles. That is all true, but it is also misleading. Visitors flying in to Sydney, Australia's largest city, disembark in a large, dynamic, densely crowded, modern city with lush vegetation and close by the majestic splendor of the Blue Mountains. So much that is said about Australia is not quite so, and this applies to business ethics in Australia too. Last year a global ethics body, Ethisphere Institute, recognized an Australian bank as one of the most ethical companies in the world (Utlej 2019). Yet, that same month, the Roy Morgan Net Trust Score Survey (Morgan 2019) reported a remarkable rise in distrust of Australia's major banks following the release of the government commissioned report into the banking industry.

Australia's geographic size influences how the country is perceived. Australia alone occupies an entire continent. Australia's total area makes it the sixth-largest country in the world. One might therefore assume that space is not an issue. However, while physical space is not an issue, Australia's geographic location most certainly is. Napoleon Bonaparte argued that geography is destiny. Napoleon Bonaparte influenced Britain's desire to colonize Australia. This chapter argues Australia's geographic location has a major influence upon Australian business ethics. Consequently, in this chapter, Australian business ethics is considered from a historical perspective.

## Developments in Australian Business Ethics

Australia's population is not nearly as large as that of Texas. Nonetheless, Australian researchers make a disproportional contribution to publications such as the *Journal of Business Ethics*. Currently, Melbourne's Cranlana Centre for Ethical Leadership is experiencing increasing demand for programs on "how to build an ethical business culture" (Trinca 2019, p. 10). Furthermore, the Responsible Investing Association Australasia reports that with environmental, social, and governance (ESG) focused companies, Australia is ahead of the United States with many Australian investors seeking a "moral capitalism" (Kirby 2019, p. 16). However, some remain highly cynical as to claims by business leaders regarding ESG arguing that "a decline in honesty and integrity in business" (Creighton 2020, p. 12) facilitates empty promises. Others, deploring the destruction of stockholder capitalism and its replacement in Australia by stakeholder capitalism, insist that Australian "courts apply the notion of shareholder primacy to separate legitimate from illegitimate uses of shareholders' money by management" (Albrechtsen 2020, p. 12).

Australian business ethicists have contributed to our understanding of the ethics of economic activity in Australia. So have the conferences of organizations such as the "Australian Association for Professional & Applied Ethics" (<http://aapae.org.au/>).

Australian politicians such as Tony Abbott and Malcolm Turnbull, both of whom would later become Australian Prime Ministers, have attended "Australian Association for Professional & Applied Ethics" conferences. Fundamentally, however, Australian business ethics has been influenced by the prevailing historical circumstances.

Historians write that by the end of the eighteenth century "Britons [were] devoted to truth" (Welsh 1992, p. 13). Perhaps that devotion manifested itself in the enthusiasm with which they shipped even their most minor criminals of to Australia. Often this was after criminal trials of less than 5 min duration which resulted in "seven years transportation" (Sackville-O'Donnell 2002, p. 85). Needless to say, some of those unfortunates had great entrepreneurial skills: As did their offspring. John Solomon – the son of two convicts – became "an affluent bullion merchant" (Sackville-O'Donnell 2002, p. 149). Australia offered John Solomon (1808–1889) "great opportunities for legitimate financial and social advancement, opportunities that England had denied his father" (Sackville-O'Donnell 2002, p. 149). Such opportunities allowed those who succeeded in business to become public benefactors. John Solomon was such a benefactor. He lived in an era in which the ethical expectation in Australia was that those who prospered financially would contribute to the larger community.

Nearly one century later another penniless migrant to Australia, Sidney (Simcha) Myer (1878–1934), created Australia's largest and most successful retail empire. Myer insisted that his business would be "as celebrated for its morals as for its merchandise" (Pratt 1978, p. 128). Furthermore, his employees "were taught to regard their work as a social service and themselves as servants of society rather than as employees of a corporation" (Pratt 1978, p. 129). Sidney Myer believed that regarding his wealth "he was a transitory guardian and trustee for others" (Pratt 1978, p. 138). Myer helped subsidize the Melbourne Symphony Orchestra, Melbourne University, and the Children's Hospital. Myer argued that "it is the responsibility of capital to provide work" (Pratt 1978, p. 157). During the

Great Depression he inaugurated “a ‘Restore Confidence-Relieve Unemployment’ campaign” (Pratt 1978, p. 150) and spent large sums of his personal wealth helping those suffering. Regarding the ethical expectations of business in Australia, Myer contributed by his example to the start of an era of enlightened stakeholder management. Peter Drucker differentiated between “the social responsibility of wealth . . . [and] . . . the social responsibility of business” (1987, p. 321). Solomon would only have envisaged the former. Myer envisaged the latter and in doing so advanced Australian business ethics.

However, by the end of the twentieth century, another economic philosophy governed Australian business and influenced Australian business ethics. This was the free market economics of Friedrich Hayek (1899–1992) and Milton Friedman (1912–2006). Both Hayek and Friedman visited Australia giving seminars and meeting with political figures. In 1998, under the influence of that philosophy, the entrepreneur, Chris Corrigan initiated the so-called Waterfront Dispute and attempted to sack the heavily unionized workforce and reform labor practices. John Howard, who was Prime minister of Australia at that time, wrote that the “debate over the ethics or otherwise of the restructuring reflected the cultural division in the Australian community” (Howard 2011, p. 294). Howard argued that both capital and labor had responsibilities to the enterprise and to society. During the waterfront dispute, the onus was on the responsibilities of labor. After the disruptions caused by the Global Financial Crisis (2007–2008), that onus would shift to the responsibilities of capital.

## Current Events

In recent years, among other shenanigans, Australia’s largest bank, the Commonwealth Bank, admitted “charging dead customers fees for financial advice” (Nielsen 2019, p. 12). Furthermore, the Commonwealth Bank was not an isolated example of such immoral conduct. Scandalous financial behavior was also reported at the National Australia Bank, Westpac, and the ANZ

Bank. Those four banks are Australia’s largest banks. Such behavior arose despite the Australian government’s Future of Financial Advice (FoFA) 2013 legislative reforms which legally forced financial advisers to act in the best interest of their clients. The Australian government’s initial reaction was to establish, in September 2017, the Australian Financial Complaints Authority to resolve disputes between the banks and their customers. Political pressure nonetheless continued to rise and consequently, on the 14th of December 2017, the Australian government established the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry to investigate these accusations. This commission is also known as the Banking Royal Commission and the Hayne Royal Commission as the former Justice of the High Court of Australia, the Honorable Kenneth Hayne, served as sole Commissioner. The Hayne Royal Commission, after interviewing 130 witnesses and after reviewing over 10,000 public submissions, submitted a report to the government on the first of February 2019 with 76 recommendations.

Prior to the establishment of the Hayne Royal Commission business ethics in Australia was disintegrating. Forty three percent of Australian respondents to the 2017 EY Asia-Pacific Fraud Survey believed that colleagues whose practices were ethically questionable were more likely to be promoted. Furthermore, nearly one-third of the Australian respondents believed that ethical conduct in business was deteriorating. Such perceptions continued the following year. In 2018, The Governance Institute of Australia’s Ethics Index showed Australian society as less ethical that year than the previous year. That 2018 survey revealed that the most distrusted professionals in Australia were bankers, real estate agents, and mortgage brokers (Lane 2018). Currently, that situation remains unchanged. The 2020 Australian Banking Brand and Trust Index confirm the ongoing mistrust of bankers and particularly of Westpac and AMP (Moullakis 2020). Currently, the former CEO of Westpac stands accused in a US class action of contravening United States federal security laws.

It remains unclear as to what the eventual implications of the Hayne Royal Commission will be for business ethics in Australia. In July 2018, the Banking Executive Accountability Regime (BEAR) was introduced. BEAR imposes “a tougher responsibility and accountability framework on bank directors and senior executives ... (with) ... accountability maps so key officers can no longer escape the legal consequences of their actions” (Gluyas 2020, p. 22). Furthermore, the government responded to the Hayne Royal Commission by creating the Financial Adviser Standards and Ethics Authority which has “issued a code of ethics with 12 standards covering ethical behaviour, client care, quality process and professional commitment” (Kohler 2020, p. 24). However, the Australian Securities & Investments Commission reported that of the 13 referrals made to it by the Hayne Royal Commission “the corporate watchdog has dumped three royal commission referrals” (Roddan 2020, p. 22) as there was no possibility of a successful prosecution for the alleged law-breaking.

Despite the recent Hayne Royal Commission, and initiatives such as BEAR and the Financial Adviser Standards and Ethics Authority, some of Australia’s largest banks continue to act immorally. Shamefully, the Australian Transaction Reports and Analysis Centre (Austrac) tasked by the Australian government with identifying money laundering and organized crime, recently found that Westpac Bank was facilitating child pornography. Australian Prime Minister Scott Morrison, reflecting that Australia had recently been through the Hayne Royal Commission, said that “the allegations Westpac had not previously detected transactions suspected of being linked to the horrific trade left him in “complete disbelief”” (Morrison as quoted by Schliebs 2019, p. 11). The Australian Federal Police confirmed it was working with Austrac to investigate Westpac Bank.

Such disgraceful conduct by one of Australia’s largest banks is appalling. Unfortunately, Australia has a long history of corporate scandals. These scandals include Qintex Ltd., the Pyramid Group, Trio Capital, Storm Financial, and many others all of which – along with the “scandalous

behaviour [of banks and financial service firms] uncovered by the royal commission” are explored in great detail by Annelise Nielsen (2019, p. 126). Nielsen also discusses the personalities involved in these affairs. In doing so, she reminds us of the national ire aroused in October 2014 by Greg Medcraft – then the chair of the Australian Securities & Investments Commission – when he described Australia as a “paradise for white-collar criminals” (Medcraft quoted by Nielsen 2019, p. 75). Earlier that same year Ugur Nedim (2014) reported on white-collar crime in Australia. In doing so, Nedim quoted PricewaterhouseCoopers research which showed within the previous 2 years white-collar crime was experienced by “57% of Australian organizations” (Nedim 2014, p. 1). Given the extent of white-collar crime in Australia, it is worth contemplating why Medcraft’s seemingly valid observation – and as the current chair of the Australian Securities & Investments Commission Medcraft was well placed to make such a statement – aroused such widespread anger within Australia. The reason why this is worth contemplating is that white-collar crime is one manifestation of the failure of business ethics.

## The Future Implications of Past Events

This chapter argued at the very outset that in Australia things are not always as they might appear. Australian history lays great emphasis on the fact that the country was founded in January 1788 as a penal colony. Indeed, Barlass (2019) explains how proud contemporary Australians are of their convict heritage. And as Perry (2014) highlights, the nineteenth century Australian bank robber, Ned Kelly, is now an Australian icon. Yet, paradoxically, such pride as to a convict heritage might not easily co-exist for Australians with current claims by the chair of the Australian Securities & Investments Commission that your country is paradise for criminals. Instead the national psyche might relegate such criminality to a bygone era. Nonetheless, the renowned historian, Paul Johnson, writes how the birth of Australia “was, and among historians still is,



surrounded by controversy” (1991, p. 249). A large part of that controversy is the fact that most histories of Australia ignore the fact that the British established Australia in 1788 not simply as a penal colony, but simultaneously because of their “hopes of an ‘Australian’ sea-route to China” (Darwin 2013, p. 24); and their ambitions for trade with China and for new markets in China.

Darwin describes the “crisis-ridden 1770s” (2013, p. 25) with Britain at war with, among others, the Spanish and the French. And from 1781–1784, Holland too was at war with Britain (Landes 2002). Because those powers controlled the territories surrounding the South China Sea, British shipping needed “a safe alternative route to China” (Fry 2016, p. 63) hence the establishment in 1788 of the settlement at Sydney’s Botany Bay which allowed British ships another route to China. Britain feared that their European markets would be closed, as they soon were during the Napoleonic Wars (1803–1815). Therefore British manufacturers believed “that there needed to be a large increase in British exports to China” (Fry 2016, p. 63). Consequently, though it might be conveniently forgotten, Australia exists largely because of the desire for trade with China.

That past has enormous implications for contemporary business ethics in Australia. Alva Devoy, the managing director of Fidelity International in Australia, recently correctly described the Australian economy as being “to a degree a derivative economy of China” (Devoy as quoted by O’Dowd 2020, p. 17). China is by far Australia’s largest trading partner. Since the 1980s, Australia has largely forsaken manufacturing. Instead, most manufactured goods are imported from China. Globalization led to enormous structural changes in the Australian economy. One major change was the loss of blue collar work to workers abroad. That loss of blue collar employment is a business ethics dilemma which Australia still has to resolve, despite the arguments that in Australia, the coronavirus is currently “forcing people to rethink their supply chains” (Korporaal 2020, p. 25). Australia willingly surrendered its manufacturing sector which has significant implications for both Australian

workers and the country itself. A recent study on economic complexity by the Harvard Kennedy School of Government “found that while Australia was the eighth richest nation, we [Australia] ranked 93<sup>rd</sup> for complexity” (Sheridan 2020, p. 12). Australia exports resources and can continue to do so if the resources do not run out, and demand continues. Should that not happen Australia will rue their decision to ignore its manufacturing sector and “instead to be fat and happy, and hope that history never comes calling” (Sheridan 2020, p. 12).

Australia’s three largest exports are coal, iron ore, and gas. And the largest customer is China. In short, Australia is “a single export, single market economy” which while currently lucrative reveals a “lack of complexity, lack of productivity, lack of innovation and lack of future – as well as grave limitations on national security and independence” (Sheridan 2020, p. 12). Australia’s current business relationship with China creates ongoing business ethics dilemmas. Australians have grown rich exporting resources to China. Australian mining magnates such as Andrew Forrest, who ranks amongst Australia’s richest individuals, fearful of the ramifications of Australian Prime Minister, Scott Morrison’s demands as to an inquiry into the origins of the coronavirus insisted that “Australia should take a more conciliatory approach to China ... [and] ... blindsided the Morrison government by helping a Chinese diplomat gatecrash a ministerial press conference at the height of Australia’s most serious rift with Beijing in decades” (Packham and Ferguson 2020, p. 1). Business ethicists have long recognized the conflicts created by financial interests attempting to thwart the democratic process.

There are of course many other ethical dilemmas created by Australian resource exports to China (Schwartz 2013). One recent example is ALS Limited which is a major Australian corporation with turnover of AU\$1.3 billion and 11,500 employees. The company provides testing, inspection, verification, and certification services. Recently there have been allegations that ALS faked the testing of samples of coal being exported to inflate their value. ALS chief executive, Raj Naran, insisted that despite this lapse



“integrity and ethical conduct are critical to our business” (Naran as quoted by Williams 2020a, p. 20). Nonetheless, “a probe initiated by the company found 45 to 50 per cent of certificates were manually changed without justification” (Williams 2020b, p. 9) and the Australian police were being called in. Australia exists because of its long standing relationship with China. The Australian industrialist Clive Palmer might be wrong in his recent allegation that the Australian Securities & Investments Commission “is doing the Chinese government’s bidding” (Palmer as quoted by Elks 2020, p. 3), but Australia’s economic relationship with China will continue to affect Australian business ethics.

However, for most Australians, there is a more immediate and essential dilemma which is unrelated to Australia’s geographic location. Although, arguably, obliquely related to the claim made in 1994 by Paul Keating when serving as Australian Prime Minister that “Australia is at the arse end of the world”. Inevitably, the current coronavirus pandemic has had the same results in Australia as everywhere. And Australians want toilet paper. The shortage of toilet paper and other items attracted price gougers and “profiteers exploiting the chaos at supermarkets” (Schliebs 2020, p. 3). This has aroused the ire of the Australian Competition and Consumer Commission. Consequently, Australia remains beset by ethical issues in business.

## Cross-References

- [Academic Business Ethics in the United States](#)
- [Animal Ethics and Business Ethics](#)
- [Business Ethics in Canada](#)
- [Business Ethics in the UK](#)
- [Business Ethics: A European Review](#)
- [China and Business Ethics](#)

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## Business Ethics in Canada

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### Introduction

Canada is a relatively young country, gaining the right to self-governance from Britain in 1867 and only becoming fully independent by establishing its own constitution in 1982. Canada is the second largest country in the world in terms of land mass after Russia and possesses extensive natural resources. Canada has a multiethnic population of over 35 million people which is often referred to as a “cultural mosaic,” whereby ethnic and cultural identities tend to remain intact, rather than being a “melting pot” by which greater assimilation takes place. The two most distinct

societies and cultures within Canada are represented by its Indigenous or Aboriginal communities and its minority French-speaking population living primarily in the province of Quebec. Partially influenced by business scandals and corporate legislative developments taking place in its large southern neighbor, the United States, and through global trade with the rest of the world, Canada has over time developed a similar yet also unique set of business ethics-related institutions and practices.

Business ethics practices can be defined both narrowly and broadly. One set of dimensions of business ethics activity in any given country using a broad definition of business ethics was suggested in the “Business Ethics National Index” (BENI) (Schwartz and Weber 2006). According to this index, business ethics activity cuts across several dimensions. For the purposes of this entry, the following dimensions will be discussed in relation to Canada: a history of business ethics scandals, the extent of misconduct, corporate ethics programs, business ethics-related legislation, business ethics in academia, and business ethics organizations. The entry builds on previous descriptions of business ethics in Canada including articles contained in a special issue of the *Journal of Business Ethics* (Boyd 1997; Brooks 1997; Di Norcia 1997; McDonald 1997; Michalos 1997; Pasquero 1997) as well as one encyclopedic entry (Poff 2015). What follows will both update the previous studies and describe in more detail several of the institutionalized elements of Canadian business ethics.

### History of Canadian Business Ethics Scandals

Canada is a country not devoid of business ethics scandals. The Hudson's Bay Company, one of the world's oldest companies established by the Royal Charter in England in 1670, entered fierce competition with another fur trade company, the North West Company, in the land that was later to become Canada. Given the amount of money at

stake, this competition over the fur trade sometimes became physically violent, leading to the origins of the term “cut-throat competition.” Since then, like in every country, other Canadian business firms and industries have faced ethical challenges and experienced scandals. One of the most famous Canadian business ethics scandals involves the exploration company Bre-X Minerals, which after reportedly finding an extensive gold deposit in Indonesia went from being a penny stock to a CAD\$6 billion company. The stock price then collapsed in 1993 following the discovery that the core samples had been tainted with gold dust leading to the loss of billions for investors. A Hollywood movie “Gold” was released in 2016 that portrays many of the events that took place at Bre-X.

Several Canadian companies have been involved in bribery scandals around the world over the years including aerospace company Bombardier, SNC-Lavalin, and engineering consulting firm Acres International. Talisman Energy, a Canadian-based multinational oil and gas company, eventually left Sudan in 2003 as interest groups accused the company of indirectly assisting human rights violations by the Sudanese government in its civil war leading to millions of civilians being killed. Other Canadian mining companies have suffered over the years from scandals related to environmental issues, corruption, impacts on indigenous populations, forced labor, and other human rights concerns including Goldcorp in Latin America, Barrick Gold in Africa, and Nevsun Resources in Eritrea.

More recently, Canadian bank CIBC settled a class action lawsuit in 2005 for US\$2.4 billion for its role in the Enron accounting scandal. Canada’s two biggest tobacco companies, Imperial Tobacco and Rothmans, Benson & Hedges, agreed to pay over CAD\$1 billion in 2008, representing the largest criminal fines and civil settlements in Canadian history, to settle charges the companies helped smuggle cigarettes into the country to avoid taxes. Nortel Networks, which became a global leader in telecommunications with 90,000 employees and worth CAD\$300 billion, collapsed

and declared bankruptcy in 2009 following an accounting scandal. Canadian-based online dating service company Ashley Madison, which promotes consensual affairs between married adults and has over 53 million members worldwide, faced a scandal in 2015 when the names of its members were publicized by hackers who were upset with the company’s activities and illegally obtained the company’s client information. Pharmaceutical firm Valeant, which at one point was Canada’s most valuable company, saw its stock price plunge in 2016 after being accused of unethical activities including price gouging. Canadian banks were being investigated in 2017 for unethical sales practices, including pushing employees to reach unrealizable sales goals by selling unnecessary products and services. The share value of Canada’s largest nonbank lender of mortgages, Home Capital, plunged two-thirds in 2017 from CAD\$2.5 billion to CAD\$300 million after the company was accused of making misleading statements about fraud committed by mortgage brokers through falsifying the incomes of mortgage applicants.

In terms of individual white-collar crime, Conrad Black, the former CEO of Canadian media company Hollinger International, was sentenced in the United States in 2007 to 6 years in jail for fraud and obstruction of justice. In 2009, cofounder Garth Drabinsky of the Canadian film and theater company Livent was found guilty of misstating the company’s financial statements and sentenced to 5 years in prison. In 2010, Toronto lawyer Stan Grmovsek was sentenced to over 3 years in prison for one of the biggest Canadian insider trading cases. The scheme earned him and a friend approximately US\$9 million and represented the first criminal sentence in Canada ever imposed for insider trading.

Such corporate scandals and white-collar crime will no doubt continue as Canadian executives face various moral temptations and engage in a moral rationalization process to justify their misconduct, while Canadian businesses face the challenge of competing ethically in the global economy.

### Misconduct in Canadian Business Firms

In Canada, similar to the United States, 42 percent of employees have observed some type of misconduct during the previous year (Ipsos Reid 2013). The major types of workplace misconduct observed include misuse of company property (28%) (e.g., misuse of confidential information, customer or employee privacy breach), harm to people (25%) (e.g., abusive behavior, lying to employees, discrimination, health or safety violations, sexual harassment, etc.), privacy violations (17%) (e.g., misuse of confidential information, customer or employee privacy breach), fraud (17%) (e.g., stealing, falsifying time sheets/expense reports, employee benefits violations), conflicts of interest (13%) (e.g., insider trading), and environmental violations (12%) (e.g., dumping of hazardous waste, violating environmental standards) (Ipsos Reid 2013). In addition, thirty six percent of Canadian companies reported being the victim of economic crime, including asset misappropriation (62%), cyber-crime (28%), procurement fraud (21%), human resources fraud (17%), and bribery and corruption (14%) (PWC 2016). Although nurses (92%) and doctors (89%) are highly respected professions in Canada, bankers (50%) and business executives (47%) are much less respected, while car salespeople (28%) and politicians (24%) are the least respected professions (Insight West 2017).

### Corporate Ethics Programs in Canada

In terms of corporate ethics programs, 86 percent of Canada's 1000 largest companies had a document that outlines their values and principles already by 1999 (KPMG 2000). The following additional ethics program elements were reported in a survey of Canada's largest 500 corporations (Singh 2011): ethics training (57%), ethics committee (55%), position of ombudsman

to report unethical practices (64%), ethics audit to evaluate ethics performance (54%), and guidelines to support whistleblowers (89%). The vast majority of respondents (92%) believed that codes had a positive impact on their organizational policies. There are now a variety of Canadian industry associations that have developed codes of ethics for their members, including the forestry industry ([www.cif-ifc.org/wp-content/uploads/2014/05/Code\\_of\\_Ethics\\_English.pdf](http://www.cif-ifc.org/wp-content/uploads/2014/05/Code_of_Ethics_English.pdf)) and the mining industry ([mining.ca/towards-sustainable-mining/tsm-guiding-principles](http://mining.ca/towards-sustainable-mining/tsm-guiding-principles)). Following a tragic leak of a deadly toxic gas from a pesticide plant in Bhopal India in 1984 that killed thousands, the Canadian chemical industry developed its "Responsible Care Program" now practiced around the world ([www.canadianchemistry.ca/responsible\\_care/index.php/en/our-commitment](http://www.canadianchemistry.ca/responsible_care/index.php/en/our-commitment)) which is designed to improve health, safety, and environmental performance of chemical-producing firms.

### Business Ethics-Related Legislation in Canada

While Canada for many years lagged behind other countries including the United States in terms of business ethics-related legislation, it now appears to be catching up. In terms of anti-corruption legislation, while the United States promulgated its *Foreign Corrupt Practices Act* back in 1977, Canada only did so by passing the *Canadian Corruption of Foreign Public Officials Act* (CFPOA) in 1999. The law ratified the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*. The CFPOA applies to both individuals and companies and makes it a criminal offense to bribe a foreign public official to obtain or retain a business advantage. The maximum penalties include 14 years of imprisonment and millions in

finances [1998, c. 34]). The legislation was amended in 2013 to tighten many of its provisions including the removal of the facilitation payment exception (payments to secure performance of routine acts by low-level government officials). While the actual enforcement of the CFPOA remains questionable, in terms of perceived corruption, Canada now ranks quite well as the ninth least corrupt country out of 176 countries in Transparency International's Corruption Perceptions Index (CPI) ([www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](http://www.transparency.org/news/feature/corruption_perceptions_index_2016)).

With respect to whistleblower protection, at least on paper, the *Canadian Criminal Code* (section 425.1) which went into effect in 2004 offers protection for external whistleblowers (those who report wrongdoing to parties external to their firms such as the government) in all jurisdictions in the private and public sectors, including protection against threats and retaliation against employees. In 2005, the Supreme Court of Canada extended the whistleblowing provision to those who report wrongdoing internally to individuals within their firms as well [see: *Merk v International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers*, LOCAL 771, 2005 SCC 70, 260 DLR (4th) 385]. Other federal and provincial legislation provide a degree of protection to government officials who report wrongdoing. In 2016, the province of Ontario adopted the Ontario Securities Commission's (OSC) new Whistleblower Program, which includes monetary incentives up to CAD\$5 million for whistleblowers and amendments to Ontario's *Securities Act* to provide additional protection to persons who report a potential violation of Ontario security law. Whether or not these legislative protections will actually protect employees remains in question. There have been many famous Canadian whistleblowers over the years who have suffered retaliation and harassment, including Dr. Nancy Olivieri, who blew the whistle on the drug firm Apotex by publishing a study in 1998 on possible life-threatening dangers of a new drug that she was testing on trial patients.

Since 2004, Canadian companies, as well as their directors or officers, can be held guilty for

crimes under Bill C-45 – *An Act to Amend the Criminal Code (Criminal Liability of Organizations)*. In terms of directors and officers, while they cannot be convicted of a crime for acts of the corporation merely because of their status as directors or officers, they may be held criminally responsible if they are directing the corporation to commit crimes that will benefit the corporation or are otherwise participating in criminal activities within the corporate context. Of course, Canada also possesses a robust civil liability legal system, and many Canadian companies have been successfully sued for their misconduct. This includes a historic CAD\$15.6 billion class action lawsuit in Quebec Superior Court against three Canadian tobacco companies in 2015, where the judge stated that the companies had put profits before the health of their more than one million customers by intentionally concealing harmful risks of their product.

## Academia and Business Ethics in Canada

While it took a number of years, it now appears that the vast majority of Canadian business schools offer either a mandatory or elective stand-alone course in business ethics, at both the undergraduate and graduate levels. In fact, already by 1989, 55 percent (23/42) of Canadian business schools offered either a mandatory (20%) or elective course (80%) in business ethics (Singh 1989). Since then, several universities have established business ethics chairs, with the first chair established in 1992 at York University's Schulich School of Business and first held by moral philosopher Professor Emeritus Wesley Cragg. Other Canadian universities that have established business ethics chairs include the Sauder School of Business at the University of British Columbia, the University of Calgary's Philosophy Department, as well as the *Université de Montréal*. There remain however relatively few Canadian business ethics textbooks. The first Canadian business ethics textbook, *Business Ethics in Canada* by Deborah Poff and Wilfrid Waluchow, came out in 1987, with the fourth edition published in 2004. Other Canadian business



ethics textbooks that have been published include *Ethical Issues in Business: Inquiries, Cases, and Readings* by Peg Tittle (2016); *Business Ethics: Concepts, Cases, and Canadian Perspectives* by Peter Kissick (2012); *Canadian Business and Society Ethics & Responsibilities* (third edition) by Robert Sexty (2014); *Business Ethics: Canadian Edition* by Damian Grace, Stephen Cohen, and William Holmes (2013); and *Business & Professional Ethics for Directors, Executives & Accountants* (eight edition) by Leonard Brooks and Paul Dunn (2018). Notably, the founding editors of the *Journal of Business Ethics* were based in Canada (Alex Michalos and Deborah Poff).

Several university-based business ethics centers have also been established. At York University's Schulich School of Business, the Centre of Excellence in Responsible Business (COERB) holds a variety of presentations. Ryerson's Jim Pattison Ethical Leadership Education & Research Program hosts several guest lectures each year. The Clarkson Centre for Business Ethics and Board Effectiveness is based at the University of Toronto. The University of Waterloo through its Centre for Accounting Ethics at Waterloo holds various activities, including an annual Ethics Symposium conference. Dalhousie University's Faculty of Management in Halifax, Nova Scotia, has hosted an annual "Ethics in Action" student case competition for a number of years. In 2017, Queen's University, along with the Chartered Financial Analyst (CFA) Institute, launched an "Ethics Challenge" student case competition as well. One of the most popular business ethics blogs is administered by Professor Chris MacDonald at Ryerson University ("The Business Ethics Blog" – [www.businessethics.blog.com](http://www.businessethics.blog.com)). Many student clubs have also been established at various Canadian universities as well, which primarily focus on broader business and society issues.

There now appear to be a number of full-time business ethics professors teaching and conducting research in universities and colleges across Canada. In terms of business ethics research, one research study (Chan et al. 2016) ranked York University as the number one academic institution

in the world in terms of quality of business ethics journal publications. Publication quality was measured by citation impact of articles published by the university's researchers in ten leading business ethics journals over a 14-year period from 1999 to 2012. The other Canadian academic institutions identified in the study that made it to the top 100 world list include the University of Calgary (28th), the University of Toronto (36th), Simon Fraser University (54th), the University of Western Ontario (78th), Queen's University (79th), and Saint Mary's University (85th).

One Canadian-based magazine, *Corporate Knights Magazine* ([www.corporateknights.com](http://www.corporateknights.com)), which addresses both business ethics issues and broader business and society concerns, generates an annual ranking of MBA programs on their sustainability activities which includes curriculum, institutes and centers, and faculty research. In the 2016 results, several Canadian business schools were identified in the list of the top 40 schools from around the world including York University, Schulich School of Business (1st); McGill University, Desautels Faculty of Management (6th); University of Calgary, Haskayne School of Business (9th); Saint Mary's University, Sobey School of Business (11th); University of British Columbia, Sauder School of Business (14th); Simon Fraser University, Beedie School of Business (23rd); Dalhousie University, Rowe School of Business (29th); University of Ottawa, Telfer School of Management (31st); and Concordia University, John Molson School of Business (35th).

## Business Ethics Organizations in Canada

There have been several business ethics organizations that have been established over the years. Transparency International Canada (<https://www.transparency.org/country/CAN>) was established in 1996 and has been very active in terms of lobbying the Canadian government regarding anti-corruption legislation, as well as holding a series of conferences and speakers. The Canadian Centre for Ethics & Corporate Policy ([www.ethicscentre.ca/EN](http://www.ethicscentre.ca/EN)) also holds various speaking



events. The Canadian Business Ethics Research Network (CBERN) ([www.cbern.ca](http://www.cbern.ca)) is an academic network which brings together through conferences and other activities Canadian business ethics academics. Founded in 1995, Canadian Business for Social Responsibility (CBSR) ([cbsr.ca](http://cbsr.ca)) is a nonprofit, business-led, national membership organization of Canadian companies and individuals that have made a commitment to operate in a socially, environmentally, and financially responsible manner, recognizing the interests of their stakeholders, including investors, customers, employees, business partners, local communities, the environment, and society at large. The Responsible Investment Association ([www.riacanada.ca](http://www.riacanada.ca)), formerly the Social Investment Organization, plays an active role in Canada's social investment industry. Members include mutual fund companies, financial institutions, asset management firms, advisors, consultants, investment research firms, asset owners, individual investors, and others interested in responsible investment.

There are now dozens of business ethics consultants in Canada. One of the first was EthicScan ([ethicscan.ca](http://ethicscan.ca)), founded in 1987 by David Nitkin and based in Toronto. In addition to its consulting activities, the firm now conducts many seminars on various business ethics-related topics. In 1995, a group of Canadian business ethics consultants formed an association called the Ethics Practitioners' Association of Canada (EPAC) ([epac-apec.ca](http://epac-apec.ca)) which holds roundtable discussions and webinars and maintains ethics standards for the ethics practitioners' profession. Michael Jantzi, CEO of Sustainalytics ([www.sustainalytics.com](http://www.sustainalytics.com)), has been very active in the social investment field and established the Jantzi Social Index (JSI) in 2000 which focuses on stocks that are socially and environmentally conscious. The largest ethical mutual fund in Canada, NEI Investments (formerly Ethical Funds) ([www.neiinvestments.com](http://www.neiinvestments.com)), was first established in 1986 and targets investment in companies based on their environmental, social, and governance performance.

## Future of Business Ethics in Canada

It is not clear how business ethics activities and practices will continue to evolve in Canada. No doubt additional corporate scandals will appear in the headlines. Canadian companies will continue to face pressures to engage in corruption around the world in order to win or retain business, and it is not clear whether societal, industry, or organizational mechanisms and norms will prevent such misconduct. Nonetheless, overall, Canada has now established itself in terms of business ethics leadership, with respect to corporate ethics programs, the teaching of business ethics, business ethics research, conferences, seminars, consultants, organizations, and centers. All of this activity will hopefully continue going forward to secure the importance of business ethics in the minds of Canadian business students, employees, managers, executives, and boards of directors.

## Cross-References

- [China and Business Ethics](#)
- [Corporate Crime](#)
- [Corruption and the American Foreign Corrupt Practices Act](#)
- [Enron Scandal](#)
- [Global Corruption](#)
- [Journal of Business Ethics](#)
- [Teaching Business Ethics](#)

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## Business Ethics in the UK

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## Synonyms

Business ethics in Great Britain

## Introduction

With about 65 million inhabitants,<sup>1</sup> the UK comprises less than 1% of the globe's population. Nevertheless, it is a significant economy, a member of the Group of Eight (G8) industrialized nations, and London is currently the largest financial center in Europe and dominates worldwide in certain financial areas (Goddard and Wilson 2016). The UK's business framework is well established and influential; for historical reasons – namely, the British Empire, which at its zenith covered about a quarter of the world's population – its institutions and business practices have had influence out of line with its current economic power. Since 1974 it has in turn been affected as a member of the European Union (EU). However, at the time of writing, it is in the process of leaving the EU following the referendum of 2016 when approximately 52% of those who cast their vote expressed a preference for “Brexit.” How this will affect the strength of the economy, including the international position of the City of London, remains to be seen. The eventual implications of Brexit for regulatory frameworks and business practice are also uncertain, but like many relatively open economies, the UK is highly integrated into global trade systems, with the pressures toward convergence that this implies.

Nevertheless, there are some characteristics of UK business practice and regulation that, if not unique, are at least notable, especially because of their influence upon policy and practice elsewhere. This article therefore begins with a consideration of the legal framework for companies in the UK that both enables and constrains corporate activity. The next section examines the UK approach to corporate governance which, although of much more recent origin, has also had significant international influence. The third main section discusses some of the current ethical issues regarding UK business. The Conclusion completes the article.

<sup>1</sup> [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates), accessed 02 October 2017

## The Legal Framework

The framework within which companies operate constrains or enables what might be viewed as “good” business practice. Indeed, without the legal framework, companies would not exist; they are a legal creation. The UK was the first modern “industrialized” economy and hence the first to develop institutions and practices that are now widely taken for granted, in particular the limited liability company possessed of a separate legal personality. Indeed, this innovation could be said to have been a major influence upon industrialization and economic development, rather than just a result of it, since it encourages the investment of large amounts of risk capital and enables continuity of operation. This institutional framework thus has benefits, but it also carries with it certain risks, including the possibility of excesses or abuse.

Nineteenth-century judges were particularly concerned about the ability of those engaged in business to walk away from debts when a company failed, protected by the corporate “veil” (i.e., the debts were those of the company itself). Well aware of the hazards of limited liability when compared with sole proprietorship or partnership, the courts, as they developed company law in tandem with statutory provisions, sought to protect creditors (Cowton 2011). It could be argued that incorporation with limited liability is still abused today, such as when business people recklessly leave creditors out of pocket or buy the company out of administration in a “prepack” set up in their favor – perhaps more than once.

As it developed, UK company law influenced many other countries, including the USA and, in particular, members of the former British Empire such as Australia and India. Milestones during the past century have included the Companies Acts of 1948 and 1967 and, subsequently, various pieces of legislation following the UK’s 1973 accession to the European Union (as it is now). These developments were consolidated in the Companies Act 1985, but this has now been superseded by the Companies Act 2006, which at the time was the longest Act in British Parliamentary history. One of the features of the increasingly voluminous and

complex body of statute law is a vast growth in the quantity and scope of information provided in, and with, the audited financial statements, thus extending accountability – particularly to shareholders. Yet still there exist calls for greater “transparency,” partly because of reduced confidence in summarized accounting numbers and partly because of interest in particular issues, including executive pay.

Many popular understandings of the position of shareholders, such as their owning the business, are legally and conceptually flawed (Cowton 2011). In the UK the legal tradition is that the primary duty of the directors is to the company itself. However, this duty can be interpreted as a duty to the body of shareholders as a whole, and it is certainly the case that the UK – like many other “Anglo-Saxon” regimes – is strongly shareholder-oriented. The rights of creditors can be asserted when a firm is in financial distress (Cowton 2011), but in everyday practice, shareholder primacy holds sway.

However, the Companies Act 2006 does appear to hint at a possible modification of shareholder primacy, at least in the eyes of some commentators, who view it as a piece of pro-stakeholder legislation. For Section 172(1) of the Act states that directors must have regard to (among other matters) the interests of the company’s employees; the need to foster the company’s business relationships with suppliers, customers, and others; and the impact of the company’s operations on the community and the environment. It can be argued, though, that the Section is too vague to have any real legal effect, and to the extent that its message is clear, it reasserts shareholder primacy, because it states that directors should have regard to the previously mentioned factors when acting in the way they consider, in good faith, would be most likely to promote the success of the company. At most, therefore, the Section seems to be a call for “enlightened shareholder value,” which arguably is what acting “in the interest of the company” should consist in anyway. Indeed, a member of the steering group whose report led to the passage of the Act comments that they thought there was a strong case for making explicit the law’s true

character, having come to the opinion that it was widely misunderstood in too narrow and short-term a way (Mayo 2008) – which presumably is why the first factor that directors are required to have regard to, before the mention of any stakeholders in S.172(1), is “the likely consequences of any decision in the long term.” Thus the Section is consistent (at most) with instrumental stakeholder theory rather than normative stakeholder theory. It seems to resonate well with the UK Stewardship Code,<sup>2</sup> published by the Financial Reporting Council in 2010, the aims of which are to support the efficient exercise of institutional investors’ governance responsibilities and to enhance the quality of their engagement with companies, with a view to improving long-term returns.

The directors are also to have regard to the desirability of the company maintaining a reputation for high standards of business conduct, which seems to imply that the law is seeking to promote good business ethics. Again, this might be considered too vague to have any real impact on behavior, particularly given the reluctance of the courts to challenge directors’ judgment; and it is oriented toward enlightened shareholder value rather than for its own sake (note the reference to “reputation”). Nevertheless, it is interesting for at least two reasons: first, that it should – like various stakeholders – be mentioned at all within company law and second, it reflects a view that, in practice, some UK companies are missing out on opportunities to pursue the “business case for ethics” and hence behaving less well than they might easily choose to do.

Furthermore, there has been some debate about how to enhance the provisions of S.172, including the idea of providing narrative reporting that explains to shareholders and other stakeholders about the implementation of S.172 duties. However, any developments now seem likely to fall short of requiring companies to have worker representation on the board of directors – just as proposals along such lines in the Bullock Report

of 1977 on industrial democracy were not taken up.

## Codifying Corporate Governance

While the law sets the framework for corporate governance – and did so long before the term itself became commonplace – the past quarter of a century or so has seen the growth of a movement to address perceived problems with the governance of companies listed on the stock market. Although shareholder primacy holds in principle in the UK, both incompetence and the kinds of problems highlighted by agency theory can mean that companies are not always run effectively in the interests of shareholders. Following certain “scandals” in the 1980s, such as Polly Peck, BCCI, and the Robert Maxwell affair (Avison and Cowton 2012), corporate governance emerged as a significant issue and led to the establishment of the Cadbury Committee on the Financial Aspects of Corporate Governance (Cadbury 1992). The original report and subsequent developments have been influential in other countries. The UK Corporate Governance Code (as it now is),<sup>3</sup> which is overseen by the Financial Reporting Council, contains broad principles and more specific provisions. Listed companies are required to report on how they have applied the main principles of the Code and either to confirm that they have complied with the Code’s provisions or to provide an explanation – the so-called “comply or explain” approach. This is very much in keeping with the British common law approach, rather than (mainland European) codification – principles rather than rules, substance over form, and the spirit rather than the letter (at least in theory).

The scope of successive versions of the code (or different codes) has broadened over the years (e.g., coverage of risk resulted from the Turnbull Report 1999 on internal control), but it still has a shareholder focus. Nevertheless, in addition to

<sup>2</sup> [frc.org.uk/investors/uk-stewardship-code](http://frc.org.uk/investors/uk-stewardship-code), accessed 02 October 2017

<sup>3</sup> [frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code](http://frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code), accessed 02 October 2017.

influencing corporate governance frameworks elsewhere in the world, the code has also had impacts beyond the listed company sector. Partly because of some recent cases, such as the pension problems arising from the failure of the BHS retail chain, there are discussions about introducing a corporate governance code for the largest privately held companies. Moreover, various types of not-for-profit organization – including charities and universities – have witnessed the introduction of governance codes, especially as they have been encouraged, if not required, to become more professional and “businesslike.”

Finally, in relation to governance, board diversity has become a high-profile issue, for reasons related both to effectiveness (the “business case”) and justice. Much of the focus to date has been upon gender diversity, but there are also signs of growing debate about other forms of diversity, including ethnicity. So far in the UK, there has been resistance to the idea of mandatory quotas, but this is an area in which guidelines and scrutiny, already in evidence, are likely to increase pressure for change.

### Some Current Issues and Influences

The continued evolution of the UK’s company law and corporate governance framework suggests that it is adaptable but also that it is not perfect. Moreover, as explained, it is largely focused on shareholders rather than other stakeholders. However, it should be noted that many stakeholders are covered by other branches of law (employment, health and safety, consumer, environmental, discrimination, etc.). Some businesses will readily uphold or even exceed their legal duties, while others will carelessly or deliberately not do so. This itself is an ethical issue, and so it is not surprising that ethical debate about business at any given time deals not only with issues already covered by legislation or other regulations but also other issues that might be so in the future, depending on the strength and longevity of the criticisms of companies, as well as their response to those criticisms.

Some insight into the current ethical issues is provided by the Institute of Business Ethics’ (IBE) annual overview of major ethical concerns and lapses recorded in its weekly media monitoring. The method used is biased toward large companies – which usually have a code of ethics or similar nowadays – and is dependent upon what the news media are choosing to report. It therefore does not necessarily reflect the issues (both good and bad) relating to SMEs, which are the vast majority of companies. Nevertheless, it is useful as an indicator of at least some of the issues that seem to be of concern in the country; and if the reporting of those issues persists in public media, they are likely to be prime candidates for future regulation or even legislation.

From the 604 different news stories recorded by the IBE in 2016, the most prominent sector (with 156 stories) was banking and finance, which reflects not only its size in the UK but also the scrutiny to which it has been subjected since the global financial crisis. Many of the stories related to financial crime, including insider trading and money laundering. Interestingly, although, in the 2016 edition of Transparency International’s (TI) Corruption Perceptions Index, the UK was ranked 10th out of 176 countries,<sup>4</sup> TI has noted concern about money laundering, which it considers to have been fuelling the boom in London property prices.<sup>5</sup> Considerable attention was also paid in the media stories to executive compensation, especially where packages were considered to be excessive in relation to performance. This comes on top of much bad publicity for banks in recent years; they have had to make major reparation for the mis-selling of personal protection insurance (PPI) policies, interest rate swaps, and endowment mortgages, as well as experiencing the LIBOR scandal.

The retail sector was also prominent in the IBE survey (75 stories), with concern about, *inter alia*, delayed payments to suppliers. Although the UK

<sup>4</sup> [www.transparency.org/country/GBR](http://www.transparency.org/country/GBR), accessed 03 June 2017.

<sup>5</sup> [www.transparency.org/news/feature/property\\_in\\_the\\_uk\\_a\\_home\\_for\\_corrupt\\_money](http://www.transparency.org/news/feature/property_in_the_uk_a_home_for_corrupt_money), accessed 02 October 2017.

now has its third prompt payment code in operation,<sup>6</sup> its voluntary nature and limited take-up seem to undermine its effectiveness. Some retail companies were also criticized for their poor pay and employment conditions, which was one of the four “top” issues across sectors according to the IBE media analysis. (The others were bribery and corruption, fraud, and treatment of customers.) Questionable use of “zero hours contracts” and other practices makes it difficult for some workers to flourish. This possibly reflects some particular features of the UK economy, especially following the global financial crisis.

At the time of writing (late 2017), total employment is at record levels, and unemployment is measured at less than 5% of the workforce. In a time of sluggish growth, this would appear to be a good thing, but the corollary (an arithmetic one, if not a necessary economic one) is that productivity is relatively poor when compared with many other developed economies. To some extent this probably reflects the longstanding problem that a significant section of the population has low skill levels, with technical education and training relatively weak by international standards. However, it might also reflect the relatively high levels of immigration in recent years, with migrants often competing for jobs below their home qualification levels. If the level of immigration does indeed fall significantly post-Brexit, which seems likely, lower paid workers might find their position improved, with more local labor markets clearing at above the National Minimum Wage (introduced in 1999). A report published in 2017, chaired by Matthew Taylor at the request of the Prime Minister, Theresa May, looked at ways in which all work in the economy might be made fair and decent, with scope for development and fulfilment.<sup>7</sup> Whether or not its recommendations have any effect on policy, the review provides a useful summary of the challenges faced by many

workers, which Brexit – if it helps – is unlikely to eradicate completely.

However, it should be noted that not all companies, even in the industries highlighted, are mired in ethical issues. Many excellent companies, both large and small, operate across the economy. In pursuing ethical policies and practices, they face some challenges, but there are various sources of support available to them. Mention has already been made of the Institute of Business Ethics and Transparency International. The UK also has a well-developed network of professional bodies in many fields related to business, whose members are – or should be – expected to uphold higher standards than those required by ordinary morality and the law. A more recent development is that a large proportion of university students study business in some form, and such courses increasingly contain at least some business ethics topics, encouraged by the growing interest of UK business schools in obtaining international accreditation and the increased numbers that have signed up to the UN’s Principles for Responsible Management Education. Such teaching is not necessarily under the heading of “business ethics” though; titles such as “corporate (social) responsibility” and “governance” are also in evidence.

## Conclusion

The UK has a relatively well-regarded business framework that, for reasons of history as much as its strengths, has had considerable international influence. Nevertheless, public debate and criticism indicate several areas of ethical concern, in particular for workers who do not possess highly valued skills. Many of those workers will have voted for Brexit, but whether that leads to an improvement in their conditions remains to be seen.

## Cross-References

- [Bribery](#)
- [Corporate Governance](#)
- [Immigration and Business Ethics](#)

<sup>6</sup> [www.promptpaymentcode.org.uk/](http://www.promptpaymentcode.org.uk/), accessed 02 October 2017.

<sup>7</sup> [www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices](http://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices), accessed 02 October 2017.



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## Business Ethics Quarterly

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## Synonyms

Business ethics journal; Journal on business ethics; Journal on social responsibility of business

## Definition/Introduction

This is a brief description of the official journal of the Society for Business Ethics.

## Description

The first issue of the *Business Ethics Quarterly* (beq) appeared in January 1991, 134 pages of 464 for the full volume. Its basic aim and scope was described by its Editor in Chief Patricia H. Werhane as attracting and publishing “papers on any aspect of the relationship between business and ethics from every disciplinary point of view,” including papers “on methodology and

pedagogy” and “discussion pieces in response to any of the articles published in previous issues” (Werhane 1991).

The idea for the journal occurred to “a number of thoughtful members of the Society for Business Ethics including the past and present Executive Committee: William Frederick, Michael Hoffman, Jennifer Moore, and Lisa Newton. The financial and moral support of the members of the Society...and Loyola University of Chicago...made *BEQ* possible. The work of Al Gini at Loyola has produced the actual copy” (Werhane 1991). Currently, beq is published by Cambridge University Press.

At this writing, 27 volumes in 106 issues have appeared since 1991. The current Editor is Bruce Barry. While the journal has called for and published quantitative analyses, most of its articles have been philosophical with qualitative analyses. In this respect, papers in beq form a good complementary class with the mostly quantitative papers in *jobe*. Many editorial board members of beq have also been members of the board of *jobe* and vice versa. Additional comparisons between beq and *jobe* may be found in the entry for *jobe* in this encyclopedia and in the introductory essay of Michalos and Poff (2013).

## Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Asian Journal of Business Ethics](#)
- [Business and Society](#)
- [Business Ethics: A European Review](#)
- [Journal of Business Ethics](#)
- [Society for Business Ethics](#)

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## Business Ethics Without Metaphysics

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### Synonyms

Cosmopolitan business ethics; Generic business ethics; Nonideological business ethics; Non-religious business ethics; Secular business ethics

### Introduction

Business ethics without metaphysics is essentially the attempt to provide normative rules for business practice and behavior which require few if any explicit metaphysical commitments about ultimate reality. *Business* is essentially the buying and selling of goods and services. *Ethics* typically are rules or guidelines for proper behavior, usually thought of in terms of principles, character traits, or goals for what should or ought to be done or achieved. Business ethics is then the study of what we ought to do when buying or selling goods and services – what kind of behaviors are acceptable, what principles should be followed, what sorts of actions are acceptable or commendable.

*Metaphysics* is the study of what is (or exists) – sometimes referred to as “ultimate reality” – and concepts typically studied in the field of metaphysics would be being (existence), time, space, human nature, and the nature of reality. Metaphysics plays an important role in traditional ethics, because it is frequently thought that one cannot know what we ought to do unless we properly understand what we are. For example, Aristotle famously said that a knife is good and does what it ought if it cuts well, because cutting things well is the proper purpose of a knife. Similarly, good medicine is the sort which leads to health, since the end and purpose of medicine is to bring about health. So it seems, on this view, that we need to know about ultimate reality – the nature of things – in order to come up with any claims about how

things ought to be. So many ethicists believe that any proper ethics must be grounded in a foundational knowledge of ultimate reality – and without such claims about the nature of reality, one cannot arrive at any ethical conclusions.

But there are wide disagreements about ultimate reality. Some think God exists, others do not. Some think things have inherent natures which should be “fulfilled” or actualized, while others do not. Some think we are simply material beings, others think we have a soul. Some think there is an afterlife, others do not. Some believe the world was created, others think it is a product of random chance. Given all these sorts of disagreement about ultimate reality, some have sought to determine some ways of developing ethics without first establishing agreement on those issues. The goal is to find an ethic which is attractive to those who are religious and those who are not, for example, or those who believe there is a God and those who do not.

Given the nature of business – that it is a practice generally carried out in the public realm – it seems it is important for any ethic which would apply in the business realm to be able to speak to people with various worldviews and metaphysical (ultimate reality) beliefs. Thus, the search for business ethics without metaphysics. But if you think that agreement on ultimate reality (metaphysical) questions is essential in order to come to agreement on right and wrong, then this approach to discover business ethics without a common metaphysic appears foolhardy. Yet there are many thinkers who believe one cannot know with any degree of certainty the ultimate nature of reality, so agreement on those points may be impossible. Yet they think ethics are possible and real. This entry will consider ways in which one can develop a business ethic without referring to metaphysics directly.

### Approaches to Ethics Without Metaphysical Agreement

To avoid the debate about the nature of ultimate reality, one popular strategy is simply to set aside that discussion and focus on what our perceptions

of the world are. In other words, you and I may disagree about the nature of the world, but one can at least discuss our perceptions of the world. We agree to bracket the question of ultimate reality and try to come up with common ground at least through our common perceptions. There are a wide number of sources for generating ethical values and principles which do not require an elaborate metaphysical system of beliefs. Below are a few of the various ways to derive ethical values for business without metaphysics.

*Popular folklore and generally accepted opinions:* Fortunately, we find that people often have common experiences of the world, and so, common beliefs and convictions about how we ought to behave. Experiences that we share can help us come to consensus, and we find this in a lot of different ways. Sometimes we experience things ourselves, and other times we learn from others' experiences, or from commonly told folk-wisdom. For example, we generally know that you should not drink gasoline, or stick your hand in boiling water, or lick a frozen flagpole. We know that such things lead to bad results for us. Ethically, we typically know that lying is wrong, one should not be lazy, and it is better to not speak evil about others. One way of gathering such shared experiences is by looking to folklore and traditional stories. Most of us know the story of the boy who cried wolf – when he said false things too often, eventually people would not believe him when he actually needed them to believe him – and things went very bad for him. Or the myth of Icarus, who flew too high and melted his wings and fell to his death – reminding us that over-ambitious plans rooted in hubris frequently end with bad results.

We often seem to just know that certain behaviors are not generally acceptable, and we respect these socially supported viewpoints about behavior. For example, if you stand outside the grocery store and trip old people, laughing at them as they drop their groceries and fall on the sidewalk, most of us will say that you are an awful person. Likewise, when Bernie Madoff lied to friends and other long time customers with his pyramid scheme, society generally found this behavior to be outrageously wrong, without getting into

details of the metaphysical nature of reality. Today almost no one would argue that the slave trade was right or appropriate, and only social deviants would say that human trafficking and sexual slavery are not wrong – regardless of one's religion or metaphysical beliefs.

*Morals by agreement (contractarianism):* Another means of arriving at ethical principles for business practices without a common agreement about metaphysics is contractarianism, the theory that moral agreement in society is the basis of our ethics (Gautier 1986). Some of these rules come to us through customs of society – social norms which are essentially determined by the rational consent of those in the society (Rawls 1971). They mutually agree to offer rights and privileges to all people who will abide by the restrictions and conditions of this social contract. For example, you may have private property, but you must not violate the private property rights of others. You have freedom to do what you want, so long as it does not interfere with the freedoms of others, etc. Such a method of determining ethics does not require metaphysical agreement about God, human nature, or other typical metaphysical disagreements. So in this sense, such a view bypasses those metaphysical differences to come to some common ground of agreement about right and wrong actions.

*Narrative/Pragmatic Ethics:* Some consider ethical discussion and norms as an ongoing way to try to convince others to behave according to the way in which we would prefer things to happen. On this view, it is not that we are trying to “discover the truth” of what is truly ethical, but rather, we are trying to persuade others through discourse and other interactions to live their lives in alignment with what we think would be a practically fruitful way to live (Gustafson 2010). We might do this through helping to sensitize others to effects of particular actions and to refine and expand our ability to relate to the experiences of others. A practical example of this would be to tell stories about the life experiences of others which help us to gain perspective of others and so to be able to sympathize with their view and become more broadminded in how I think about

the world and what should be done in it (Rorty 2006).

*Utilitarianism:* The goal of the utilitarians was to develop a basis for ethics which could appeal to the religious or nonreligious alike – no belief in God was necessary as a starting point for agreeing with their ethics. In fact, their theory was positively agnostic with regard to many questions. The common basis upon which all of ethics was built was the simple fact that we think happiness (defined as pleasure) is good, while pain is bad. From this was derived the basic belief that those actions which lead to greater happiness (pleasure) overall are good, while those which cause greater unhappiness (displeasure) are wrong. Of course various metaphysical beliefs may cause some differences of opinion about what constitutes happiness, but the utilitarian hope is that there can be found common agreement about ends, even if the metaphysical basis and origin of those is in dispute. Management directed by utilitarian ethics keeps focused on long term consequences, and it provides a basis for ethics which can apply to all, while providing a basis for meaningful work and teamwork rooted in justice and fairness, respect for individuals and freedom, and the rights of minority groups (Gustafson 2019).

*Intuitionism:* Moral intuitionists claim that moral propositions are self-evident (Audi 2005). They need no argument to discover basic truths of morality, because they are intuitively obvious to anyone who considers them, and they are not merely feelings, because they are propositions such as “killing is wrong.” This theory avoids metaphysics because it does not concern itself with why these ethical truths are self-evident, it simply points out that all normal people seem to find them compelling, then goes on from there to make moral judgments. This of course is quite efficient, in that it bypasses a lot of arguing about why we should do this and not that. The key hurdle for intuitionists is to decide what should be done when we seem to have two moral intuitions in conflict – such as the moral obligation to save a life, and the moral obligation to not tell a lie. Many intuitionists have worked out elaborate explanations to help determine which rules should supersede other rules under

which conditions. Others have resorted to a view that it is impossible to set out universal principles for making particular judgments, but rather, such judgments require moral wisdom, a feature which is developed over time with sufficient experience (Dancy 2004).

*Market Failures Approach:* The market failures approach is a more recent attempt to derive ethical principles simply from the necessary market conditions for the pursuit of Pareto efficiency (Heath 2014). The basic principles of economics provide the basis for ethical guidance:

the market failures approach takes its guidance from the policy objectives that underlie the regulatory environment in which firms compete, and more generally, from the conditions that must be satisfied in order for the market economy as a whole to achieve efficiency in the production and allocation of goods and services. (Heath 90)

Profit seeking is not the source of unethical behavior – exploitation of market imperfections is what really causes the trouble. If all companies would simply internalize their costs, and charged consumers the full price that the production of their good imposes on society, they would fulfill their social responsibilities as they pursue profit.

*Unmediated obligation to the Other through experience:* Some have argued that our obligations come not through an ethical theory at all, but through a basic and unmediated encounter with “the other” (Peperzak 1996). A vast majority of unethical business practices have been done by an executive or manager who is far removed from the actual person who was affected. When we have immediate encounter with another, we feel a different sense of obligation to this other human, much like we might if we encounter a person who we spoke ill of online through email when we actually meet them in person. When the person is anonymous and impersonal, we do not respect their humanity, but when we encounter them in person, we feel immediately obliged through that experience to respect them and we feel obligation towards them. Overcoming the impersonal distance then, and actually encountering the “Other” is on this view the basis of our moral obligation, not an abstract theory of ethics.

## Conclusion

The pursuit of ethical aims and principles which can guide us in our lives regardless of our religious or other metaphysical commitments is the goal of modern civil society. In business, where professional expectations are to provide ethical aims which are reasonable for all who participate in business practices, it is all the more important for us to find a common basis for ethics which does not first require conversion to a particular religious or metaphysical worldview. While some think such a goal is not possible, many have attempted to provide ethical guidance without or at least with minimal metaphysical commitments.

## Cross-References

- [Business Ethics as an Academic Discipline](#)
- [Contract Theory](#)
- [Market Failures Approach to Business Ethics](#)
- [Utilitarianism](#)

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## Business Ethics, Consumerism, and the Fashion Industry

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## Synonyms

Business ethics; Circular economy; Consumerism; Ethical consumer; Fashion industry; Fast fashion; Sustainability; Textile industry

## Introduction

In this day and age, the pairing of the words “consumerism” and “fashion industry” might trigger a debate on a variety of issues. Although the so-called democratization of fashion – i.e., fashion products at affordable prices, available to almost everybody – might have a positive connotation, fashion consumerism has generally been associated with the formation of an alleged “throwaway society” and the corresponding vicious cycle of incessant production and acquisition of low-cost fashion items. The result is the notorious phenomenon known as “fast fashion” (Muthu 2019). As supply increases and price decreases, a strong consumer culture drives production overseas in search of low(er) production costs. Despite globalization has undoubtedly created jobs in third-world countries, a growing consumer culture has also been affiliated with problems such as high environmental costs, endangerment of animals, exploitation of unskilled laborers, frustration of local artisan textile business, reduction of skilled laborers, and the dependency of governments on foreign investment, to name a few. Presently, the sustainability of the fashion industry is a global challenge: institutional actors, international organizations,

nongovernmental organizations (NGOs), and public opinion are pushing the fashion industry in this direction.

This contribution attempts to provide a very schematic overview of some of the most pressing issues related to fashion consumerism, including its social and environmental impacts, and examples of the global efforts being made to achieve a more ethical and responsible business.

## Global Concerns in the Fashion Industry

### Environmental Impact

The fashion industry causes significant environmental damage. Indeed, it has been accused of being one of the most polluting global industries, next to oil (Jacometti 2019; Muthu 2014; Slater 2003). This is because textile production requires high use of natural resources (e.g., water and energy), often employs toxic chemicals to dye and process fabrics, and is a major contributor to the emission of industrial gasses. Threads must often be treated at high temperatures, and (re-)bleached and (re-)dyed to achieve a certain color before they can be spun and woven into fabrics. In order to achieve a specific texture or flexibility, fabrics must also be washed repeatedly, linking the production process to the deposit of heavy metals (such as cadmium, chromium, mercury, lead, and copper) and sediment in water (Henry and Klepp 2019). Finally, once the finished product is complete, fashion apparel and merchandise must be shipped globally, contributing to growing gas emissions: consider transportation from the supplier to buyer country, from the port of entry to the distributors and/or retailers, and from retailers to consumers (compounded by the frequency and ease of online shopping and special delivery services).

The dark side of fashion is not limited to production and getting clothes to market; after-sales activities (e.g., washing, drying, ironing, and dry-cleaning) are said to have a huge environmental impact (Jacometti 2019). Worse still, production of low-cost garments and accessories is made possible – in part – by the frequent use of poor-quality materials that have a value-retention

benchmark of ten washes. So, because clothes are inexpensive and have an unusually short lifecycle, consumers often do not think twice before discarding them and replacing them with new ones. In 2018, at least 39 million tons of postconsumer textile waste (mainly garments) was generated worldwide, with only 20% of that waste being reused/recycled (Pulse of the Fashion Industry 2017). Therefore, this cycle of increased demand and production translates to a growing amount of solid waste, resulting in the degradation of the quality of earth's physical environment to the point where most of the fashion industry has become unsustainable.

### Endangerment of Animals and Animal Rights

Animal rights abuses by fashion companies have also received much attention. Indeed, horrific stories of live birds being plucked for feathers to be used in down jackets and episodes of violent slaughtering of animals for fur/hides have mobilized animal rights activists against the commercialization of animal products. For example, cruel practices have been reported to shear sheep for wool production, or skin livestock for their leather hides. Comparable reports have additionally advanced the formation of a (growing) fur-free alliance and other animal rights organizations. Reptile skin – for shoes, wallets, belts, and other fashion accessories – is so common that it has been suggested that the fashion industry has driven some species to the verge of extinction (Cavusoglu and Dakhli 2016). If twenty years ago it was *chic* to flaunt genuine leather, exotic skins, or rare furs, labels such as “fair trade,” “Eco,” and “cruelty free” appear increasingly *en vogue*.

### Workers' Rights

Although worker exploitation is common in industries that rely on unskilled laborers (and therefore not limited to the fashion industry), workers in developing countries tend to bear the brunt of the social cost of consumerism in the fashion business.

Affordable fashion encourages companies to move production offshore where expenditures are low, despite the added costs (including



environmental) of transporting products globally. Outsourcing to developing countries has undoubtedly created jobs in countries with high unemployment rates or a weak formal employment sector, but not without raising a number of ethical questions about the impact of doing business abroad. Moreover, business ethics have been questioned as a result of overseas governments becoming dependent on foreign investment, as such governments often do not enact/enforce regulations to effectively improve the standard of living in host countries; many supplier country governments are hesitant to pass legislation that might make them less attractive production hubs. Fast fashion could also threaten the livelihoods of local artisans who practice traditional textile craftsmanship; embroidering machines may be used to cut production costs and consequently eliminate the need for skilled workers. The search for innovative styles additionally encourages designers to incorporate the looks of other cultures, often reinterpreting “traditional textiles” according to Western views – sometimes even misrepresenting or offending foreign cultures (Pozzo 2020).

Moreover, untempered consumption of “fast fashion” puts pressure on factory owners in developing countries to cut costs (whether through specialization or via labor practices), increased specialization contributes to supply chain fragmentation and obscuration, and abusive labor practices may be possible as a result of the highly complex, segmented, and opaque distribution network. And because every link in the supply chain must make a profit, and buyers tend to be the dominant negotiating party, increased fragmentation translates to reduced wages and/or work conditions for laborers. Indeed, the fashion industry has been repeatedly criticized for subjecting garment workers to sweatshop conditions while selling apparel for many times the cost of production.

## Toward More Ethical Business

Given the above, recent years have witnessed the emergence of the so-called “ethical consumer” (Cerchia and Piccolo 2019). Although there is no

uniform definition, the term tends to recall buzz words such as “cruelty free,” “fair trade,” and “organic”. For this type of consumer, it is *à la mode* to patronize fashion brands that respect animal and workers’ rights and that operate according to fair trade and environmental sustainability principles. There has also been a focus on anti-consumption to contrast frivolous consumerism, and ethical consumers have looked to industry trend setters (i.e., luxury brands) to influence consumption patterns by making it unfashionable to be “unethical”, expecting fast fashion brands to mimic responsible behavior (Brewer 2019).

The number of “ethical consumers” who view ethical fashion favorably seems to be increasing, but it is difficult to decipher how this attitude translates into purchasing behavior, and especially whether consumers will spend more for an ethical product. Many contenders in the fashion industry portray themselves as committed to “ethical business” but reports on sustainability in the fashion industry indicate there is still much to be done. The real issue is therefore to distinguish between those companies that genuinely want to be “ethical” and “sustainable” and those that merely aim to appear as such in the eyes of consumers (Cerchia and Piccolo 2019).

The concern that lack of sufficient and/or reliable information is considered one of the primary restraints to achieving a sustainable fashion industry has been addressed in the European Union (EU) and the USA by formal labeling requirements in order to provide consumers with correct and comprehensible information. For instance, in 2007 and 2008, the European Union adopted a political consumer strategy and action plan to improve the quality and quantity of information available to consumers, based on the idea that improved information will enable consumers to change their consumption habits. Again, in 2011, the European Union adopted Regulation EU 1007/2011 to harmonize provisions on the labeling and marking of textile products and to enable consumers to make informed choices. Similarly, in the USA, the US Custom and Border Protection (CBP) and the Federal Trade Commission (FTC) are responsible for the labeling of products, including clothing products.

It has been argued that businesses have an ethical and moral responsibility to safeguard the interests of stakeholders other than shareholders. Achieving a sustainable fashion industry is on the agenda of most legislators (Guenza 2011; Jenkins 2001; Jimenez 2014), international organizations, and recognized authorities. However, in an industry where supply chain is characterized by opacity, fragmentation, and competition between suppliers, it is difficult to align consumer interests with those of the actors involved in the production process – especially when various governments are involved. The legal framework plays a critical role, but the existence of multiple objectives has created a very complex mosaic of legal and non-legal initiatives, including voluntary and self-regulatory tools.

In this context, national legislators regulate risk to environment (e.g., use of hazardous chemicals and pollution) on the one hand, and risk to consumer health and safety on the other (Jacometti 2016).

As concerns risk to the environment, the USA has – for instance – regulated the use of hazardous chemicals since 1976 under the Toxic Substances Control Act (TSCA) (15 USC § 2601 ff). Additional examples of federal regulations that may affect the fashion industry are the Clean Water Act (CWA), which establishes the regulatory framework for the control of direct and indirect discharges of pollutants and the regulation of surface water quality (33 USC § 1251 ff); the Clean Air Act (CAA), which regulates air quality by establishing national emission standards for certain categories of pollutant sources as well as standards for hazardous pollutants (42 USC § 7401 ff); and the Resource Conservation and Recovery Act (RCRA), which subjects facilities that produce, treat, store, or dispose of hazardous waste according to the Environmental Protection Agency (EPA) to specific federal regulations.

In Europe, in 2006, the European Union (EU) passed the REACH Regulation, EC Regulation 1907/2006 to set general limits on the production, import, marketing, and final use of hazardous chemicals within the EU. Other directives to mention are, for instance: the Industrial Emissions Directive (Directive 2010/75/EU),

which aims to prevent and control pollution in the air, water, and land by regulating the production of waste from industrial facilities; the Biocides Regulation (EU Regulation 528/2012), which concerns the sale and use of biocidal products; and the Waste Framework Directive (Directive 2008/98/EC), which establishes a legal framework for the treatment of waste and requires companies to treat waste in a way that protects the environment and human health.

In the USA, risk to consumer health and safety is addressed by the US Consumer Product Safety Commission (CPSC) – under the authority of the Consumer Product Safety Act of 1972 – by, for instance, evaluating consumer products that have been subject of consumer complaints or reports and recalling unsafe products and/or developing uniform safety standards or processes for producers.<sup>1</sup> Although the European Union issued Directive 2001/95/EC on general product safety in 2001, there are no normative Community provisions, meaning product safety is assessed by individual member states, whether through national legislation or nonbinding voluntary industry standards.

Hard law is not the only instrument used to coerce businesses to be more ethical. For example, the majority of national stock exchanges adopt a “comply or explain” policy (and offer a sort of model code of ethics and conduct), urging them to incorporate a code of ethics/conduct into their business. Examples include the New York Stock Exchange, the Australian Stock Exchange, Euronext, the London Stock Exchange, NASDAQ OMX Nordic Exchanges, and the SIX Swiss Stock Exchange. Coincidentally, almost all major fashion companies have a code of ethics or

<sup>1</sup>As regards the fashion industry, 16 CFR § 1120.3 lists drawstrings in children’s clothing amongst the products deemed to be hazardous; 16 CFR § 1501 regulates the use of small parts (such as beads, buttons, and toggles) on children’s clothing; and 16 CFR §§ 1615–1616 require children’s sleepwear to be flame resistant and tight fitting. Moreover, the CPSC requires children’s clothing size 12 and smaller to have permanent tracking labels and undergo a specific certification process, without prejudice to individual states’ authority to adopt more stringent requirements.

internal code of conduct<sup>2</sup> (Cerchia and Piccolo 2019). Moreover, the majority of brands have also established Corporate Social Responsibility (CSR) programs to show their commitment to responsible business practices. In this regard, it is significant that, in 2004, the OECD drafted the Principles of Corporate Governance requiring Boards of Directors to adopt more ethical business practices, in line with the stakeholder theory of corporate governance (OECD Principles of Corporate Governance 2004, p. 24). The United Nations has also promoted CSR through the United Nations Global Compact initiative. Still, despite these instruments' common purpose, codes of ethics/conduct remain voluntary, self-regulatory tools whose legal value is debated. Additionally, absence of a single industry code or standard hinders the progress of the ethical business movement in the fashion industry. Voluntary certifications, international standards, and best practices also play a role in business operations (Jacometti 2016; Brewer 2019).

In connection with the apparent trend in favor of ethical business practices, various actors – including international organizations

and independent third parties – promote more responsible business practices<sup>3</sup> by developing and establishing model codes, international standards, and certification systems. Some examples include the Fair Labor Association (FLA) Workplace Code of Conduct and the Business Social Compliance Initiative (BSCI) Code of Conduct, aimed at providing companies with a system to improve working conditions in the global supply chain. Both the FLA Workplace Code of Conduct and the BSCI Code of Conduct provide a monitoring system with international accredited verification bodies and set out basic workers' rights developed on the basis of the main international standards of worker protection, such as the International Labor Organization (ILO) conventions, the United Nations (UN) declarations, and the Organisation for Economic Cooperation and Development (OECD) guidelines. The US Department of Labor Apparel Industry Partnership (AIP) of 1997 and the Code of Labour Practices for the Apparel Industry Including Sportswear of 1998 provide additional examples of an attempt to unify best practices at an industry-wide level.

Likewise, as disasters such as the collapse of the Rana Plaza have illustrated, the reputational damage caused by an obscure and/or inadequately managed supply chain might also motivate businesses to behave more ethically. In such circumstances, collective agreements are important tools as they facilitate dialogue between various interest groups. Indeed, the global trade union,

<sup>2</sup>Codes of ethics are corporate documents that express the general principles and moral *ethos* by which a company operates; they are to businesses what the Constitution is to a country. Often, corporate codes of ethics also outline basic workers' rights and establish the minimum standards to be observed by the company, its employees, and third parties who enter into contract with the company (e.g., suppliers). Codes of conduct, on the other hand, tend to be more detailed and outline specific behaviors required or prohibited in accordance with principles expressed by a code of ethics or similar statement; they are to codes of ethics what national laws are to a country's Constitution. Although these two documents are, in principle, fundamentally different, their shared function appears to induce scholars and companies alike to use these terms interchangeably. In any case, codes of ethics/conduct vary in length and degree of detail, ranging from single-page documents that may be posted on suppliers' premises to highly detailed sets of provisions that suppliers are contractually required to comply with. This is especially, but not exclusively, true in the case of suppliers operating in developing countries, where the company may be subject to greater reputational risk. Additionally, these codes not only help to raise awareness and encourage fashion companies to comply with basic standards, but they may also be a guide for legislators.

<sup>3</sup>It should be noted that these initiatives focus on more ethical business in general, but as such are applicable also in the fashion industry. The Organisation for Economic Cooperation and Development (OECD) has also been influential in the ethical business movement through, for example: The Foreign Corrupt Practices Act (1977), The Federal Sentencing Guidelines for Corporations (1991), European Parliament Code of Conduct for MNCs Operating in Developing Countries (1999), the OECD Guidelines for Multinational Enterprises (2000), and Combating Bribery of Foreign Public Officials in International Business Transactions (1997). On the fashion industry in particular, see Jacometti 2016 (available in Italian) for a detailed discussion of the practical and legal problems associated with international standards and certification systems in the fashion industry, as well as enforceable national and supranational provisions in the USA and Europe.

IndustriALL, has liaised with global fashion giants and industry actors to generate collective agreements in Asia and Bangladesh with the aim of achieving fairer wages and eradicating unfair practices in textile factories.

Finally, the current abundance of used clothing that ends up in landfills and unsustainable exploitation of natural resources calls for the creation of a “circular economy” (Jacometti 2019). Namely, such a model would reduce the frequency at which new garments are produced and thrown away, and change the idea that fashion is fully disposable. In this context, if textile waste is a pressing global concern, the most important aspect of the circular economy model might be instilling the notion – in consumers and producers alike – that waste is a resource and not a liability (Masieri 2018). In this regard, it is noteworthy that Europe, the USA, and Australia and others are working to achieve – amongst other things – a more efficient waste management system. The European Union has adopted the European Clothing Action Plan (ECAP) to divert over 90,000 tons of textiles away from landfills by 2019 (European Green Capital 2020); the EU Circular Economy Package 2018 supports this effort by setting five-year goals (effective from 2020) to reduce and recycle waste (including textile waste), and the EU flagship initiative on the garment sector aims at improving issues such as traceability and transparency in the supply chain (European Parliament 2017). Moreover, on March 11, 2020, the European Commission adopted a new Circular Economy Action Plan to create a strong, competitive green economy by involving both businesses and stakeholders (Press Corner European Commission 2020). Conversely, the USA has no federal law that mandates recycling: waste is managed through the US Environmental Protection Agency (EPA) under the 1976 Resource Conservation and Recovery Act (RCRA), which encourages individual states to create comprehensive waste management plans. It is therefore not surprising that private enterprise is responsible for promoting the circular economy in America. In fact, private textile recycling enterprises employ more than 17,000 people to process used garments and keep approximately 2.5 billion pounds of

postconsumer textiles out of landfills each year. The Council for Textile Recycling has also been instrumental in creating a network of individuals and organizations dedicated to improving the lifecycle of garments, and, in 2019, the US Chamber of Commerce Foundation hosted its fifth Annual Sustainability and Circular Economy Summit where hundreds of professionals and stakeholders gathered to discuss issues surrounding sustainability priorities. Similarly, Australia has included elements of a circular economy in its system, including through its National Waste Policy (which provides a collaborative network between government, businesses, and industry) in order to adopt specific solutions based on particular local and regional circumstances (National Waste Policy 2018).

## Conclusion

Consumerism may be defined as a cultural attitude that views the acquisition of goods as a vehicle for economic growth, improved standards of living and personal fulfillment. Although intended to have a positive connotation, consumerism has been associated with the formation of a so-called “throwaway society” in which accomplishment is measured by material possessions and the frivolous disposal of used goods. As concerns fashion, consumer culture has led to market demand for good-looking attire and accessories at affordable prices, resulting in a vicious cycle of incessant production and acquisition of low-cost fashion items. Consequently, current mainstream business models encourage offshore production and rely on high-volume sales of cheap goods. The combination of such business activity has resulted in the “fast fashion” phenomenon, and all the ethical problems that come with it.

Sustainability of the fashion industry is a major global concern. The business context is marked by multi-stakeholder initiatives. If the global fashion industry is threatened by unethical business practices and untempered production, it is also true that much progress has been made toward becoming a more responsible industry. Still, it is difficult to align the interests of the various actors involved.

The above-mentioned initiatives seem to reinforce what behavioral economics studies have already demonstrated: consumer choices are not motivated solely by individual considerations relating to the relationship between quality and price. When applied to the fashion industry in particular, studying how this (inadequate) cognitive model is applied by mainstream fashion brands highlights the fact that so-called “ethical choices” are those made according to individual values. However, it appears that fast fashion places such ethical choices in the dimension of “persuading” and not in the dimension of cognitive “truth.” Thus, the ethical consumer acquires regulatory legitimacy by acting on two fronts: as a source of pressure on fashion producers (through a sort of reputational threat), and by inducing national or supranational regulators to issue binding provisions (including fiscal ones) to protect interests that lie outside the production cycle (including those of sentient animals).

By adopting a multifaceted approach, the hope is that more and more consumers will change the way they view fashion to the point where it becomes both politically savvy and economically beneficial to be more sustainable and ethical.

## Cross-References

- [Advertising Ethics](#)
- [Animal Ethics and Business Ethics](#)
- [Business Code of Ethics](#)
- [Business Ethics in Australia](#)
- [Business Ethics in Canada](#)
- [Business Ethics in the UK](#)
- [Business Ethics: A European Review](#)
- [Business, Law, and Codes of Ethics](#)
- [Collaborations Between Grassroots Advocacy Groups and Business](#)
- [Collective Bargaining \(USA\)](#)
- [Ethical Decision-Making Process](#)
- [Materialism, Well-Being, and Ethics](#)
- [Textile Industry in the United States](#)
- [Values-Based Consumption](#)
- [Veganism and Ethical Consumerism](#)

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## Business Ethics: A European Review

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### Synonyms

European business ethics journal; European journal on social responsibility of business; Journal on business ethics for Europeans

### Definition/Introduction

This is a brief description of the origins of *Business Ethics: A European Review*.

#### Definition

The first issue of *Business Ethics: A European Review* (BEER) appeared in January 1992, 72 pages of 271 for the whole volume. As of May 2017, there have been 26 volumes in 102 issues. Its first editor was Jack Mahoney, who held the job for 7 years. Its current editor is

Dima Jamali. It is published by John Wiley & Sons Ltd. and features “editorial interviews, book reviews, comments and responses to published articles, research notes and case studies.”

The mission statement of BEER was described by its editor as a journal aimed to concern ourselves and our readers with ...questions about what makes a business company ethical and what makes for ethical business...The conduct of business is an honourable occupation which is demonstrably capable of adding value to the quality of human living in society. We aim to contribute to that positive enterprise. ... (Mahoney 1992).

Precise means of making that contribution included:

providing a forum for business people to exchange experience of ethical challenges to business and their solutions; offering informed analysis and discussion of ethical issues encountered by directors, managers and others; promoting good ethical thinking, policy, and practice, at corporate and individual levels; and commenting on current issues and developments relevant to the ethical conduct of business. (Mahoney 1992)

The introductory editorial thoughtfully remarked that while the question “What makes a company ethical?” can be answered by contemporary fashion, law, and the fear of being punished, social pressure by a variety of stakeholders, the simplicity of honesty, or the fact that often enough “it pays to be ethical”; the correct answer lies elsewhere. “Irrespective of fashion, pressure, or profitability,” the editor wrote, “there are certain ways of behaving, for a company as well as for the individuals in it...the ‘pure’, perhaps ‘purist’, approach to ethics in business views ethical business conduct as important in its own right, and not just as a means to securing some other goal.” He was particularly critical of the idea of the so-called business case for business ethics. In his view, as with Cicero’s 2,000 years earlier, “If ethical business is justified by the bottom line, then when the crunch comes – or the recession – comes, ethics may find itself among the cuts made as a luxury which a company or an individual cannot afford.”



## Cross-References

- [Business and Society](#)
- [Business Case for Business Ethics](#)
- [Business Ethics Quarterly](#)
- [Journal of Business Ethics](#)
- [Society for Business Ethics](#)

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## Business of Boycotting

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## Synonyms

Blackball; Exclude; Ostracize; Sanction; Shun

## Introduction

Although a frequently employed practice, little has been written on the ethics of boycotting. One article, *The Business of Boycotting: Having Your Chicken and Eating It Too*, by Alan Tomhave and Mark Vopat, explicitly addresses the issue (Tomhave and Vopat 2018). In their article, Tomhave and Vopat argue for the moral impermissibility of some, but by no means all, boycotts. In large part, Tomhave and Vopat are responding to the view of boycotts expressed by those like Murray Rothbard that boycotts are always per se morally acceptable, because they do not involve coercive force (Rothbard 1998). Unlike Rothbard, Tomhave and Vopat hold that the question of whether boycotts are coercive is not a settled issue. They claim that there are two initial

questions that need to be answered, “First, are boycotts coercive? . . . Second, are there instances of boycotting that would fall into an unjust use of coercion” (Tomhave and Vopat 2018)? The answer Tomhave and Vopat give to both these questions is yes. Boycotts are coercive, and there are some cases of boycotting where the use of coercion is unjust. According to Tomhave and Vopat, in order to determine when a boycott constitutes an unjust use of coercive force, it is necessary to make a distinction between two types of boycotts: a personal boycott and an organized boycott. It is only boycotts of the latter type that raise moral issues.

## Types of Boycotts

Personal boycotts are simply personal decisions to refrain from engaging with a certain organization. Such boycotts on their view are not morally problematic as there is no moral obligation to do business with any particular organization. A personal boycott may be engaged in for any number of reasons (even reasons that may be morally problematic – like a desire to not associate with certain racial groups). A personal boycott is a refraining from action. On the other hand, organized boycotts, the type that concerns Tomhave and Vopat, are calls for others to join you in a boycott of a particular organization. Such boycotts are always coercive, and that use of coercive force is sometimes unjust.

## The Argument that Some Boycotts Are Morally Wrong

The basic argument offered by Tomhave and Vopat defends three claims to support the conclusion that some boycotts are pro tanto morally wrong. The first claim is simply that boycotts are always coercive. They establish this claim by defending a morally neutral account of coercion. For them, coercion is simply the threat to make some worse off unless they follow the desires of the coercer. Tomhave and Vopat state, “The call

for an organized boycott is a call for a use of a kind of force, which is, using the threat of economic loss to compel an individual or company to change a belief or practice” (Tomhave and Vopat 2018). The assertion is that this is a standard analysis of coercion, and if true, then boycotts are by their nature coercive. Because they defend a morally neutral account of coercion, it is not enough to establish that boycotts are coercive. They must then establish that the coercion is, in some cases, unjustified, and thus the boycott itself is morally wrong.

The second claim that Tomhave and Vopat defend is the empirical claim that boycotts are sometimes intended to change the actions of organizations or individuals; while at other times, they are intended to change or silence the ideas held by those organizations or individuals. Regardless of the intent – the changing of actions or the changing or silencing of ideas – either requires moral justification for the use of coercive force.

The final claim that Tomhave and Vopat defend is that the use of coercion in the marketplace of ideas is always morally problematic. Ideas under examination in the market place of ideas should stand or fall based on the arguments offered about the positions, and not by forcibly silencing those suggesting the ideas. In defending this claim, the argument rests heavily on John Stuart Mill’s *On Liberty* (Mill 2010). Additionally, in making this argument, they make a distinction between consequential acts and expressive acts, which helps limit the scope of their argument. Though this distinction is not always clear, consequential actions are those which might be legally or morally wrong, while expressive acts are expressions of certain beliefs, attitudes, or views on a subject or issue. Tomhave and Vopat argue that organized boycotts as a response to expressive acts are morally problematic.

Putting the above ideas together amounts to a relatively simple argument. The use of organized boycotts to change or silence the beliefs or ideas of others is tantamount to coercing people into changing their beliefs. It would, they argue, be like threatening someone to make them accept your religious beliefs. No one would count such

coercion as justified. Yet an organized boycott targeting an expressive act is essentially doing just that. The offer of argumentation and discussion to get someone to change their minds is one thing – it is the way the marketplace of ideas works – the use of coercion is a different story.

Consequential acts are different. These are acts that have an impact on people in a more robust way. In such cases, the coercion of an organized boycott might be justified. However, it should be noted that a boycott is not automatically justified when it targets consequential acts. For example, if the boycott would actually cause more harm than good, Tomhave and Vopat would deny its permissibility. In this way, their position is consequentialist when considering organized boycotts of consequential acts. It is not just the consequences of the actions of those boycotted that need be considered, other factors such as who will be harmed by the boycott, and whether or not it will be effective must be taken into account on their view.

The position advocated by Tomhave and Vopat is only simple in theory. They admit that most real cases will be much messier than their analysis makes it sound. While the distinction between consequential and expressive acts appears straightforward, it is clear that there are expressive acts that have a consequential impact on others. Similarly, there are also expressive acts that serve to advocate for policies which themselves may harm individuals and thus blur the line between the two types of acts. This means that in practice, the decision on whether or not a boycott is morally justified will be far from simple to determine.

## Cross-References

- [Apartheid and Ethics](#)
- [Boycotting as a Social Movement](#)
- [Ethics of Boycotts](#)
- [Socially Responsible Investment and Corporate Engagement](#)
- [Veganism and Ethical Consumerism](#)

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## Business, Law, and Codes of Ethics

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## Synonyms

Business ethics; Contract law; Corporate codes; Corporate social responsibility

## Introduction

The dichotomy between business and law has played an important role in the establishment of business ethics, both as a study and a practice. In the past, the dogmatic adherence to the shareholder primacy theory of corporate governance has resulted in managers pursuing economic profit without regard for ethical implications of their conduct or consequence on stakeholder interests. Reports of events such as industrial accidents, corporate bribery, and workers rights' violations sparked concern for the impact of business activity and, implicitly, the rules that guided the behavior of corporate decision-makers.

On the one hand, national governments have sought to contain the negative consequences of business with country-specific laws aimed at protecting the natural environment, safeguarding vulnerable categories of people, and boosting investor and public confidence in business. On

the other, pressure from international organizations and consumers appears to have essentially driven businesses to adopt codes of ethics to communicate corporate commitment to social and environmental issues (Cerchia and Piccolo 2019).

## Business and Law

Regarding the former, in America, initiatives such as the Clean Air Act of 1963; the National Environmental Policy Act of 1969 (which led to the creation of the Environmental Protection Agency of 1972 aimed at protecting the environment); the Federal Water Pollution Control Act of 1972; and the Toxic Substances Control Act of 1976 required businesses to rethink production processes, including the substances used in production, as well as waste disposal practices.

The Equal Pay Act of 1963; the Age Discrimination in Employment Act of 1967; the Occupational Safety and Health Act of 1970; the Employment Opportunities for Disabled Americans Act of 1986; the Family and Medical Leave Act of 1993; and the Americans with Disabilities Act of 1990 have also affected a range of corporate (human resource) policies.

As concerns laws to improve transparency and deter unethical business practices, the Foreign Corrupt Practices Act (FCPA) of 1977; the 1991 Federal Sentencing Guidelines for Organizations (FSGO); and the Sarbanes-Oxley (SOX) Act of 2002 illustrate a trend to promote an organizational culture of compliance and ethical behavior. In particular, the FCPA outlawed bribery of foreign government officials by US corporations. The FSGO- as an extension of the Sentencing Reform Act of 1984- describe the elements of a corporate ethics program required to benefit from a reduced sentence if convicted of criminal activity, and the SOX introduced codes of ethics as a requirement for publicly traded companies. Moreover, it is significant that the Federal Sentencing Guidelines for Organizations were amended in 2004 to entail effective compliance and impose more stringent requirements.

In response to consumer complaints about greenwashing, the Federal Trade Commission

revised its so-called “Green Guides” (or “Guides for the Use of Environmental Marketing Claims”), which essentially interpret Section 5 of the Federal Trade Commission Act (FTC Act) as applied to environmental marketing. Many states have also enacted laws to protect consumers from deceptive or misleading business practices, and common law generally recognizes greenwashing claims as part of a fraudulent misrepresentation and/or breach of warranty claim.

Likewise, in Europe, the process of legislative reform in favor of more responsible business practices apparently began with protection of the natural environment and workers’ rights. For example, French Law Nos. 61-842 of 2 August 1961 and 64-1245 of 16 December 1964, and the French Water Act No. 92-3 of 3 January 1992; the German Technical Instructions on Air Quality Control (TA Air), 1964, Federal Immission Control Act (BImSchG), 1974, and the German Sustainability Code of 2011; and the UK Clean Air Act 1968, the Environmental Protection Act 1990, the Clean Air Act 1993, the Environment Act 1995, the Waste Minimalisation Act 1998, and the Pollution Prevention and Control Act 1999 focused on protecting air and water quality. Currently, Regulation (EC) No. 1907/2006 (REACH) aims to improve human health and the environment by restricting the use of certain types of chemicals.

As concerns workers’ rights and labor law, the German Act on Collective Agreements of 25 August 1969 (last amended 29 October 1974) improved labor guarantees already recognized under the German Constitution of 1949. Additionally, French Law No. 73-4 of 15 August 1975 and Italian Law No. 300/1970 (the Workers’ Statute) generally provided protections against dismissal and discrimination in the workplace and recognized various of other relevant workers’ rights; the French “Auroux Laws” of 1982–1983 recognized workers’ collective bargaining power, and Italian Laws Nos. 108/1990, 223/1991 and 125/1991 have improved protection of workers’ rights against unfair dismissals. Furthermore, in the UK, the Contracts of Employment Act 1963; the Redundancy Payments Act 1965; the Equal Pay Act 1970; the Trade Union and Labour Relations

Act 1974; the Employment Protection Act 1975; the Employment Acts of 1980, 1982, 1988, and 1990; the Trade Union Act of 1984; and the Modern Slavery Act of 2015 provide significant examples of a heightened sensitivity to workers’ rights issues.

Bribery and corruption also became a public concern. Beginning in the 1990s, the European Commission adopted the first European anti-corruption standards and conventions (e.g., Article 83 TFEU recognizes corruption as a “euro-crime,” and the 1997 Convention on fighting corruption involving officials of the EU or officials of Member States). More recently, the 2003 Framework Decision on combating corruption in the private sector prohibits both active and passive bribery, and EU Directives 2015/849 and 2018/843 were adopted to fight against money laundering.

Similar to the Sarbanes-Oxley Act, European Directive 2006/46/EC introduced codes of ethics as a requirement for publicly traded companies, and the act of greenwashing is (at least indirectly) governed by Directive 2005/29/EC and various national consumer codes. The 2011 Green Paper on Corporate Governance and the EU Action Plan on Human Rights and Democracy 2015–2019 also collectively require European corporations to significantly consider stakeholder interests when carrying out business operations, including when choosing business partners. Finally, related to reporting issues of CSR initiatives and the risk of greenwashing, Directive 2014/95/EU regulates how public companies should disclose non-financial information (such as efforts made in compliance with CSR programs, often included in or linked to corporate codes of ethics) in their annual reports.

The international community has additionally been instrumental in promoting more responsible business practices through various agreements, treaties, conventions, guidelines, and standards. To name a few: The Universal Declaration of Human Rights, numerous ILO conventions, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and various ISO standards (including ISO 26000, ISO 45001, and ISO 9001).

In a nutshell, there is an apparent trend to compel businesses to be more values based.

## Codes of Ethics (and Law)

At face value, the above efforts appear to have successfully driven corporations to consider stakeholder interests as part of the general corporate interest. Indeed, phrases such as “doing good by doing well” and the “triple bottom line” have become popular slogans. Likewise, codes of ethics represent one of the ways businesses express their commitment to issues consumers care about (Cerchia and Piccolo 2019) and have undeniably become part of “business as usual.” For instance, failure to adopt a sufficiently detailed code could result in denial of access to credit and/or funding as rating agencies consider both financial and nonfinancial factors (including management and corporate governance attributes) when determining a company’s default risk and credit profile. Compliance with a commercial partner’s code of ethics is also often incorporated in trade agreements (Beckers 2018, pp. 48–49; McBarnet and Kurkchiyan 2007; Vytopil 2015) such that respect for the provisions set out in the relevant code become an express contractual obligation. Against this background, it seems significant that the majority of US and European corporations have adopted public codes of ethics, and current research suggests there are at least 100,000 parent company MNEs operating worldwide, with more than 890,000 subsidiaries and millions of suppliers (Jaworek and Kuzel 2015).

Still, voluntary codes do not appear to have eradicated the occurrence of corporate misconduct or made industry more sustainable. Rather, news of corporate malice and/or negligence – such as the August 2006 shipping disaster (in which chemical waste was discharged around Abidjan, Côte d’Ivoire); the BP Deepwater Horizon oil spill in April 2010 (in which 4 billion barrels of oil hemorrhaged over a period of 3 months in the Gulf of Mexico); the Tazreen fire in 2012; the Dhaka fire and Rana Plaza disaster in 2013; and the Tamboco and MultiFabs factory fires in 2016 and 2017 – suggests that the

ethical problems associated with uncontrolled business that urged Western legislative reform from the 1960s through the 2000s have simply moved abroad.

If it is true that Western legislation is more-or-less effective at deterring offenses on national soil, efforts to hold corporations accountable for ethical violations becomes more complex in situations where the “links” of the supply chain are located in foreign jurisdictions.

More specifically, the doctrines of separate legal personality and the *forum non conveniens* often bar claimants from suing companies in their home jurisdiction for indirect involvement in transgressions occurring abroad. And even in cases where jurisdiction is assumed by a foreign court, according to the rule of *lex loci actus*, the applicable law will often be the law of the country where the harm occurred. Consequently, in the particular context of global supply chains, remedies actually available to aggrieved parties tend to be inadequate.

The challenges surrounding the liability of multinational corporations have induced part of the doctrine to construct self-regulatory instruments as more than mere corporate governance tools. For instance, some argue that the prevalence of corporate governance codes suggests the emergence of a system of non-state law that requires compliance with the provisions set out therein (Teubner 2011; Beckers 2018, p. 26, nt. 110). This view highlights the prevalence of codes of ethics, the impact of model codes, and the affinity for standardization of code content as well as the wide-spread incorporation of international and specific industry standards. Moreover, to the extent that adoption of a code of ethics represents a “best practice,” in the event of an inadequate or absent code of ethics, courts may establish liability based on the contents of the codes of other companies operating in the same sector or having the same characteristics (Benatti 2015, p. 249).

It has also been submitted that corporate codes create binding obligations under contract law for the party to whom the code of ethics is attributable, whether because the provisions of the code create reasonable expectations regarding products’ characteristics, because they relate to a

company's commercial practices, or because they essentially constitute unilateral promises to the public in general and third-party beneficiaries in particular (Beckers 2018; Revak 2011). However, as establishment of a contract depends on a variety of factors – including intent to be bound, consideration, and reliance, the interpretation of which are influenced by the specific formulation of the provisions and the manner in which the code is implemented – corporations may successfully address issues that are important to consumers without employing language that might be construed as intent to create contractual relations. Alternatively, a corporation may adopt a detailed code of ethics that goes unenforced or is ineffective. In this case, weak monitoring mechanisms could undermine a third-party's reliance on commitments pledged within a corporate code.

Given apparent inapplicability of contract law in cases in which damage arises in connection with a violation of a corporate code of ethics, invoking the principles of tort law may be useful to establish when the dominant party in a business relationship owes a duty of care to third-parties. Still, this is not a straightforward task. Traditionally, it has depended on the three-stage test set out in *Caparo Industries plc v Dickman* [1990] 2 A.C. 605 (HL); in particular, the foreseeability of harm, the degree of proximity between the parties, and whether the imposition of liability may be considered fair, just, and reasonable. In this context, *Chandler v Cape Plc* [2012] EWCA Civ 525, represents a landmark case as it recognizes courts' discretion to consider a variety of elements that might provide grounds for the establishment of a duty of care. Thus, notwithstanding contractual arrangements (e.g., the requirement to adhere to a buyer's code of ethics) and material facts (e.g., the percentage of a supplier's sales that derive from its relationship with a specific buyer) could become relevant in determining whether a duty of care may be established, it could be difficult to apply the doctrine in polycentric corporations where different legal entities exercise control functions.

Although not directly involving codes of ethics violations, case law traditionally highlights a

general reluctance of courts to impose a duty of care without clearly defined legal rules.

In the USA, beginning in 1980 with the landmark decision *Filartiga v. Pena-Irala*, 630 F.2d 876 (2d Cir. 1980), US courts began interpreting the Alien Tort Statute (ATS) to hold corporations liable for their foreign activities. Since *Filartiga*, however, the application of the ATS has been controversial; *Nestlé USA, Inc. v. Doe I*, et al., 593 U.S.\_\_\_\_ (2021) and companion case *Cargill, Inc. v. Doe I*, 593 U.S.\_\_\_\_ (2021) illustrate the tendency for US courts to narrow the application of the ATS as well as a general reluctance to pierce the corporate veil or create clear criteria for establishing liability.

Similar actions have been brought in the UK (e.g., *Connelly v RTZ Corporation Plc* [1998] AC 854; *Lubbe v Cape Plc* [1998] CLC 1559 (CA); [2000] 1 WLR 1545 (HL)). Recently, in *Vedanta Resources PLC and another v Lungowe and others* [2019] UKSC 20 April 2019, despite the UK Supreme Court affirmed the potential liability of English parent companies in relation to the activities of their subsidiaries (noting that liability depends also on the extent of and manner in which the parent controls, supervises, or advises on the relevant operations of the subsidiary), the action could not ultimately proceed due to application of the doctrine of *forum non conveniens*.

A recent decision (*Nevsun Resources Ltd. v. Araya*, 2020 SCC 5) of the Supreme Court of Canada could, however, represent a turning point. Specifically, the Supreme Court of Canada ruled that: “as a result of the doctrine of adoption, norms of customary international law...are fully integrated into, and form part of, Canadian domestic common law, absent conflicting law...[and]...like all common law, no legislative action is required to give them effect” (par. 94). This Court also implicitly responded to arguments that corporations are not subject to international law, noting that some rules of customary international law “prohibit conduct regardless of whether the perpetrator is a state” (par. 105) and therefore concluded “it is not ‘plain and obvious’ that corporations today enjoy a blanket exclusion under customary international law from direct liability for violation of ‘obligatory,



definable, and universal norms of international law,' or indirect liability for their involvement in ... 'crimes of complicity'" (par. 113).

Nonetheless, to the extent *Nevsun Resources Ltd. v. Araya* is applicable outside of Canada, it hardly resolves procedural or culpability issues in civil law jurisdictions.

Within this framework, the law does not appear to have adapted to social expectations or the changing perspective of corporate responsibility. Indeed, various governments have enacted legislation that could be instrumental in imposing a duty of care throughout supply chains.

For instance, in the USA, the California Transparency in Supply Chains Act of 2010, Cal. Civ. Code § 1714.43 imposes disclosure requirements on manufacturers and retailers regarding monitoring of supply chains for potential human rights abuses. In 2010 and 2012, through the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 1502 of the US Securities and Exchange Commission (SEC), respectively, companies were required to perform due diligence on their supply chains in compliance with annual and quarterly disclosure requirements for externalities and corporate activities impacting stakeholders. In July 2019, a bill of the Corporate Human Rights Risk Assessment, Prevention, and Mitigation Act of 2019 was introduced in the US House of Representatives. If passed, publicly traded companies will be required to provide the SEC with information on human rights risks and impacts, as well as details of human rights due diligence.

In the European context, Directive 2014/95/EU and national reforms occurring between 2016 and 2017 (e.g., the 2016 Italian Action Plan on Business and Human Rights; the 2016 German National Action Plan for Legislative Reform; the 2017 French National Action Plan) appear connected to the March 2017 proposal by the UK Parliament's Joint Committee on Human Rights to pass legislation that would impose a duty of care on all companies to prevent human rights abuses and allow for civil remedies against the parent company in the event of abuse (House of Lords 2017), as well as the 2019 German Draft Law on Corporate Due Diligence to Prevent

Human Rights Violations in Supply Chains, the French Loi No. 2017-399 of 27 March 2017 (the "Duty to Supervise" law) and the 2019 French "Pacte Statute."

## Conclusion

At the same time, it has been argued that audits codify and legitimize poor social and environmental records, shape state approaches to supply chain governance, and contribute to growing trust in metrics that conceal real problems in global supply chains (LeBaron and Lister 2015). Moreover, increased reliance on corporations to self-regulate – and trust that they will accurately report on their efforts – leads to a persistent decline in objective monitoring of the supply chain (Terwindt et al. 2017, p. 266). Thus, although compliance with reporting obligations might create the appearance that companies are taking meaningful action, as long as corporate codes of ethics remain unenforceable corporate governance tools, effective protection of public interests remains precarious. Therefore, lawmakers must exercise caution not to overregulate and ultimately make compliance so cumbersome that businesses, consumers, and investors alike lose sight of the ultimate goal.

## Cross-References

- ▶ [Business Code of Ethics](#)
- ▶ [Business Ethics in Canada](#)
- ▶ [Business Ethics in the UK](#)
- ▶ [Business Ethics, Consumerism, and the Fashion Industry](#)
- ▶ [Chinese Approach to Business Ethics](#)
- ▶ [Corporate Social Responsibility](#)
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- ▶ [UN Guiding Principles and Transnational Business Governance](#)

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## Capitalism

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### Synonyms

Free enterprise economies; Free market economies

### Introduction

Capitalism can be described, in simple terms, as *a social system of production and distribution, dominated by markets*. There are three important parts to this description. First, capitalism is a *social system* (not a natural, physical, or biological system) that has formed through the collective actions of people striving to ensure that they, and their family and community, have the material means to survive. Second, the survival of a society has been dependent upon its ability to *produce and distribute*. That is, humans have tended to act collectively (rather than individually) to put social systems in place that allocate the responsibilities of production and distribution in such a way that ensures their material reproducibility beyond a single generation. Finally, in capitalist societies, this is done through *markets* – where buyers and sellers meet to engage in exchanges that, at the very least, sustain them.

While creating a *social system of production and distribution* is central to a society's success, it is only over the past few centuries that society has been *dominated by markets*. For most of the human experience, *social systems of production and distribution* have been dominated by command (i.e., the rule of a leader or an organized group that is responsible for the survival and sustainability of the community) and tradition (i.e., actions that are deemed by the community to be the proper, ethical ways to ensure the success of the community that have been proven over time – across generations).

Capitalism is dominated by markets; however, there remain aspects of command and tradition within it. The key point is that markets play the *dominant* role in organizing production and distribution in capitalism. Similarly, societies that are, or have been, dominated by command and/or tradition may have markets; however, markets are on the fringes of society – not playing a dominant role. While markets on the fringes of feudal society facilitated trade in surplus goods (i.e., in excess of the needs of the community), markets in capitalism are pervasive, especially since they include markets for land and labor.

In capitalism, it is through markets that society provides for its material well-being.

### Historic Roots

The process that led to the capitalist societies was evolutionary, rather than revolutionary. The result

of this evolution has been described, by some in hindsight, as revolutionary; however, the process occurred over about 300 years. The social evolution that led to capitalism was not an organized political movement, rather a series of social circumstances that led to people moving, often not of their own free will, from a society dominated by command and/or tradition to one where markets were more common – eventually becoming dominant. For instance, those in feudal Western Europe who plied a trade as a service (not earning a wage but receiving everything needed to sustain themselves and their family) to the lord (or landlord) could find themselves without the means to provide for themselves and their family once they were forced out of the security of their feudal community. They survived by selling their skills and labor in return for the ability to buy what they needed to meet their material needs. From this social necessity came two basic markets that people of that time had not encountered before: pervasive markets where goods and services were bought and sold and a market in which they could sell their labor. In societies dominated by command and/or tradition, one's own labor was a social resource used in the interests of the community – not “owned” by the individuals themselves.

As mentioned above, before capitalism became common, markets existed on the fringes of societies dominated by command and/or tradition – precapitalism. Merchants and feudal landlords coexisted where the landlords played the dominant social role. Landlords controlled rural communities, large and small; merchants played much more central roles in cities and in international trade. Mercantilism dominated international trade (i.e., international markets), while traditional, feudal society dominated most people's rural, domestic lives. From the sixteenth century through to the mid-eighteenth century, there was a movement of people from rural settings to cities and a shift in social power from landlords to merchants. Naturally, this led to markets playing a more central social role than they had. Capitalism has clearly evolved into the world's dominant social system of production and

distribution; however, in broad, historical terms, it is a very new social system (Polanyi 1944).

To put capitalism in historical perspective, Robert Heilbroner offers the idea of “an immense historical atlas that the thousands of recognizably different societies in human history, all of which have coped with producing and distributing the wherewithal for their continuance. In this atlas the societies in which we will recognize the telltale characteristics of capitalism are but a tiny handful, grouped in the last pages of the book. . .” (Heilbroner 1992, 9).

Contemporary capitalism and its dominant class – described as capitalists – tend to come in various forms; however, each form contains basic, common characteristics.

## Orthodox Capitalism

There are several, well-developed economic models of capitalism. Neoclassical economics is the most generally accepted model, the mainstream, orthodox view that is the economic focus of neoliberal and libertarian perspectives. Its roots are in utilitarian individualism, where people behave in common ways: self-interested, rational ways. In markets, buyers and sellers act according to the same utilitarian principles. Consumers maximize their utility (i.e., their self-satisfaction); producers maximize their profits. Markets facilitate mutually maximizing behaviors. Aggregating the self-interested actions of the “agents” leads to, according to neoclassical theory, “socially optimal results.” Of course, there may be circumstances when the benefits of markets are not able to lead to socially optimal results (i.e., “market failure”). When this occurs, government needs to represent society's interests by creating an economic environment in which the socially beneficial actions of the “agents” can be expressed (Marshall 1890; Samuelson 1947).

While capitalism has been associated with growing affluence, technological innovation, etc., it is also associated with inequality (e.g., in income, opportunity, and wealth), the commodification of everything (e.g., water, air, outer space), consumerism, and environmental degradation.

With the neoclassical view being vastly theoretical, capitalism must be considered in light of the social realities of contemporary capitalism.

## Critique of Orthodox Capitalism

### The Two Domains: Social Roles, Values, and Ethics

With its origins in feudalism (command and tradition) and mercantilism (trade), capitalism has retained aspects of both. All forms of capitalism require, by necessity, two dominant domains: a public domain (with its roots in command and tradition) that is the responsibility of government and a private domain where markets play their central role. At a high level, governments represent the social/collective interests, whereas markets represent private interests. At a more meaningful level, the public domain represents the foundation upon which the private domain is built.

Capitalism is dominated by markets, and markets are where, by definition, goods and services are traded – where they change hands from seller to buyer through a market transaction. Before a trade can occur, something must be determined; it must be clear that the seller owns what they are offering to sell. Therefore, for an exchange to occur, somehow a generally accepted social institution must be able to establish ownership *before* the trade can occur, and it must establish new ownership once the transaction has taken place. This can only be done by a social institution that has no vested interest in the trade – which represents every buyer and every seller.

Government represents the public's interest in seeing that markets function ethically. Establishing ownership and its transfer in a transaction (today commonly done through a receipt provided by the seller indicating that ownership had been transferred at the time of the transaction) is central to the viability of markets. The underlying requirement of exchange is a role for government that is necessary in advance of the arrival of a society dominated by markets. While many believe that capitalism is built on private interests,

in fact, it is built on a public, governmental, foundation.

Publicly recognized contracts are also a necessary feature of markets. A contract is, in effect, a promise made by one party to another. If that promise is not fulfilled, there must be some socially determined, generally accepted, form of recourse. The nature of contracts and their enforcement are other facets of the public foundation upon which private markets sit.

The basis of ownership (being able to sell only those things that you own) and contracts (people must fulfill promises made) reflects social values. That is, for a social system dominated by markets to serve everyone's interests, publicly established ethical standards must be put in place. The notion that capitalism thrives only when its buyers and sellers are free to express their rational choices neglects the fact that rational choices are not necessarily ethical. The reflection of social values in establishing ethical standards is done, in capitalism, within the public domain and is the social bases of the private domain.

An expression of social value in ethical and legal practices in capitalism is that the capitalist – as opposed to the state, the laborers, or the owners of raw materials associated with production – owns the fruits of production. This primary form of ownership is a requirement for the generation of profits in capitalism.

### Profits, Competition, and Growth

The dominant class within capitalism is the capitalists – the owners of capital, meaning the owners of the means of production (not the holding of money, but the ownership of the machinery, equipment, technology, buildings, etc., required to produce commodities), and the owners of the fruits of production. Production is undertaken by the capitalist to generate surplus value over and above the total costs of production. The capitalists' surplus – profit – is then used, in part, to generate more capital and, yet again, more profits.

With the ongoing generation of profits being at the heart of capitalism, economic growth is central to its success. In fact, growth is a requirement for the sustainability of capitalism, whether it is an individual producer or an economy as a whole. No

capitalist economy can thrive without growth. Without profits, market economies cannot grow; without growth, capitalism cannot survive.

In an idealistic form of capitalism, the pressures of competition – where capitalists are driven to find ways of generating more profit in the face of other capitalists who are also motivated to do the same – ensure that those who make profits grow and survive and those who do not make profits must leave the market.

The generation of profits comes from two primary sources: (1) seeking out technological and organizational innovations that reduce costs (enabling a producer to generate greater profits than its competition) and (2) creating new “things” for consumers to buy that other producers, at least in the short run, cannot offer. The first is about achieving economies in production; the second is about increasing commodification (i.e., offering more, innovative “things” in the market).

It is also important to point out the proven relationship between profits and wages. Capitalist economies over the last two decades of the twentieth century and the early decades of the twenty-first century reveal an inverse relationship between profits and wages – profits rise when wages fall and profits fall when wages rise. This inverse relationship is a historical characteristic of capitalism.

### Unequal Powers

An idealistic view of capitalism – common in mainstream neoclassical tradition in economics and right-wing, particularly libertarian and neoliberal, politics – suggests that the two sides of a market (sellers and buyers) have equal power that, through the forces of competition and the manifestation of their individual interests, lead to the generation of profits and result in socially optimal outcomes. The reality of capitalism is quite different. Profits are more easily generated where inequality – not equality – between the two sides of the market exists.

Profits are more likely to be earned when a capitalist is in a position of power over the relationships in production (suppliers, the wages of employees, etc.), other producers (producing

something that other producers do not or cannot – whether by complete domination by monopoly or by simple product differentiation), and consumers (again through product differentiation – e.g., through marketing). Even mainstream business analysis (e.g., Porter 1985) recognizes the importance of power in the success of corporations. It is obvious to capitalists and business strategists that taking positions of power is to their advantage because it generates profits and can lead to growth. That is, creating inequalities, rather than honoring the idealistic view of competitive capitalism, is a positive characteristic of capitalism – from the perspective of capitalists. This does not mean that capitalism characterized by unequal powers generates socially optimal outcomes. How power can be used within capitalist societies depends on the degree to which the public domain accepts inequalities within the private domain – i.e., the manifestation of ethical norms determined in the public domain.

### Volatility

While contemporary, mainstream theory of markets emphasizes that individual markets tend toward a stable equilibrium (all things remaining the same – *ceteris paribus*), historical evidence shows that capitalist economies are anything but stable. Volatility is the norm. This volatility can be characterized as unstable, often unpredictable, fluctuations in prices and the output of producers. The popular, capitalist adage “buy low, sell high” implies volatility. Volatility also promotes undue speculation by simply “buying low, selling high” while producing nothing – besides market volatility. In more general terms, the capitalist characteristic of “unequal powers,” discussed immediately above, leads to market volatility.

There are no inherent mechanisms within the private domain of capitalism that dampens its volatility. Capitalism’s inherent volatility can have very serious, negative social consequences. The public domain has, since the exposition of volatility and the control of it by John Maynard Keynes in his influential book *The General Theory of Employment, Interest and Money* (Keynes 1936), acted to dampen the inherent volatility of the private domain. This is yet another example of



how the public domain and private domain act together to sustain capitalism. Again, the public domain expresses the social value of a degree of stability – in effect, and ethical standards – thus establishing limits to the inherent volatility of the private domain.

### The Evolution of Capitalism

Ultimately, an economy that finds itself under stress adapts by creating new social institutions in both the public and private domains. Since the social circumstances of different market economies face different pressures in different times, cumulative social processes differ across economies and lead to demonstrably different economic characteristics than its economic predecessors or previously related economies. From this perspective, versions of capitalism in different times and in different places exist in terms of the relative roles of the public and private domains and in other social institutions that prevail. Therefore (at the risk of using a biological metaphor that could incorrectly imply that capitalism is a natural of biological system), there can be different social species of capitalism, coming from common ancestral roots (arguably, as described by Adam Smith 1776) that have adapted to the different pressures they have been subjected to.

Many of the common characteristics of capitalism across time and place are the same, while others have changed – in effect, socially “mutated.” How the characteristics of different versions of capitalism change distinguishes a new social species of capitalism from its capitalist “relatives.” While each social species has a common ancestor, they are, as capitalism continues to evolve, demonstratively different.

### Globalization of Corporate Capitalism

With the competitive pressures of capitalism inspiring capitalists to increase commodification, and with their recognition of the advantages of unequal power (i.e., their power over others), many corporations expanded their scope from their domestic origins to global behemoths. This has been done to satisfy the requirements of generating profits and growth, central to the survival

of capitalists, and capitalism. An example of this is that, in 2016, the five largest corporations, together, generated revenues greater than Canada’s gross domestic product (the value of *all* goods and services produced by *all* producers in Canada in 2016).

A distinguishing characteristic of capitalism in the latter twentieth century and early twenty-first century is the concentration of great power in the hands of fewer capitalists – in domestic economies and globally. This has, in part, changed the interaction of capitalism’s two domains: the public domain and the private domain. In most capitalist economies, the private domain – particularly after 1980 – has becoming relatively more powerful when compared to the public domain. The social values, and ethical standards, have consequently swayed toward favoring the values of the private domain.

### Prospects for the Future

To offer perspectives on the future of capitalism, it is best to turn to those who have contributed most to our understanding of capitalism. Since the academic discipline that studies capitalism is economics, appealing to its prominent thinkers – the “worldly philosopher” – reveals very diverse points of view.

Karl Marx (1867), who recognized the pressures within capitalism – seeking greater profits and growth from the greater concentration of economic power in the hands of fewer capitalists, global expansion, etc. – suggested that capitalism would undermine itself (eventually being unable to adapt to its inherent pressures) which would lead to a new *social system of production and distribution* that would not be dominated by markets. In effect, he was optimistic that capitalism would lead to a better social system. Adam Smith (1776), on the other hand, was a pessimist. He saw capitalism rising to its pinnacle and then deteriorating (Milberg 2004). He offered no suggestion as to what would follow capitalism, only that it would end.

Joseph Schumpeter (1883–1950 – a Harvard University economist and advocate of capitalism) in his book *Capitalism, Socialism and Democracy* (Schumpeter 1942) asked “Will capitalism survive?” His reply was, “No, I do not think it can” (61). Schumpeter thought that the pressures of capitalism, particularly the need to innovate in increasingly complex markets, would lead to a kind of technocratic socialism, where experts would guide the economy for the benefit of a post-capitalist society.

Many other economists including David Ricardo (1951), John Stuart Mill (1848), Thorstein Veblen (1899, 1904), John Maynard Keynes (1963), Friedrich von Hayek (1944), and Joan Robinson (1962) have offered insights into the future of capitalism that are worth considering as it continues to evolve. It is notable that, despite serious crises in capitalist economies in the latter decades of the twentieth century and early twenty-first century, the mainstream of the discipline of economics has had little to say about the future of capitalism. Neoclassical economics takes an abstract, short-term, theoretical approach to its insights into capitalism rather than one that considers its historical processes.

## Cross-References

- [Distributive Justice](#)
- [Economic Man](#)
- [Individualism](#)
- [Justice](#)
- [Libertarianism](#)
- [Marxism](#)
- [Marxism \(with Focus on China\)](#)
- [Property Rights](#)
- [Social License to Operate](#)

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## Capping Damages: Ethical Concerns

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## Synonyms

Limitations on noneconomic damages; Limiting compensatory damages; Limiting tort damages

## Introduction

Over roughly the past three decades, proponents of the so-called tort reform movement have sought to convince policymakers that plaintiffs win negligence, medical malpractice, and other

tort cases too often and that winning plaintiffs frequently receive excessively large awards of money damages. Reform proponents have also argued that plaintiffs often bring frivolous tort claims and that defendants and their insurers end up settling such claims in order to eliminate the risk of being hit with a huge award of damages if the case proceeded to trial (Hill et al. 2007). Would-be reformers, therefore, seek changes in legal rules in order to alter this supposed state of affairs.

Those who regard tort reform as unwarranted typically point out that plaintiffs have far lower success rates than reform proponents assert and that when very large awards of damages occur, clear liability on the defendant's part and great harm to the plaintiff nearly always serve as the reasons why. Opponents of significant changes in tort law note the rarity of truly frivolous cases – ones in which the plaintiff sues even though no reasonable person would believe that he or she could win under the facts and the law. They also contend that defendants and their insurers do not typically settle frivolous claims. Instead, the cases these parties settle (or seek to settle) are the non-frivolous ones in which liability or lack thereof seems a reasonably close question (Hill et al. 2007). In such cases, a settlement at an agreed dollar amount – if such an amount were identified – would head off the risk of being held liable for a larger amount at trial.

Because of the competing arguments outlined above, the tort reform movement has proceeded in fits and starts. Some states have enacted statutes ostensibly designed to achieve the reformers' goals, whereas other states have declined to change the rules of the game. As will be seen, Congress has periodically shown interest in the possibility of federalizing certain rules.

One reform measure enacted in some states targets a certain type of damages that may be awarded to a successful plaintiff in a negligence, malpractice, or other tort case. Understanding the operation of this reform measure requires some knowledge of the types of damages available to successful plaintiffs.

## Types of Damages in Tort Cases and the Role of Damages Caps

In tort cases, plaintiffs who establish the defendant's liability are always entitled to recover compensatory damages. As their name suggests, these damages serve to compensate the plaintiff for the harm he or she experienced. (Compensatory damages differ from punitive damages, which are not routinely ordered. Punitive damages are reserved for cases in which the defendant acted not just wrongfully but in a flagrantly wrongful manner and, therefore, should experience economic punishment on top of the compensatory damages to be paid.) The successful plaintiff is eligible to receive two types of compensatory damages: *economic* damages, awarded for the amounts of medical bills, lost wages, and other readily quantifiable costs or losses incurred as a result of the defendant's tortious conduct, and *noneconomic* damages, awarded for intangible harms that resulted from the defendant's wrongful act but are less readily quantifiable in dollar amounts. Pain and suffering, related emotional distress, and the physical effects of a permanent disability serve as the classic examples of the latter type of harms.

Placing a dollar value on these intangible harms is more difficult than, say, adding up the amounts of medical bills. Nevertheless, the jury must put a dollar value on such harms in awarding damages to successful plaintiffs. Because there is no doubt that this process sometimes – though clearly not always – leads to large awards for noneconomic harms such as pain and suffering, noneconomic damages have served as a common target of tort reformers. They have tended to see such damages as the main contributors to the supposedly excessive awards of damages to winning plaintiffs. They also have pointed to noneconomic damages as a big reason why, in their view, plaintiffs bring frivolous cases in the hope of receiving a settlement payment. Capping the amount of noneconomic damages recoverable, the argument goes, would serve to keep damages awards in check and would help achieve related social benefits such as lowering liability insurance premiums and healthcare costs. Moreover, tort

reform advocates contend, capping noneconomic damages would help to deal with the supposed frivolous case problem by removing part of the incentive to bring questionable cases in the hope of effectively extorting a settlement payment.

Some states have given credence to such arguments and have enacted statutory limits on the amount of noneconomic damages that can be awarded to a successful plaintiff in a negligence, malpractice, or other tort case. Such statutes have come to be known as *damages caps*. States that have enacted damages caps have tended to choose \$250,000 or some similar amount as the maximum amount of noneconomic damages that can be awarded to a successful plaintiff in a tort case (Hill et al. 2007).

With some states having enacted damages caps but other states not having done so, there is no national rule limiting the amounts of recoverable noneconomic damages. Depending upon the political winds prevailing at the time, some members of Congress have expressed interest over the years in setting such a national rule, despite the traditional notion that tort law falls within the states' respective bailiwicks. Congress had never taken meaningful formal steps in that direction until recently, however. In 2017, the House of Representatives passed a bill that, if enacted into law, would impose a \$250,000 cap on noneconomic damages recoverable by successful plaintiffs in medical malpractice cases (Kindy 2017). The Senate had not taken action on the House bill or on a bill resembling it as of the latter part of 2017.

If such a bill were to pass the Senate as well and become law, there would be, of course, a national rule limiting noneconomic damages at least in medical malpractice cases. It would then not be the least bit surprising for Congress to follow up with a further enactment extending the cap on noneconomic damages to a broader range of tort cases.

Where caps on noneconomic damages have been implemented, there obviously have been cases in which individual plaintiffs might, or almost certainly would have, merited a larger noneconomic damages award if not for the cap. But there appears to be little evidence of a decline

in total damages awarded in tort cases in the aggregate. Neither are there clear indications that other predicted benefits of damages caps – lowering of liability insurance premiums and healthcare costs – have materialized (Hill et al. 2007).

Ethical considerations and concerns must play a role in any analysis of damages caps and their effects. As the following section will reveal, damages caps fall short of the ethical mark when they are viewed through the respective lenses of major ethical theories.

## Applying Major Ethical Theories

Consider the rights theory lens. If we accept the notion that those who suffer harm because of the fault of another have the right to be made whole – a premise traditionally present in our tort law – damages caps are problematic. They draw an arbitrary line that treats more severely harmed persons the same as those who were harmed less severely and perhaps much less severely. (See the further discussion below.) Damages caps also raise concerns under rights theory because they operate to single out the most seriously harmed persons for adverse legal treatment and to use them as a means to achieve ill-defined and ultimately unachieved ends of healthcare and insurance cost-cutting (not to mention an apparent goal of providing more of a pro-defendant slant to our tort system).

Damages caps fare no better in an ethical analysis under justice theory. They do not distribute legal treatment equally and fairly. Rather, they differentiate among harmed persons in the arbitrary way noted above. Importantly, too, damages caps prove problematic under justice theory because the differentiation they enshrine makes those who are the worst-off even worse off in a relative sense.

Consider, for example, four plaintiffs who bring tort cases in a state that caps recoverable noneconomic damages at \$250,000:

- Plaintiff #1, who brings the rare truly frivolous case in which there is no even arguably

reasonable basis whatsoever for imposing liability on the defendant

- Plaintiff #2, who can, or probably can, establish liability on the part of the defendant but sustained minor harm
- Plaintiff #3, who can, or probably can, establish liability on the part of the defendant and sustained moderate harm of a temporary nature
- Plaintiff #4, who can establish liability on the part of the defendant and suffered not only extreme, long-lasting pain but also a severe disability that will profoundly limit her activities for the remainder of her life

Of course, Plaintiff #4 is clearly the worst-off of the four before the damages cap is applied.

When we begin to consider the effects of the damages cap, we see that Plaintiff #1 is not affected at all because he could not win on the merits if the case went that far and because, as previously noted, defendants and their insurers typically do not settle truly frivolous cases. If they decided to depart from that practice and pay Plaintiff #1 something as a nuisance value payment in order to dispose of the case, it would be a token amount nowhere close to \$250,000. Plaintiff #2 also will not experience adverse treatment as a result of the damages cap. She may be able to win her case on the merits or receive an agreed-upon settlement payment from the defendant, but the minor nature of her harm would mean a payout of considerably less than \$250,000 for noneconomic harm. Hence, the damages cap would not come into play.

Plaintiff #3 has a good chance of winning her case if it goes to trial and therefore could be a candidate for an agreed-upon settlement instead. If his moderate harm of a temporary nature was not bad enough to trigger a jury verdict or settlement amount of more than \$250,000 for noneconomic harm, he too would not be affected by the damages cap. If his harm was significant enough that a jury might otherwise have awarded him somewhat more than \$250,000 in noneconomic damages – or the defendant might otherwise have offered him somewhat more than \$250,000 by way of settlement – then the damages cap's

\$250,000 limit would have some adverse effect on him.

However, the possible adverse effect on Plaintiff #3 would pale by comparison with the adverse effect on Plaintiff #4. Her extreme and long-lasting pain and her permanent disability, caused by a defendant who clearly was at fault, would almost certainly have resulted in a jury verdict for far more than \$250,000 in noneconomic damages or an agreed-upon settlement amount well in excess of the cap amount. The cap, however, would limit her to \$250,000 for noneconomic harm. Clearly, then, the plaintiff who was already easily the worst-off would be made even worse off, in a relative sense, by the damages cap. In the end, such caps take the ethically questionable approach of singling out those with the strongest legal claims and disadvantaging them the most.

Even the ethical theory that might initially have seemed to support damages caps when some states enacted them furnishes little support for them now that experience has provided greater ability to assess their effects. One inclined to conjure up a utilitarian, greatest-good-for-the-greatest-number argument might have asserted that even though some plaintiffs would be disadvantaged by damages caps, relevant individuals, organizations, and entities (e.g., liability insurers, hospitals, and the like) would benefit in their bottom lines. Moreover, the argument would have gone, there was greater good to be achieved for society in the form of reduced litigation costs, lowered liability insurance premiums, and better-controlled healthcare costs.

Experience with damages caps now tells us, however, that the predicted social benefits – key parts of the supposed greatest good in that initial balancing – have not materialized. What remains, then, are the benefit to certain entities on the one side and the harm to severely harmed persons, as well as to the traditional legal framework for making harmed persons whole, on the other. The greatest-good-for-the-greatest-number calculation now looks very different.

As other states and Congress consider the imposition of caps on noneconomic damages,

one hopes that they give due consideration to the ethically problematic nature of such caps.

## Cross-References

- [Business and Society](#)
- [Compensatory Justice to Groups](#)
- [Justice](#)

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## Catholic Social Thought

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## Synonyms

Catholic Social Doctrine; Catholic Social Thought; Catholicism on social morality; Social teachings of the Roman Catholic Church

## Definition

Catholic Social Thought (CSTh) refers to the reflection developed by Catholic thinkers, theologians, and other scholars on social life and specific social issues, as well as the ideas, proposals, and the experience of Catholic people involved in social issues.

Central to this thought is Catholic Social Teaching (CST) or Social Doctrine of the Church, formulated by the *Magisterium* of the Catholic Church and expressed in councils, papal encyclical-letters, bishops' pastoral letters, and other documents. John Paul II has defined CST as “the accurate formulation of the results of a careful reflection on the complex realities of human existence, in society and in the international order, in the light of faith and of the Church's tradition” (John Paul II 1981, no. 41).

CST includes values and virtues for social life, along with ethical principles, criteria for judgment, and guidelines for action as a base to build, as the *Compendium of Social Doctrine of the Church* (CSDC) (no. 19) affirms, an “*integral and solidary humanism* capable of creating a new social, economic and political order, founded on the dignity and freedom of every human person, to be brought about in peace, justice and solidarity.”

## Historical Development

Catholic social thought has existed among the community of believers since the beginning of Christianity. It includes the teachings of Jesus, with his commandment of love and by identifying Himself with people in need. It also assumes elements of Jewish law and the teaching of the prophets of the Old Testament. This moral-social thought was present in the Church Fathers in the first centuries of Christianity. Outstanding Catholic thinkers such as Thomas Aquinas and Augustine of Hippo have also enriched CSTh for ages. Since the mid-nineteenth century, a modern perspective of CSTh has arisen in response to the problems created by the Industrial Revolution regarding workers and working conditions, and this continues to receive significant attention by both academics and practitioners.

The origin of modern CST is generally accepted as being Leo XIII 1891, when Pope Leo XIII published the celebrated encyclical-letter *Rerum Novarum* (on the new things), in which he spoke in favor of justice in contracts and wages, humane working conditions, and freedom to create and manage workers associations, among



other issues. These seminal teachings have been developed and augmented by Leo's successors in the Papacy – including, among others, Pius XI (1931), John XXIII (1961, 1963), Paul VI (1967, 1971), John Paul II (1981, 1987, 1991), Benedict XVI (2009) and Francis (2015). The Second Vatican Council document *Gaudium et Spes* (Joy and Hope) (1965) is especially outstanding. The *Compendium of Social Doctrine of the Church* (2004), published by the Pontifical Commission Justice and Peace, summarizes the previous CST and is also noteworthy.

## Main Topics

Currently, both CSTh and CST include a vast set of ethical topics. Some of these regard business and socioeconomic life – covering, among others, human work and labor rights, free market economy, production, human relations within the organization, commerce, consumerism, wealth distribution, globalization, natural and human ecology, and sustainability. Others relate to social life and political community, including the defense and promotion of human rights, fighting against oppression, concern for social justice, the role of the state, social cooperation, organizing social and organizational life, the development of people, international relations, cooperation among people, and the promotion of justice and peace in the world. CST is also concerned with the defense of human life from conception to natural death, the family, and education. Ideologies have also have received attention in both CSTh and CST. Some of them, including communism, atheism, fascism, and Nazism, have been condemned. Other ideologies, such as liberalism, feminism, socialism, and capitalism, have been criticized in some form.

## Some Characteristics of CST

Some significant characteristics of CST can be outlined (partially taken from CSDC, nos. 72–86):

- (a) *CST has faith and reason as its cognitive sources.* CST finds its essential foundation in biblical revelation and in the tradition of the Catholic Church, in which reason has its role. Faith is central, but does not substitute reason in the understanding of human nature and social reality. Science, particularly social science, is often used as a matter of reflection.
- (b) *CST is religious and moral in character.* It is neither an ideology nor a pragmatic system of ideas intended to define and generate economic, political and social relationships. Likewise, it does not deal with technical matters nor propose, nor establish models, programs nor specific systems of social organization.
- (c) *CST is a consistent body of doctrine with its own internal logics and is oriented toward action.* It is far from being a systematic organic treatise of social ethical issues, but, due to its internal logics is reasonable and therefore, a dialogue between CST and other ethical approaches to socioeconomic issues is possible.
- (d) *CST is offered to Catholic faithful and also to all people of good will.* In practice, CST is appreciated not only by Catholic communities, but also by other Christian churches and communities, by followers of other religious traditions, and by people who belong to no religious group.
- (e) *CST is interdisciplinary.* It is open to all branches of knowledge, recognizing and receiving everything that contributes to a better understanding of reality. At the same time, CST challenges science to dialogue, offering meaning, ethical perspectives and commitment to humanize science.
- (f) *CST involves both continuity and renewal.* Though standing firm in its principles, CST is not a rigid teaching system. In its development, CST shows concern for the evolution of the society and “the signs of time” (changes which require discernment).
- (g) *CST entails “denunciation” but above all “proclamation.”* John Paul II (1981 no. 41) made clear that proclamation of the

fundamental conditions for justice and love in the economic and social situations is always more important than denunciation of injustices, and the latter cannot ignore the former, which gives it true solidity and the force of higher motivation.

- (h) *The interpretation of CST requires an attentive discernment.* CST entails principles of permanent value and social analysis and teachings regarding specific historical situations. It is key to distinguish in each teaching “the level of independence from contingent and variable elements, and by the frequency with which they are invoked” (SCDC, no. 80).
- (i) *CST emphasizes love for the poor.* Following the Love of Jesus for the poor, the Church speaks of a *preferential option for the poor*; but this love is never exclusive or discriminatory against other groups. At the same time, CST clarifies that this option is not limited to material poverty, since it is well known that there are many other forms of poverty, such as the cultural and spiritual (John Paul II 1991, no. 57).
- (j) *CST has evaluative, inspirational, and educational functions.* CST allows one to evaluate situations and social problems, but can also inspire specific proposals for humanizing social contexts. Its educational function is ordered to favor awareness in the Christian faithful of their social responsibility, and to promote responses to this in accordance with the capacities and circumstance of each believer.

### Values, Virtues, and Guiding Principles Intertwined

Drawing from the Christian supreme commandment of love, Benedict XVI (Benedict 2009, no. 2) affirms that “love is at the heart of the Church’s social doctrine,” and clarifies that “to love someone is to desire that person’s good and to take effective steps to secure it” (Benedict 2009, no. 7). Benedict adds that love is

inseparable from truth and states: “love in truth (*charitas in veritatis*) is the principle around which the Church’s social doctrine turns” (Benedict XVI Benedict 2009, no. 6).

Love in truth, which differs from attitudes of mere sentimentalism, leads to a full recognition of the dignity of each individual. In this sense, and complementarily, John Paul II (1991, no. 11) affirms that the guiding principle of the Church’s social doctrine “is a correct view of the human person and of his unique value.” This view comes from the reality that the human being, according to the Bible (Genesis 1:26–27) has been created to image of God (*imago Dei*), with reason, freedom, and sociability. It entails seeing the society ordered to the person and the person acting with responsibility to promote a good society.

Love is not opposed to justice. On the contrary, love entails justice as its first requirement. Justice consist in giving to each what is due, which demands respecting all types of rights, keeping legitimate contracts, and honoring one’s word. In the business context, justice leads us to honest and fair behavior in any activity. Love, however, goes further than justice by offering what is “mine” to the other.

Another crucial value of CST is freedom, but not a freedom without right deliberation. On considering the matter, CST stresses that a link between freedom and truth exists, which has implications for responsible behavior. In exercising their freedom, people perform morally good acts that are constructive for the person and for society when they are obedient to moral truth.

Love, truth, justice, and freedom – exercised responsibly – are crucial ethical values for social life. They are intertwined with guiding principles and virtues (CSDC, nos. 197–208). Virtues are strengths of the character which favor good behavior, and this is crucial for social life. CST indirectly emphasizes virtues by affirming that social structures are important but “authentic social changes are effective and lasting only to the extent that they are based on resolute changes in personal conduct” (CSDC, no. 134).

Neighborly love entails the recognition that every human individual is endowed with

transcended dignity, innate human rights – associated with this dignity – and called to grow as a human being.

## Permanent Principles

Around these foundations, CST enumerates a number of crucial permanent principles concerning the reality of society in its entirety. These principles are presented as interrelated, offering complementary requirements, and as a unity. The main principles (CSDC, nos. 105–114, 160–196), with some references to economic and business, are the following:

- (a) *Personalistic principle*. This regards the inviolable dignity of the human person and requires dealing with each person as an end – avoiding, in any circumstance, that the human person is manipulated for ends that are foreign to his or her own development.

The dignity of the person constitutes the foundation of the equality of all people. In consequence, all forms of discrimination against this basic equality are unacceptable. A just society should respect the transcendent dignity of the human person. Around the personalistic principle, CST establishes that “man is the source, the center, and the purpose of all economic and social life” (*Gaudium et Spes*, no. 63).

- (b) *The common good principle*. The society, at every level, should seek the common good as its primary goal – the good of all people and of the whole person. The common good consists of three essential elements: respect for and promotion of the fundamental rights of the person; prosperity, or the development of the spiritual and temporal goods of society; the peace and security of the group and of its members. Pursuing the common good is

what gives moral legitimacy to any social institution, including markets and businesses.

The ultimate purpose of economic activity is to serve the person and the society, and so too is that of the business firm. The latter is seen as a society of persons who are joined together, not as a mere “society of capital goods.” “The purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society” (John Paul II 1991, no. 35).

The economic system should also work towards the common good. In this context, a centrally-planned economy is not acceptable due to its lack of respect for human dignity and rights. In contrast, CST recognizes “the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector.” However, the judgment is negative for a Capitalism “understood as a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality” (John Paul II 1991, no. 42).

Related with the common good principle are concern for future generations (*sustainability*) and preforming business and other activities with a sense of stewardship and taking “care of our common home” (Francis 2015). This concern, acting with a sense of communion with people and other beings – which are seen as God’s creatures – embraces the whole of nature.

- (c) *Principle of solidarity*. This states that every person and group is obliged to contribute to the common good of society at all its levels. It is opposed to all forms of radical individualism and abuse of power. This principle entails the intrinsic social nature of the human

person, the equality of all in dignity and rights, and the common path of individuals and peoples toward an ever more committed unity.

In the business context, the principle of solidarity requires fostering cooperation within the organization and with stakeholders. Competition should be carried out within a framework of cooperation. Producing or sending products contrary to human dignity, predatory pricing, poor working conditions, and exploitation of workers are examples of a lack of solidarity.

Business people are called to work with solidarity for the common good. “Business is a noble vocation, directed to producing wealth and improving our world. It can be a fruitful source of prosperity for the areas in which it operates, especially if it sees the creation of jobs as an essential part of its service to the common good” (Francis 2015, no. 129).

(d) *Principle of subsidiarity.* A community of a higher order should not interfere with the life of a community of a lower order, taking over its functions. In accordance with this principle, every social activity ought of its very nature to furnish help to the members of the body social, and never destroy or absorb them. In case of need, the community of a higher order should, rather, support the smaller community and help to coordinate its activity with activities in the rest of society for the sake of the common good. This principle protects freedom and fosters the contribution of people through their talents, initiative and responsibility. It is opposed to all forms of collectivism and favors private initiative in business. Within the organization, this principle requires respect for people in their creativity, initiative and autonomy, done with a view to facilitating their contribution to the common good.

(e) *Principle of the universal destination of goods*, which can be encapsulated by saying

that every person must have access to the level of well-being necessary for his or her full development. This principle recognizes the necessity that the earth and its resources – God’s gift to all humankind – is shared and enjoyed by all. This is compatible with private property, necessary to support freedom and to affront future need, but such property has endowed a social function to make this universal destination of goods possible. Most people access it through remuneration for work; others need assistance, even social and governmental actions toward a redistribution of wealth.

(f) *Principle participation.* This refers to personal and social contribution to social and civic life. Within business enterprises, CST proposes harmonizing the necessary unity of management with an active sharing of all in the administration and profits; not with rigidity, but through ways to be properly determined in accordance with each situation.

## Cross-References

- [Christianity and Business Ethics](#)
- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)

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## CEO Compensation and Just Pay Theories

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### Synonyms

Executive compensation; Executive remuneration; Fair pay; Just wage

### Introduction

Microsoft's CEO Satya Nadella received \$44,321,738 in total compensation in 2020. His compensation was 257 times the median employee's pay at Microsoft that year. Nadella's total compensation was significantly higher than the average compensation for all S&P 500 CEOs, which was \$15.5 million in 2020 (AFL-CIO 2022). Even if Nadella can be considered an outlier in this regard, one cannot deny that many CEOs and other executives are paid very generously compared to other workers. This prompts the question: how, if at all, can one defend these pay differences on moral grounds? This entry gives an overview of **just pay theories** and how they are used to defend and criticize executive pay practices.

A just pay theory is a theory which identifies the moral values or principles that ought to guide how individuals are remunerated for their work. Since most decisions about pay packages are



made in a business or professional context, it is not difficult to see how the issue of just pay should be a central concern in business and professional ethics. However, the issue is also connected to more fundamental questions about distributive justice in society as a whole. The focus of this entry is executive pay practices, and in particular CEO compensation practices, since they have become the target for intense moral scrutiny and debate over the last decades.

### Incentive-Based Views

One common defense of executive pay practices appeals to **incentive-based views**. These views hold that workers should be paid in whatever way that provides the best incentive for the relevant kind of work. Incentives can be important for attracting and retaining the most talented individuals for the job, as well as for motivating these individuals to reach their full potential. One view is that this should be achieved at the lowest cost possible. This view does not necessarily commit a firm to hiring the smartest and brightest if they can generate as much profit with less talented (and less costly) individuals. It seems fair to say that incentive-based views address the issue of just pay from the perspective of the company, rather than from the perspective of the worker. They can therefore be viewed as tantamount to a doctrine of efficiency (Heath 2018). However, not all incentive-based views focus on maximizing firm value. An incentive-based view is also present in John Rawls's scholarship, where the idea is that income inequalities should be allowed as a way of incentivizing growth of the social product to the advantage of those who are worst-off (in accordance with the difference principle). Lastly, all forms of incentive-based pay are forward-looking. Incentives are a means for getting people to do certain things. A high CEO salary might attract top talent to the position, while long-term executive stock options could be a way of retaining the CEO, and qualified bonuses could be a way of motivating the CEO to put in the extra effort (cf. Kolb 2012).

The defense of current CEO pay practices, from this view, basically amounts to the hypothesis that Microsoft would not be able to attract, retain, and motivate Nadella if they did not offer such a generous compensation. That is, they would not find anyone who is as qualified and well-suited for this stressful, highly demanding, and onerous position if they offered a lower pay (Kolb 2012). While this seems simple enough, it is not a watertight argument. For starters, there are several jobs that require a high level of skill, adaptability, stress tolerance, and a cool head to make sensible decisions under pressure, that are not nearly as generously compensated as the CEO position. For instance, most would expect heads of states and military generals to perform at their best without the offer of annual bonuses when they achieve certain goals. Another thing to consider is that the evidence for a correlation between CEO pay and firm performance is inconclusive (cf. Smirnova and Zavaertiaeva 2017). In other words, it is not necessarily the case that firms get more out of their CEOs the more they pay them. Lastly, incentives in the form of bonuses, stocks, or options may have unintended consequences depending on the conditions that apply to these payouts. In the case of the global financial crisis of 2008, large and risky bets on the unstable housing market seem to have been encouraged by the promise that those who made the "right call" could cash out a hefty bonus. When these bets turned out bad, most of the costs did not befall those who made the wrong call, but instead the ordinary people who lost their jobs, pensions, and savings. The example illustrates how difficult it is to calculate the future costs and benefits of various incentive programs, especially if one goes beyond the firm's perspective and also considers society as a whole (Sandberg and Andersson 2022).

### Desert-Based Views

An alternative perspective on just pay involves **desert-based views**. Such views hold that workers should be paid in accordance with their level of desert (or merit). While incentive-based views are forward-looking in the sense that they



concern incentives for future contribution or effort, desert-based views are essentially backward-looking. One can view desert as an input-output function: for whatever action a person performs, she deserves to get something in return. The deserved outcome should also stand in direct proportion, in value or effect, to the relevant action or activity. Put more formally, desert can be analyzed as a three-place relation between a deserving subject (X), a treatment or good (Y), and the grounds which make them deserving of said treatment or good (Z). That is, X deserves Y on the basis of Z. When it comes to desert of economic benefits, such as income and wealth, it is clear that X refers to workers and Y stands for one's level of pay. Z is usually understood in terms of either effort or contribution, depending on whether one views pay as a form of compensation (for effort) or reward (for contribution) (Andersson and Sandberg 2019).

Desert-based views have been used to both defend and criticize executive pay practices. A defense could be that Nadella deserves his \$44 million per year as a compensation for the effort that he puts in at Microsoft. The idea being simply that the job is so onerous and, given that Nadella is the highest paid employee at the company, no one exerts an effort comparable to that of Nadella. This notion of desert has some intuitive appeal. Most people think that “tougher” jobs, such as garbage collecting and underwater oil rig welding, deserve to be compensated higher than jobs that have more pleasant working conditions. Still, it is difficult to determine exactly what should go into the concept of “effort.” Is it the amount of time spent at work? It is highly unlikely that Nadella spends 257 times more time at Microsoft than his lesser paid employees. Is it the amount of physical or psychological effort exerted? It is not probable that Nadella's line of work involves a physical or psychological challenge that is 257 times greater than that of others at the company, even if he is constantly thinking about Microsoft's future. Could it be that the CEO position is 257 times more onerous and taxing than other lines of work at the company? While it definitely can be an ungrateful position in times of financial distress, it seems unlikely that this would be the case in

general. An overarching problem for the appeal to desert in the form of compensation for work-related costs is that it always seems to involve some kind of limit. There are only so many hours that one can spend at work, and a job can only be so onerous (Brouwer and van der Deijl 2021).

An alternative defense could be to instead think of Nadella's pay as a reward for his contribution to the company or to society. This too has some intuitive pull. Most people would say that George R.R. Martin is deserving of the profits he enjoys from his *Game of Thrones* series or that Elon Musk deserves a high pay for his creative innovations that benefit the progress of society. Unlike the concept of effort, contribution does not appear to have a built-in limit, since the value one creates for a company or society can be exceptional and of a limitless magnitude. Nadella can then be said to deserve his high pay due to his prominent leadership at a company which is at the forefront of the technological frontier. Still, there are other problems with this appeal to desert as contribution. First, it is reasonable to assume that the success of Microsoft is a team effort and that it builds on the foundation of Nadella's predecessors. This does not mean that Nadella's contribution is meaningless, but it makes it more difficult to determine just where other people's contributions end and his contribution begins. In very complex joint ventures, where the contributions of different workers intimately depend on each other, it may prove practically impossible to disentangle these workers' contributions and therefore deserts (Mulligan 2018). It is then practically impossible to determine whether Nadella contributes 257 times more to Microsoft's profits than his lesser paid employees do.

A broader issue here concerns how one should understand the notion of contributing to society. If it is simply a matter of satisfying preferences by providing goods and services that people want, then Nadella seem to be adequately paid if we look at the size of Microsoft's customer base (and assuming that Nadella can rightfully take credit for this success). However, defining contribution to society in terms of preference satisfaction is rather narrow. This undermines, if not

excludes, the contributions of workers in the public sectors, whose primary purpose of work is to satisfy people's *needs* rather than *wants*. The work of nurses, teachers, firefighters, and police officers is in many ways essential to a well-functioning society. In other words, without their *contribution to society*, we would be a lot worse off. But just as it seems unfair to compare the work of Nadella to that of nurses based on some idea of preference satisfaction, it seems equally unfair to compare the value of Nadella's work to that of nurses based on whether they satisfy people's needs. So the very idea of contributing to society seems too broad to permit simple calculations of deserved pay.

### Procedural Views

A final group of views are **procedural views**. These hold that workers should be paid whatever pay that is determined by, or agreed upon in, a fair pay-setting process. The focus here is the fairness of the process rather than the details of the result. Thus, unlike on incentive-based views, the aim is not to have a cost-effective level of pay. Neither is it important that the pay stands in proportion to a worker's effort or contribution, as is the case on desert-based views. Instead the central aim is to make sure that pay negotiations are set up in a *fair manner*. With regards to Nadella, we should not be concerned about the precise level of his total compensation per se, nor with how it compares to the pay levels of other workers at Microsoft. If the compensation levels were set under fair conditions, then there are no moral grounds for complaining about the result. This line of thinking should be well-known to those familiar with Robert Nozick's conception of procedural justice.

As with all transaction, there is a buyer and a seller in the CEO pay-setting process. The company, which in this case boils down to the owners and the shareholders, is the buyer of the CEO's services. As companies can have thousands of shareholders, it is impossible for all of them to be present when the negotiation takes place. The solution is to have a board of directors that acts on behalf of the shareholders. As negotiations start,

then, it is in the interest of the board to pay the CEO as little as possible (in line with the cost-effectiveness perspective outlined above), whereas it is in the interests of the (prospective) CEO to be paid as much as possible. In order for the negotiation between the two sides to proceed in a fair manner, there are at least two important conditions. First, the two sides need to be independent from each other as to balance the interests of the CEO and that of the shareholders. For example, the board members should not be dependent on the CEO in any way. Second, both sides – and especially the board – need to be sufficiently informed. As Moriarty puts it: "If they do not know what kind of talent it takes to run the firm, and how rare that talent is, they are liable either to overpay a mediocre CEO or to underpay an exceptional one" (Moriarty 2005: 259). If both of these conditions are satisfied, one can confidently hold that Nadella's pay is justified from a procedural view.

There are, however, problems pertaining to both of these conditions, which make it doubtful whether most executives receive their pay as the result of a fair process (Bebchuk and Fried 2004). The first worry concerns the "managerial power hypothesis." Its focus is the power that the CEO can hold over the board of directors, which gives the CEO the ability to dictate the conditions of his or her compensation plan. Managerial power can come in many forms, but one of the most debated practices is when the CEO is also the chair of the board of directors ("CEO duality") – a role which Nadella took on in 2021. Another example is when the CEO has indirect influence over who sits on the board. This is problematic since an appointment to the board of directors is typically regarded as a privilege, because it tends to come with handsome remuneration as well as the opportunity to build business relationships with other board members. There can therefore be a bond of loyalty between the CEO and newly appointed board members. What is problematic here is that the board members are not sufficiently independent from the CEO to ensure a balanced negotiation when it comes to setting the CEO's pay (Kolb 2012).

A second worry is that board members can be expected to be at an informational disadvantage in

comparison to the CEO with regards to the financial situation of the company. Whereas the CEO spends almost all of his or her time in the company, the board members are typically only present at a certain amount of board meetings per year. This can create another type of power imbalance which risks undermining the fairness of the negotiations between the CEO and the board of directors. Interestingly, it seems that companies sometimes have to choose which of these two problems that is most worrisome. Because a common way of addressing the informational asymmetry is to use board members who themselves work as CEOs in comparable companies. But such people of course have reasons to prefer higher pay packages for CEOs since they are CEOs themselves, so they cannot be said to be sufficiently independent to ensure a balanced negotiation.

## Concluding Remarks

Philosophical theories about just pay are useful for the purpose of having a sound debate about the moral values and principles that ought to guide how individuals are remunerated for their work. Since most decisions about pay packages are made in a business or professional context, it is not difficult to see how the issue of just pay should be a central concern in business and professional ethics.

All three just pay theories mentioned in this entry can be used to both defend and criticize the current levels of CEO pay, including Nadella's compensation of \$44 million per year. In order to determine whether such CEO compensation practices are morally justified, then, one not only need to compare the different theories to each other but also engage in more detailed analyses of various conceptual and empirical claims related to each theory. For instance, what type of pay packages give the best incentives for different groups of workers? How do you disentangle the contributions made by the CEO from the contributions made by other groups of workers? And

how do you best set up a pay-setting process that balances the interests of the employers and the employees? These are some examples of good questions for further research in the realm of CEO compensation and just pay theories.

## Cross-References

- ▶ [Corporate Governance](#)
- ▶ [Directors' Duties to Tie Executive Pay to Environmental Protection](#)
- ▶ [Distributive Justice](#)
- ▶ [Economic Efficiency and Socioeconomic Well-Being](#)
- ▶ [Libertarianism](#)
- ▶ [Rawls' Theory of Justice](#)

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## CEO Leadership and Gender

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### Synonyms

CEO; Differences; Gender; Leadership; Leadership style; Organization

### Definition

#### CEO Leadership and Gender

Scholarship on CEO leadership and gender is prolific. However, scholarship at the interface of CEO leadership and gender in organizations remains scarce. I draw from literature about CEO leadership and gender in organizations to identify three research streams ((a) gender and leadership, (b) gender differences as a function of perception and stereotype, and (c) gender differences in leadership style) as well as analyze opportunities for future research. The authors argue that more paradigmatically diverse research on organizations might be doubly important: it can allow for the development of textured theories on context as well as open possibilities for revitalizing organization theory. Before exploring the three facets of gender enumerated above, as the design or methodology approach, I reviewed the research evidence on CEO leadership and gender. This review serves as the foundation for the discussion of three perspectives regarding CEO leadership and gender. Results show leadership gaps between women and men in that women tend to use the transformational leadership style, whereas men use a transactional leadership style. Female leaders tend to focus on people and relationships, whereas men place greater emphasis on organizational goals and objectives.

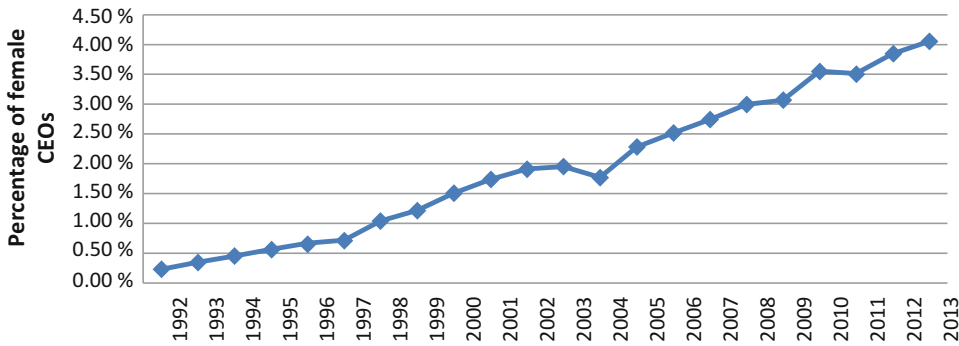
## Introduction

The organizational literature now decisively recognizes the impact of CEO leadership on organizational outcomes signifying that effective leadership improves individual, team, and organizational outcomes across contexts (Avolio et al. 2009; House et al. 2004; Jackson and Parry 2008; Sarros 2009). In a 2007 study on Australian organizations, Bartram and Casimir indicated that leadership positively influenced follower performance and satisfaction, trust in the leader, empowerment, and an innovation-supporting climate (Casimir et al. 2006; Sarros et al. 2008). Researchers of the abovementioned studies used identical survey questionnaires to examine the influence of hierarchical superiors on individual, unit, and organizational outcomes of subordinates. However, fewer studies have emphasized the benefits of using qualitative methodologies to examine leadership processes and their effects on Australian employees (Parry and Meindl 2002; Sarros 1992).

Women continue to enter the workplace in increasing numbers in most developed countries (Davidson and Burke 2016). Reasons that account for these trends are increasing numbers of industrialized economies, the growth of service sectors opening positions for women, and the growth of public and nonprofit sectors creating new opportunities for women.

Statistics show that men still dominate the top executive positions, although the percentage of female CEOs has increased slowly from 0.23% to 4.05% in the past few years (see Fig. 1). A 2008 study by Campbell and Vera and a 2012 study by Dezső and Ross showed that gender diversity in top management positions results in better firm performance. However, the relationship between gender of the CEO and firm performance is quite a new field in leadership studies (Khan and Vieito 2013).

Studies that looked at the relationship between CEO gender and firm performance (e.g., Khan and Vieito 2013; Peni 2014) revealed that companies with female executives experience a growth in performance compared to those led by men. Krishnan and Parsons (2008) found that



**CEO Leadership and Gender, Fig. 1** Growth of female CEOs

organizations with high gender diversity in top management positively and significantly correlate with high remuneration quality. In addition, organizations with more women in top management positions are more profitable and have higher stock returns after IPOs than those with fewer women in the top management team (Krishnan and Parsons 2008).

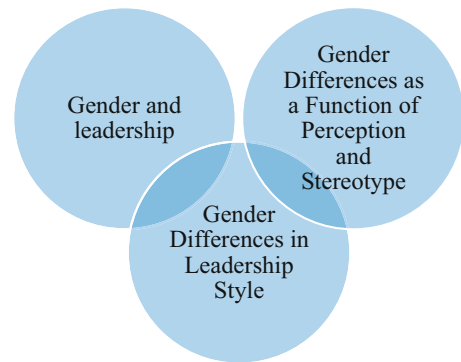
## Theoretical Models

Researchers have used numerous theoretical models to study gender and CEO leadership. Each model focuses on an organizational, social, or individual distinction. Each study worked to illuminate how and why gender leadership differences might exist and why different styles might be appropriate in different preemptive and strategic situations for each organization and its culture (Burke and Collins 2001).

## Literature Review

The literature review in this entry will focus on the three research streams identified: (a) gender and leadership, (b) gender differences as a function of perception and stereotype, and (c) gender differences in leadership style (see Fig. 2).

Investigation of leadership has a long and often unsubstantiated history. For centuries, researchers have worked to establish the traits and behaviors (Bass 1990) that result in effective leadership. In



**CEO Leadership and Gender, Fig. 2** Gender and leadership

addition, the focus has been on leadership that is transformational versus transactional and leadership that is “authentic” (Avolio and Gardner 2005; Davis-Blake and Pfeffer 1989; Hooijberg et al. 2007; Jonsen et al. 2010).

A Google search yielded more than a million hits. Leadership depends on one’s ontological and epistemological attitude and assumptions (Hunt 2004; Jonsen et al. 2010). Researchers frequently define organizations publicly by its leaders at the top echelon and often investigate CEO effects (Jonsen et al. 2010; Waldman and Yammarino 1999). Leadership is vital throughout management levels (Bass 1990) and prevalent in much of the management literature.

The idea that men and women are from different planets (i.e., radically different) (Wood 2002) and that their ways of leading and managing differ

genetically (Senge 2008) is current in popular culture. However, empirical evidence does not show significant gender differences in leadership (Jonsen et al. 2010). In a 1999 study by Butterfield and Grinnell, a 2007 study by Eagly and Johannesen-Schmidt, and a 2003 study by Vecchio, the role of gender and leadership remained inconsistent. Some studies supported the notion of gender differences, for example, that women tend to be slightly more “transformational” (Alimo-Metcalfe et al. 2008; Bass and Avolio 1994; Eagly and Carli 2003), democratic, participative, and inclusive (Eagly and Johnson 1990). Research on gender-related comparisons of leadership styles according to gender traits is extensive (Carless 1998; Eagly and Kite 1987; Jonsen et al. 2010).

### Gender Differences in Leadership Style

A unique method to understanding the gender gap is to examine differences between men and women on attributes pertinent to leadership style. Though the role of traits in understanding leadership style emergence and efficacy has been debated in the literature, the extant research divulges that traits do play an important albeit limited role in leadership style effectiveness (Zaccaro et al. 2008). The lone argument trying to elucidate the leadership gap is that women are far different from men in traits related to effective leadership style.

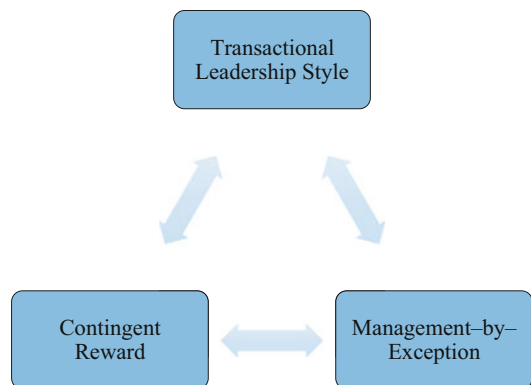
Studies revealed some slight differences between men and women on traits associated with effective leadership style, such as men displaying slightly more assertiveness than women and women displaying fairly higher levels of integrity; however, generally, the differences favor women as much as men (Carli and Eagly 2007; Feingold 1994; Franke et al. 1997; Zaccaro et al. 2008). Kellerman, in a 2003 study, postulated that perhaps women’s values differ from men’s such that they have fewer desires to lead. This viewpoint is not supported by studies signifying that women and men in similar jobs are equally committed to their jobs and equally desire leadership roles (Catalyst 2004; Carli and Eagly 2007; McEvoy 1997).

In a 2001 study, Burke and Collins provided insights on gender and differences in leadership styles and management skills, identified based on self-reported data collected from a sample of male and female accountants. To an extent, female accountants differed from their male counterparts in that women in the accounting profession defined their career advancement by using an interactive leadership style, called transformational leadership, which correlates highly with seven management skills usually connected with achievement (Burke and Collins 2001).

The majority of the past research on leadership focused on detecting personality traits associated with effective leadership and understanding the influence of situational factors on the leadership process (Burke and Collins 2001; Chemers and Ayman 1993). In the 1990s, as organizations began undergoing major structural changes due to downsizing, new trends of leadership research materialized. Scholars started to focus their attention on the two contracting leadership styles: transformational leadership and transactional leadership. Researchers subdivided transactional leadership into two components of contingent reward and management-by-exception leadership styles (see Fig. 3).

### Contingent Reward Leadership

Leaders who use the contingent reward leadership style introduce work standards, communicate these standards to their followers, and let



**CEO Leadership and Gender, Fig. 3** Components of transactional leadership



followers know the rewards they will get if their performance is satisfactory. A leader applying this leadership style makes an unwritten or written contract with followers that informs followers about what is expected and what will occur if expectations are or are not met. Followers are guaranteed rewards contingent on good performance or punishments contingent on bad performance (Avolio et al. 1999; Avolio and Bass 1988; Bass 1985; Bass and Avolio 1993a, b).

#### Management-by-Exception Leadership

Management-by-exception leaders are more likely to take advantage of the power to reward and reprimand followers based on the formal authority that goes with their position in the organization. Leaders who use the management-by-exception leadership style carry power based on their rank in the organizational structure (Burke and Collins 2001). These leaders focus on identifying errors and implementing discipline for poor performance. In other words, the focus of the leader using the management-by-exception style is on identifying errors and disciplining followers for poor performance (Avolio et al. 1999; Bass 1985; Burke and Collins 2001).

#### Transformational Leadership

Transformational leaders produce positive relationships with followers to support employee

and organizational performance. Leaders who display transformational leadership encourage employees to look past their own needs and focus instead on the interests of the entire group. In a 2006 study by Jones, transformational leaders achieved these results in the four interrelated components of transformational leadership:

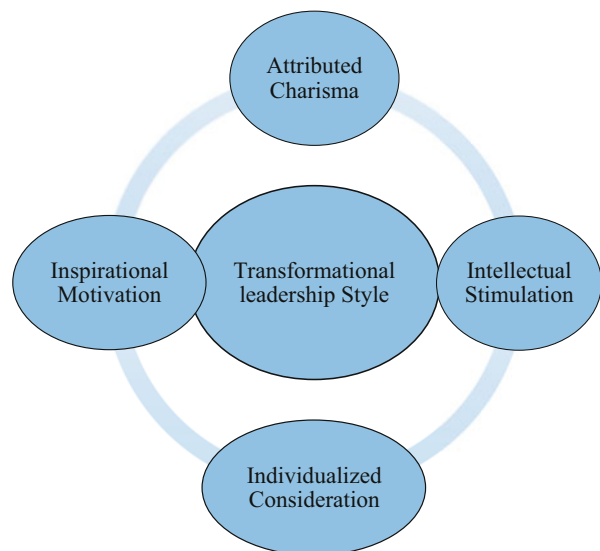
1. Transformational leaders may be charismatic and serve as role models to their followers (attributed charisma).
2. Transformational leaders may intellectually stimulate employees (intellectual stimulation).
3. Transformational leaders may persuade employees to believe in the mission and its attainability (inspirational motivation).
4. Transformational leaders may meet the emotional needs of employees (individualized consideration; Avolio et al. 1999; Avolio and Bass 1988; Bass 1985; Bass and Avolio 1993a, b; see Fig. 4).

#### Gender Differences as a Function of Perception and Stereotype

Female leaders may respond to stereotypes by suppressing normative gender conduct or acting like men to enable them to rise through the ranks of an organization (Hoffman and Hurst 1990; Ridgeway 2001, as cited in Plante et al. 2009; Stelter 2002). In a 2000 study, Oakley established

#### CEO Leadership and Gender,

**Fig. 4** Components of transformational leadership



a similar behavioral style among female leaders who modulate their femininity in favor of added masculine behaviors related to leadership accomplishment. Some scholars argued that employee or person-center leadership (Stelter 2002) is rapidly replacing job or task-oriented leadership, and the shift underscores the importance of studying employee preference for leadership style (Boatwright and Forrest 2000; Stelter 2002). In 1999 study by Gardiner and Triggerman and a 2002 study by Stelter, female leaders tended to focus on people and relationships, whereas male leaders placed greater prominence on organizational goals and objectives.

In studies of gender, differences in organizational perceptions, and stereotypes, Madden (2011) wrote that women display more transformational and contingent reward behaviors and fewer management-by-exception and laissez-faire behaviors than men. Madden's second study investigated prescriptive stereotypes about the importance of leadership styles for the promotion of women and men to different levels in organizations and found that inspirational motivation was perceived as more important for men than women and was especially important for promotion to CEO. In contrast, individualized consideration was perceived as more important for women than men and especially important for promotion to senior management. Consistent with these stereotypical beliefs about leadership, women interested in promotion may be well advised to blend individualized consideration and inspirational motivation (Madden 2011).

### Design/Methodology/Approach

First, I reviewed the research evidence on CEO leadership and gender. Then, I explored gender stereotyping. Furthermore, I considered the role of CEO leadership and gender in organizations. This review serves as the foundation for the discussion of three perspectives regarding CEO leadership and gender: tendencies and social implications, gender differences in leadership style, and gender differences as a function of perception and stereotype.

### Limitations and Future Research Directions

As in any research, this study had some limitations. In the first instance, this study focused on three elements: tendencies and social implications, gender differences in leadership style, and gender differences as a function of perception and stereotype. Many other elements required discussion in regard to leadership and gender. However, future researchers might scrutinize how leadership styles differ due to gender and management levels (Jonson et al. 2010; Stelter 2002). This study only focused on transformational leadership style and transactional leadership style. It may be effective to access whether women acting in stereotypically feminine ways by applying transformational and transactional leadership are perceived as weaker leaders by their colleagues.

### Summary

In this entry, I focused on three paradigms: gender and leadership, gender differences as a function of perception and stereotype, and gender differences in leadership style. The notion that men and women are from different planets (Gray 1992, 2008) implies that their ways of leading differ innately. Some researchers supported the view of gender differences, for example, that women tend to be slightly more "transformational" (Alimo-Metcalfe et al. 2008; Bass and Avolio 1994; Eagly and Carli 2003). Reviewed literature showed a leadership difference between women and men in that women tend to exhibit a transformational leadership style, whereas male display a transactional leadership style. Female leaders tend to focus on people and relationships, whereas men place more emphasis on organizational goals and objectives.

### Cross-References

- [Ethical Leadership](#)
- [Gender and the Economic Theory of the Firm](#)
- [Leadership Theory](#)
- [Transformational Leadership](#)

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## Change Management

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## Synonyms

Leading change; Organizational change; Organizational development

## Introduction

Contemporary organizations exist in social, political, and economic environments that change rapidly and unpredictably. Organizational leaders succeed with such changes by looking at strategy, organization design, and processes, by studying theories of change management related to the individual, group, inter-group, and organizational level. They apply modern-day methods of diagnosing organizations and designing interventions that will increase the effectiveness of their organizations. The complexities in developing a culture of change and continuous improvement

within an organization include determining its readiness for change, uncovering the reasons for resistance to change and tactics for coping with such resistance.

When thinking about managing change, some people assume that organizations are well-integrated entities within which everybody works harmoniously together. Some believe that decisions are made logically and rationally, that people share similar views of the world around them and that they act to promote the interests of the organization as a whole. This is rarely the case. Overwhelming majorities of transformation leaders anticipate the number of change initiatives in their organizations to increase over the next years, with approximately 80% of these initiatives expected to fail (Baran et al. 2018). Change is hard. Rapidly advancing capabilities, including big data analytics, artificial intelligence, and cloud computing, can technically enable companies to continuously and quickly evolve. And in a fierce and competitive marketplace, marketing and other digital business leaders are compelled to unsettle their organizations before they get disrupted.

The gradualist paradigm posits that an organization changes and develops through a continuous process of incremental adjustment and that these changes accumulate over time to ensure that the organization is always aligned with its external environment (Hayes 2018). While a process of continuous gradual adjustment might seem ideal at first thought, evidence suggests that most organizations experience change as a discontinuous process often referred to as a pattern of punctuated equilibrium (Cummings and Worley 2003). Punctuated equilibrium involves long periods of low intensity incremental changes interposed by short bursts of high-intensity discontinuous change.

Kurt Lewin's is one of the classic theories of change, which posits that change typically involves a three-step process that follows the sequence of unfreezing, or removing the barriers which maintain the status quo, moving the organization to a new state, and refreezing to fuse the change (Schein 1996).

Another theoretical approach suggests that in order for change to be successful, leaders need to follow an 8-step process, beginning with establishing a sense of urgency, forming a

powerful coalition, and creating and communicating a compelling vision. After these steps, change leaders proceed to empower their personnel to act on the vision, plan for short-term wins, and finally, consolidate improvements and institutionalizing the newly developed organizational culture (Kotter 2012).

## The Shifting Nature of Change

Over 70% organizations report they are near or past the point of "change saturation," where they cannot absorb any more learning (Cummings et al. 2016). The reason may be that although key principles of change have remained relatively the same, the practice of change management has evolved due to globalization, intensified scrutiny from government and consumers, multi-generational workforce, digital transformation, gig economy, artificial intelligence, and increased mobility and connectivity. Large companies are often engaged in multiple simultaneous change initiatives across several geographies. A combination of art and science, change management is now regarded as internal capability (Cummings and Worley 2003), with new approaches to stakeholder engagement, integration of neuroscience, environment psychology, sustainability, and mindfulness.

Indeed, for many organizations, a 5-year strategic plan – or even a 3-year one – is a thing of the past. Organizations that once enjoyed the luxury of time to test and roll out new initiatives must now do so in a compressed period while competing with tens or hundreds of existing (and often incomplete) initiatives (Stouten et al. 2018). In this dynamic and fast-paced environment, competitive advantage will accrue to companies with the ability to set new priorities and implement new processes more quickly than their rivals. Consequently, while traditional workshops and training courses have their place, they are not effective at scale and are slow moving (Pieterse et al. 2012).

Accordingly, traditional training courses and workshops are no longer effective, and new approaches to the practice of change are rapidly finding their ways into the realm organizational development and change – tactics and



technologies which allow specific personalized information relevant to the place and time to forgo hierarchical protocols and connect impacted parties immediately. Just-in-time feedback in the form of daily SMS messages via wearable technologies with personalized performance information and customer insights allows for behavior adjustments in real time. Online forums, digital dashboards, adaptive interfaces, and integrated social platforms promote transparency, community, and trust.

## The Challenges of Managing Change

Many people are reluctant to change because they prefer the status quo to an uncertain future, or they anticipate that the cost of changing might outweigh the benefits. Deep structures are the fundamental choices that determine an organization's pattern of activity. They act as forces for inertia that work to maintain the status quo. Pressure to deliver short term results directs managers' attention toward improving internal alignment in order to increase efficiency and diverts their attention away from external alignment (Hayes 2018).

Sometimes leaders fail to create the capacity to get things done because they fail to build coalitions committed to achieving the vision. A feature of modern organizations is interdependence, where no one has complete autonomy, and where most members of the organization are tied to many others by their work, technology, management systems, and hierarchy. These interdependencies point to a need for "lateral leadership" to create commitment to a shared understanding of what needs to be done. In those situations where there is a clear and shared sense of direction, committed stakeholders, including subordinates, are more likely to feel able to take action without encountering undue conflict with others or being reprimanded by superiors (Worley and Mohrman 2014). But sometimes this shared sense of direction is lacking because the vision is poorly communicated. The time taken to pass through all the phases can also vary greatly, and although presented as a purely linear process, people may regress and slip back to an earlier

stage in the process or get stuck at any phase and not complete the cycle.

## Implications for Managers

Implementing change begins with evaluating applicable organizational development methodologies which promise to facilitate the most effective use of people. Identifying and understanding strategies and tactics to develop and enhance leadership competencies in oneself and in others is equally important (Cummings and Worley 2003).

Organizations can be conceptualized as a collection of individuals, groups, and communities of practice, each pursuing their own objectives. When there is a conflict of interests it is the power and influence of those involved that determines the outcome – rather than logic and rational argument. Consequently, those responsible for managing change cannot afford to ignore issues of power and influence. Leaders must recognize that there will often be a time lag between the announcement of a change and an emotional reaction to it; different individuals or groups will progress through the cycle at different rates and in different ways because the change might affect them differently (Stouten et al. 2018). Change managers, therefore, need to beware of getting out of phase with their staff, with the implication of staying engaged. They need to communicate, be active, and visible throughout the duration of the project; they need to tap into people's emotions, address individual responses, give people more control, and help them help themselves. To continue seeing the big picture, they need to be realistic about what is possible and not try to do too much at once.

Digitizing the following areas in particular is recommended by change scholars and practitioners to help make internal change efforts more effective and enduring (Hayes 2018). First, it is providing timely feedback: the best feedback processes are designed to offer the right information when the recipient can actually act on it. Such feedback gives recipients the opportunity to make adjustments to their behavior and to witness the effects of these adjustments on performance.



Second, personalization is about filtering information in a way that is uniquely relevant to the user and is showing each individual's role in and contribution to a greater group goal. An easy-to-use system can be an effective motivator and engender positive peer pressure (Cummings et al. 2016). Creating direct connections among people across the organization allows them to sidestep cumbersome hierarchal protocols and shorten the time it takes to get things done. It also fosters more direct and instant connections that allow employees to share important information, find answers quickly, and get help and advice from people they trust. In increasingly global organizations, communities involved in change efforts are often physically distant from one another. Finally, providing an outlet for colleagues to share and see all the information related to a task, including progress updates and informal commentary, can create an important connection. More sophisticated tools can also show individual contributions toward the common goal. This type of communication makes the change feel more urgent and real, which in turn creates momentum that can help push an organization to a tipping point where a new way of doing things becomes the way things are done (Baran et al. 2018).

A relatively new approach to organizational development, the so-called "lean change," is to co-create change with the people affected, in whichever manner and sequence makes sense in context. This approach implies wide application of experiments rather than traditional "change activities." Experimenting provides opportunities to further experiment, a major mindset shift from the concept of a carefully crafted set of dependent change activities laid out on a plan, with a defined start and end point. The "lean change" method sees change as a social movement which can be started anywhere in the organization and the role of the change agent not as a designer and a planner, but as a scanner, an enabler, and a protector of the disruptors, working hard to constantly maintain an open dialogue, listening, empathizing, and engaging in ongoing co-creation with those affected (Stouten et al. 2018).

## Concluding Thoughts

Change management is an evolving discipline that itself has transformed significantly over the last few decades. Although the key principles of leading change remain relatively the same, the practices of change management have to advance to meet the ever-changing needs of people in today's organizations. Trends such as globalization, the gig economy, a multigenerational workforce, increased mobility, digital transformation, and artificial intelligence are forcing organizations to set aside traditional, linear approaches in favor of refreshed, feedback-driven approaches to creating and implementing successful organizational change, as the advent of digital change tools comes at just the right time. Organizations today must simultaneously deliver rapid results and sustainable growth in an increasingly competitive environment. They are being forced to adapt and change to an unprecedented degree: leaders have to make decisions more quickly; managers have to react more rapidly to opportunities and threats; employees on the front line have to be more flexible and collaborative. Mastering the art of changing quickly is now a critical competitive advantage.

## Cross-References

- [Leadership Theory](#)
- [Person–Organization Fit](#)
- [Team Ethics](#)

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## Charismatic Leadership

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### Synonyms

Inspirational leadership; Transformational leadership

### Definition

Charismatic leadership is a type of leader-follower relationship that most often arises during times of social, political, economic, and/or religious crisis, particularly when other forms of leadership are seen as incapable of resolving the associated turmoil. Rather than being grounded in more stable forms of leadership premised upon tradition, custom, or laws, the authority wielded by charismatic leaders is based solely upon followers' recognition of some form of extraordinary quality or trait in their leader that is not accessible to the average person. Followers' recognition of, and devotion to, a charismatic leader can inspire atypically strong commitments aimed at helping achieve the leader's stated mission or goals. Therefore, in its purest form, the authority wielded by charismatic leaders is anti-

institutional and is often a force for social, religious, political, and/or organizational change.

## Charismatic Leadership

The social scientific study of charismatic leadership is robust and multidisciplinary, with notable contributions from disciplines such as management studies (e.g., Bass 1985; Conger and Kanungo 1988; Gardner and Avolio 1998), psychology (e.g., Fuller et al. 1996; Howell and Avolio 1993; Oakes 1997), anthropology (e.g., Wilson 1975), sociology (e.g., Friedland 1964; Jooisse 2014), political science (e.g., Burns 1978; Madsen and Snow 1991; Willner 1984), religious studies (e.g., Couch 1989; Dawson 2002; Wallis 1982), security studies (e.g., Hofmann and Dawson 2014; Hofmann 2015; Ingram 2013), education (e.g., Slater 1995), and more.

Despite the varied disciplinary, epistemological, and methodological approaches to the study of charisma, scholars widely recognize sociologist Max Weber's (1968) work on legitimate domination (i.e., the recognition of an individual, position, or office's right to exercise authority over others) as the foundation for social scientific inquiry into the social dynamics involved in the emergence, maintenance, and institutionalization of charismatic leadership. Weber identifies three ideal types of legitimate domination:

- (1) *Traditional authority*, whereby individual leaders or an established office wield authority based upon long-standing traditions or customs. Examples of traditional authoritative leaders include monarchs or tribal chieftains.
- (2) *Rational-legal authority*, which refers to legally established offices or positions found within an impersonal established order. In the case of rational-legal leadership, it is the position or office that wields legitimate authority and not the actual individual holding the position. Examples include judges, police officers, and elected officials.
- (3) *Charismatic authority*, which Weber (1968, p. 48) defines as:

A certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are such as are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.

As this often quoted excerpt suggests, the authority of charismatic leaders is based solely upon followers' perceptions of the "special" nature of their leader rather than being grounded in the recognition of the legitimate authority of a particular tradition, custom, or law. Weber notes that traditional and rational-legal authority tend to be found within stable systems of order. In contrast, pure forms of charismatic authority operate outside the normal social, traditional, and/or legal constraints placed upon traditional and rational-legal forms of authority. Since their authoritative legitimacy is not fettered by conventional and institutional rules, norms, or regulations, truly charismatic leaders are often capable of challenging the status quo and are capable of bringing about some form of meaningful social, religious, political, and/or organizational change.

### The Charismatic Bond

It is not the possession of some sort of innate extraordinary trait or ability that is the defining feature of a truly charismatic leader, but rather the fact that *others* recognize the "special" nature of the leader. This recognition and the subsequent relationship that emerges between the charismatic leader and their followers are known as the charismatic bond. The bond formed between a charismatic leader and their followers is a complex process of negotiation that is based upon a rational exchange of wants and needs: the leader gains authority, adulation, and power, while followers obtain other social benefits such as feelings of self-worth, recognition, affection, a sense of purpose, and more (see, Wallis 1982). The collective multidisciplinary scholarship on charismatic leadership has largely focused upon understanding and exploring the social dynamics involved in the creation, maintenance, and institutionalization

(also known as routinization) of the charismatic bond.

### Emergence of Charismatic Leaders

Scholars note that charismatic leaders are most likely to arise during "times of psychic, physical, economic, ethical, religious, [and/or] political distress" (Weber 1968, p. 19. See also, Bass 1985, pp. 55–57; Devereux 1955; Friedland 1964, pp. 22–24; Tucker 1970, pp. 80–86; Wallis 1982, p. 170). In his discussion of the social conditions that give rise to charismatic leaders within religious movements, Lorne Dawson (2011) highlights five factors that contribute to their emergence:

- (1) The perception of an acute, chronic, and ultimate crisis.
- (2) The breakdown of existing forms of traditional and rational-legal forms of leadership due to one or more crises.
- (3) Preexisting social, cultural, and/or traditional support for the emergence of charismatic leaders.
- (4) Resonance of the charismatic leader's message with their target audience.
- (5) The charismatic leader must truly believe they are the only one who is capable of ending the crisis in question and convince others of this fact.

While these factors are not wholly analogous across different contexts (e.g., politics, business, and so on), they highlight the importance of pre-existing sociocultural and political conditions as well as larger strategic considerations in catalyzing the emergence of charismatic leaders.

### Maintaining the Charismatic Bond

Since charismatic leadership is reliant upon managing followers' perceptions of the extraordinary nature of the leader, it is inherently fragile when compared to the more stable forms of leadership that are based upon long-standing traditions, customs, or laws. This means that charismatic leaders are presented with unique challenges which they need to successfully navigate in order to maintain the charismatic bond (see, Dawson 2011,

pp. 86–98). As Weber (1968, pp. 22–23) explains, charismatic leaders must continually provide evidence to their followers that they are indeed special and thus worthy of being followed:

The charismatic leader gains and maintains authority solely by proving his strength in life. If he wants to be a prophet, he must perform miracles; if he wants to be a war lord, he must perform heroic deeds. Above all, his divine mission must ‘prove’ itself in that those who faithfully surrender to him must fare well. If they do not fare well, he is obviously not the master sent by the gods.

In other words, charismatic leaders who repeatedly fail to reinforce followers’ perception of their extraordinary nature risk losing their authoritative legitimacy and may lead to abandonment by their adherents.

### Routinization of Charismatic Authority

Weber notes that charismatic forms of authority will inevitably routinize (i.e., become institutionalized) into more stable forms of traditional and rational-legal authority. Successful charismatic leaders who are capable of maintaining the charismatic bond over a long enough period will eventually see their message formalized and codified by their followers. For example, religious figures like Moses, Jesus, and Muhammad challenged contemporary religious views, gathered a following based upon the recognition of their charisma, and had their teachings recorded into holy texts that then became pillars of different religious practices. In the case of charismatic business leaders, figures like Steve Jobs and Lee Iacocca left behind legacies that adherents attempt to emulate and integrate into their business practice in order to achieve similar successes. In simpler terms, successful charismatic leadership is something that is *transitory*. It arises during times of turmoil, offers a solution to perceived crises, and presents an alternative viewpoint/method/approach. The teachings, goals, and messages of successful charismatic leaders will then become integrated and institutionalized into more stable forms of authority.

### Summary

Charismatic leadership is based upon a bond that is established between a leader and a group of followers who grant the leader authority based upon their recognition of some form of extraordinary, special, or superhuman trait or quality within the leader. In its purest form, the authority wielded by charismatic leaders is anti-institutional, crisis-driven, and fragile. It therefore serves an important purpose in challenging long-held traditions, customs, laws, and norms with the purpose of bringing about some form of meaningful change.

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- [Islam and Business Ethics](#)
- [Weber, Max](#)

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### Additional Readings

- There are three quality scholarly journals that often publish articles touching upon theories, topics, and concepts related to charismatic leadership: *The Leadership Quarterly*, *Leadership*, and *Journal of Leadership Studies*
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## Child Labour and Child Slave Labour in the World of International Business

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### Synonyms

Child labour and child rights; Child labour in supply chain; Informal economy

### Introduction

Over the last three decades, high-profile global brands and companies have been scrutinized for their child labour practices in supply chains. Child slavery, usually in the form of forced labour, is included under the term “child labour”. Child labour is a complex issue arising out of lack of access to education, weak enforcement of labour laws, lack of women’s empowerment, poverty and insufficient social protection for the poor (WEF 2020). Child labour has lifelong outcomes for the working child and a cost for the economy by favouring unskilled labour over increased investment in human capital. In hazardous industries, it creates health problems that affect children’s physical and mental well-being as adults. In recent years, going beyond child labour, children are also a vulnerable group and exploited as consumers. The recognition that businesses have a crucial role in mitigating the negative impacts on children is growing. The UN Guiding Principles (UNGP) (UN Guiding Principles and Transnational Business Governance) on business and human rights recognize children as a vulnerable group and urge companies to exercise care in addressing their rights. In 2012, UNICEF released the Children’s Rights and Business Principles (CRBP), outlining



how businesses can embed a child rights perspective into their operations. Yet evidence suggests that from an implementation perspective, there is a long way to go. This chapter provides a quick overview of child labour in global supply chains, children as rights holders and how a child rights perspective aligns with the Sustainable Development Goals (SDG) and the UNGP to impact the future positively.

### Current Realities, Alarming Statistics

Child labour refers to two concepts: work undertaken by children below the legal minimum working age (in most countries at least 15 years) as defined by ILO (International Labour Organization) Convention No. 138 and worst forms of child labour by Convention No.182. An interim declaration minimum age of 14 years is also possible in countries with insufficiently developed economies and education systems (ILO 2017a). According to the International Labour Organization (ILO), nearly 152 million children – 64 million girls and 88 million boys – are in child labour globally, accounting for almost 1 in 10 children worldwide. Roughly half of those in child labour are in hazardous work that directly endangers their health, safety and moral development (ILO 2017b). Children in forced labour, the worst form of child labour is 4.3 million. Child labour occurs in all industries but is exceptionally high in the agriculture sector. Other sectors include cocoa, coffee, cotton, sugarcane, tobacco, garments/fashion and artisanal mining in gold, cobalt and mica (OECD 2019). However, there are wide variations across different countries and even within the same country on child labour prevalence.

In general, developing countries have a robust agricultural economy, and therefore, the prevalence of child labour is high. With the increased use of technology in agriculture, child labour incidence decreases (OECD 2017). Similarly, developing countries are transitioning into manufacturing economies and attract foreign direct investment to promote economic prosperity (► [Social License to Operate](#)). One of the sources of competitive advantage for manufacturing

organizations in these countries is the availability of a vast and cheap labour force. Prior research shows that child employment is more frequent in countries with higher poverty rates and that growth in export sectors appears to have little influence on the incidence of child labour (OECD 2019). These countries are caught in a double bind: on the one hand, their competitive advantage is a low-cost, often low-skilled, labour, and this tends to attract jobs that are low value (► [Ethical Issues Facing Domestic Workers](#)). Child labour is employed to reduce labour cost. On the other hand, poverty is endemic in these countries. Parents force children to supplement the family income. Therefore, the vicious cycle of vulnerable children in low-cost, low-value jobs gets perpetuated, even as economic development increases.

### Global Supply Chains and Child Labour

Globalization has allowed companies to outsource low-wage routine jobs to developing countries since labour is cheaper in some parts of the world than in others. As supply chains become global, the risk of child labour's presence deeper in the supply chain is real in almost all industries. Not only does this mean lower wages further down the supply chain, but it may involve poor working conditions and lack of access to basic human rights (Winstanley et al. 2002). A recent study involving 48 countries indicates that child labour demand grows when production forms requiring only low-skill levels gain importance (ILO 2018). Reducing low-skill industries reduces child labour. While high-profile supply chains get media attention, child labour in domestic and national supply chains goes unnoticed with no scrutiny and oversight.

### Informal Economy and Child Labour

Several domestic supply chains overlap significantly with the informal economy. Informal economy refers to a “diversified set of economic activities, enterprises, jobs, and workers that



are not regulated or protected by the state (Chen 2012)". It includes self-employed, small unregistered enterprises and wage employment in unprotected jobs like casual, temporary and part-time workers (Chen 2012). Workers in the informal economy are often denied their rights at work, lack occupational safety and health support and have inadequate social protection. Prior research (Chen 2012) reports that when enterprises are downsized or shut down during periods of economic disruption, the laid-off workers who cannot find alternative formal jobs often work in the informal economy. Adult workers demand higher wages, and child labour becomes even more attractive from a labour cost perspective.

In summary, child labour is a complex problem. Governments, UN agencies and civil society have played a crucial role in mitigating child labour's negative impact for the past seven decades. Beyond child labour, some new issues on children as consumers of products and technology users are becoming critical for organizations to recognize from a rights perspective.

### Child Rights in Technology

During the pandemic, technology has significantly mediated children's lives. One in three Internet users globally is a child. While technology provides better access to learning, children can be exposed to inappropriate or potentially harmful content when seeking information online. Many children are also bystanders to cyberbullying. Exposure to online risks may result in psychological harm to the child. This experience can hurt children's well-being over time. Technology companies have come under increased scrutiny from governments on this issue. As an emerging area of concern, businesses need to focus on a more holistic child rights agenda in their activities. Companies have approached human rights-related issues either by feigning ignorance, showing indifference or involving themselves (Winstanley et al. 2002).

### Framing Child Rights as Business Responsibility

This section examines the child rights policy framework that businesses can adopt if they choose to involve themselves on this issue and provides suggestions on how companies can integrate child rights principles into their strategy and actions to protect, respect and remedy child rights.

### Policy Framework

In 2011, the UNGP outlined corporate responsibility by explicitly recognizing that business enterprises' actions can infringe human rights (► [Human Rights, the Capability Approach and Corporate Responsibility](#)), directly or indirectly, across a spectrum of human rights. UNGP urged enterprises to respect human rights (► [Human Rights Impact Assessments](#)) of specific groups or populations that require particular attention, like children (UNGP 2011). The Children's Rights and Business Principles embed a child rights lens on the UN Guiding Principles.

The ten principles of the CRBP go beyond labour and workplace to include the impact on children's rights in the marketplace, community and environment. Issues such as responsible marketing and advertising of products to children, respecting children's rights in land acquisition, safe products and services for children, decent work and protection and children's safety feature in CRBP principles.

### Translating Intent to Action

The UNGPs encompass three pillars outlining how states and businesses should implement the framework: the state duty to protect human rights, the corporate responsibility to respect human rights and access to remedy for victims of business-related abuses. In the case of child rights, most developing countries have laws that protect child labour. They have also ratified the ILO conventions. However, weak enforcement has been a severe roadblock to the eradication of child

labour. Strengthening the laws and robust implementation is key to ensuring the state's accountability. International bodies like the UN and development agencies need to work in tandem with governments to ensure that child rights are protected and respected.

Under the UNGP, companies have to make a policy commitment and articulate human rights due diligence process to identify, prevent, mitigate and account for how they address adverse impacts. Companies have to set up mechanisms for remediation of any adverse human rights impacts they cause or contribute (UNGP 2011). CRBP provides several tools and instruments for companies to translate their intent of respecting child rights into action.

A key mechanism proposed is the Child Rights Impact Assessments. It guides companies in assessing their policies and processes related to their responsibility to respect and support children's rights. UNICEF has created a tool covering all aspects of child rights policy commitment and implementation that organisations can use (UNICEF 2013). Companies are required to do Due Diligence as a part of the UNGP implementation. Due Diligence ensures that a company addresses child rights at all stages of the supply chain, including raw material extraction. It forms part of an enterprise risk management process and focuses on children as rights holders. Businesses will need to examine the severity and likelihood of child rights and prevent, mitigate and remediate child rights violations. Due Diligence requires continuous engagement with stakeholders and commitments to make changes to remedy child rights violations in a phased and gradual manner.

Disclosures are a vital mechanism through which companies report their actions and outcomes. Disclosures signal to the market and key stakeholders the companies' intent to take responsibility for their actions. Six years after CRBP, the uptake is still low, and businesses appear to be struggling to identify ways to translate child rights into action in their spheres of influence (Capaldi 2019). More needs to be done by all stakeholders to integrate the CRBP into the Human Rights Due Diligence process in the UNGP.

## Conclusion

Within their sphere of influence, companies can raise awareness of child rights, including child labour, in their supply chain. They can formulate, implement and monitor affirmative policies on child rights mitigation that encourage stakeholders to address related issues. They can engage with civil society organizations to effectively implement acceptable practices in the field of child rights. They can ensure that contracts with supply chain partners contain clauses related to promoting and protecting child rights. Collaborations with civil society organizations engaged with child rights issues can help companies align their actions better with the SDG. It is here that the need for enterprises to hold "Responsive Responsibility" (Deva 2014) where they commit to protect and fulfil children's rights by engaging in positive action becomes essential. "Responsiveness" focuses on strategy and action, while "responsibility" focuses on corporations' duties on a given issue. Such an attitude of responsive responsibility will allow companies to proactively engage with child right and identify implementation opportunities to strengthen responsible business conduct.

Progress on child rights requires collaboration across three key actors. An active government policy response, a vigilant civil society and a proactive corporate response that addresses the array of factors that push or pull children into child labour or infringe on child rights are required to shape a world that supports child rights. The positive role of corporations as a force for good will only be evident when child rights take centre stage in the human rights discourse. As Nobel Laureate Kailash Satyarthi notes, "Every child matters. If we fail our children, we are bound to fail our present, our future, faith, cultures, and civilizations as well".

## Cross-References

- [Ethical Issues Facing Domestic Workers](#)
- [Ethical Management of Psychiatric Care of Children and Adolescents](#)
- [Human Rights Impact Assessments](#)

- ▶ Human Rights, Capability Approach, and Corporate Responsibility
- ▶ Social License to Operate
- ▶ Society for Business Ethics
- ▶ UN Guiding Principles and Transnational Business Governance

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## China and Business Ethics

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## Synonyms

Chinese traditional philosophies on business

## Definition

Business ethics is a collection of moral principles or a set of values dealing with what is right and wrong, good or bad, that governs the behavior of a group or members of a group (Saul 1981). In China, entrepreneurs’ ethical concept of judging value, benefit, good, and evil naturally penetrates into business ethical practice. Most Chinese entrepreneurs draw ideas from traditional Chinese philosophy and apply them to their daily business practice. Based on the philosophies of Confucianism, Taoism, and Buddhism, Chinese entrepreneurs have refined these perspectives into business ethics principles that can be applied to their own business management practices.

## Description

Originating from the traditional Chinese philosophies, business ethics has played an important role in China’s social stability and economic development. Chinese philosophies have long been dominated by three schools of masters’ thoughts – Confucianism (Ru Jia), Taoism (Tao Jia), and Buddhism (Fu Jia). Chinese epistemological systems are based on a collective view and focus mainly on the explanation and rationality of the “internal world.” The basic philosophical elements of Confucianism, Taoism, and Buddhism, as the dominant Chinese ideology and culture, were generally positive and benevolent in nature. Fulfilling business ethical principles (such as

trust, trustworthiness, and cooperativeness) can help firms to build long-term value and, hence, create a competitive advantage (Jones 1995). Since 2012, the Chinese government has attached great importance to cultivating and practicing the socialist core values. Prosperity, democracy, civility, and harmony are the values at the national level. Freedom, equality, justice, and the rule of law are the values at the societal level. Patriotism, dedication, integrity, and friendship are the values at the individual level of the citizens. These 24 values form the basic contents of the socialist core values. The socialist core values are derived for the traditional Chinese philosophies and are now widely applied to economic development practice and social governance in China.

- Confucianism has a profound impact on the business ethics of Chinese enterprises. Due to the historical and cultural endowment, Chinese entrepreneurs are interested in the integration of Confucianism with enterprise management; for example, the sentence “do not do to others what you do not want” in the *Analects* of Confucius has infected and inspired many businesspeople in China. Business should follow the needs of people and respect the needs of the market. To formulate an employment system and foreign public relations strategy, Chinese enterprises should follow the needs of the talents and the needs of society. For many aspects of business, Chinese managers use this sentence to deduce such ideas as “transposition thinking,” “others are their own mirror,” and so on.
- Taoism also has a very significant influence on contemporary business ethics in China. Taoism is rooted in an understanding of the “way” (i.e., the Tao), which is the shapeless force that brings all things into existence and then nurtures them; for example, Yin-Yang philosophy, which is one of the central notions of Taoism, provides a holistic comprehension concerning our complex reality. It treats two opposite elements of any paradox as a partial trade-off as well as partial synergy within a spectrum of holistic and dynamic balancing (Li 2016). Many Chinese enterprises thus adopt Yin-Yang

balancing as a guiding frame and apply this frame of thinking to paradoxical issues in a complex and yet interdependent business world.

- The Buddhist philosophy is widely adopted by enterprises in China. As one of the three major religions in the world, Buddhism is profound and rich in thought. There are also many business people who devote a lot of time to meditation. Buddhists do not easily become anxious because of their spiritual support and inner calm. They are also more flexible, coordinated, and cooperative and have less sense of rejection of their work. Accordingly, Buddhism helps to improve the working atmosphere and team integration within enterprises in China. As a classic reflection of the Buddhist philosophy, “give-up” is the guiding ideology that entrepreneurs often use when weighing up business value. In a company with a strong Buddhist atmosphere among the employees, their sense of value and identity will also be significantly enhanced.

## Business Ethics Revival in China

The past 40 years witness China’s remarkable economic progress with market-oriented reforms, heightened competition in deregulated sectors, and successful utilization of foreign direct investment. However, moral degradation or demoralization had also once prevailed as a parallel to this impressive economic progress (Zheng et al. 2014). Moral degradation can complicate firms’ engagement in ethical and social conduct. The traditional cultural values that shape business behaviors are changing or, more specifically, are deteriorating. The traditional Chinese Confucian ethics proposes moral rules such as “righteousness” and “sincerity,” emphasizes commercial ethics that forbade the sale of poor quality products and cheating in transactions, provides a strict administrative system to regulate prices, quality, and standards and recommends punishment for those who violated the regulations. When a social system lacks appropriate commercial ethics or moral values, it incubates a propensity for firms

to use anomalous means to achieve their desired ends without guilt. Such demoralization is exemplified by widespread sales of counterfeit products and unsafe goods, stock market manipulation, fraudulent dealings, and so forth (Wright et al. 2003).

Meanwhile, these societal moral hazards arouse public awareness of business ethics and CSR in China. For example, experiencing the massive 2008 contaminated milk scandal in China, a disturbed public severely condemned those dairy factories involved and refused to purchase their products. Consequently, related guilty firms suffered significant performance decrease and even bankruptcy (Ding 2009). In recent years, China's government and industrial organizations have endeavored to establish ethics offices, and to develop new ethical policies and mandatory ethics training. After CSR guidelines were issued by the Shenzhen and Shanghai stock exchanges in 2006 and 2008, respectively, China's listed firms have been encouraged to publish annual CSR reports (Zheng et al. 2015). As ethical business behavior is becoming increasingly important and as ethical questions are gaining more significance in China, firms today are confronting a much stronger requirement for business ethics and CSR. Therefore, it is critical that firms maintain an attitude of ethical consciousness. Indeed, business ethics has revived in China.

## Cross-References

- [Buddhism](#)
- [Confucianism and LGBTQ+ Rights](#)
- [Taoism](#)

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## Chinese Approach to Business Ethics

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## Synonyms

Bribery; Confucianism; Intellectual property; Pollution

## Introduction

There is no single Chinese approach to business ethics. Even this nomenclature is somewhat problematic, for it includes both what non-Chinese have written about the practice of business within China and what Chinese authors themselves have argued concerning business in Taiwan, Hong Kong, and mainland China and among ethnic Chinese. This entry briefly identifies topics that have received significant attention in English-language journals from both of these groups and then discusses some of the approaches that have been adopted by thinkers in their analyses of business as it is practiced in these locations.



## Key Topics in the Chinese Context

Key topics in the Chinese context include corruption, the government-corporation nexus, creation of a middle class, environmental pollution, intellectual property, and *guanxi*. Corporations and the government have historically been intertwined. The Chinese army has significant business holdings within China, and Western companies have been accused of paying bribes as part of “pay to play” schemes. The Communist Party of China (CPC) claims to have investigated more than one million corrupt officials, and researchers have reported that graft in Beijing is positively correlated with public perceptions of corruption at the local party level (Zhang 2017). Numerous multinational companies (Michelin, Bridgestone, etc.) have been found guilty by Chinese authorities of commercial bribery.

It is often alleged in the Western press that Chinese companies are working with the government to commit corporate espionage and even to facilitate hacking of personal, corporate, and government computer systems (Clayton 2014). Chinese-developed firmware has been discovered on over 700 million Android smartphones. The hidden software was used to track user movements (Bing 2016). As of 2015, all telecomm and Internet companies doing business in China must assist Chinese law enforcement when it comes to decrypting any user data that Chinese officials deem useful in the fight against alleged terrorists.

As with other countries on the path to industrialization, China’s push to modernize its economy has had mixed results. It has lifted millions out of poverty, creating a substantial middle class. It has also resulted in widespread and serious air and water pollution. Nitrogen oxide and sulfur oxide emissions as well as carbon monoxide increased substantially in the early 2000s, although the Chinese appear to have improved surface water quality in its southern provinces (Vennemo et al. 2009) and have cut suffer dioxide emissions substantially since 2007 by imposing strict controls on the burning of coal (Li et al. 2017).

Intellectual property generally has not been well-protected by Chinese authorities. Firms that

share intellectual property with Chinese firms in order to gain access to the Chinese market have often found themselves on the losing end of the trade. They give up information and later find that Chinese courts favor their partners’ interests at their expense. In particular, the Chinese government has pursued policies aimed at appropriating technology in the fields of power generation, information technology, high-speed rail, and transportation (Hout and Ghemawat 2010).

Researchers continue to be interested in ethical aspects of Chinese business practice that appear to be distinctive. The Chinese often rely upon familial connections and personal relationships forged at high school or university when doing business and solving problems or issues that arise in the course of economic transactions. This reliance on relationships (*guanxi*) stems at least in part from Confucian emphasis on reciprocal personal relationships (Yin 2017) and from the perceived weakness of the rule of law and contract enforcement within China, which encourages businesspeople to go through the backdoor (*zou houmen*) (Wedeman 2012). Chinese scholars have examined whether there are gender differences in the use of *guanxi* (Leung 2000), what role *guanxi* plays in corrupt economic transactions, and how ethically sound *guanxi* should be distinguished from its morally corrupt cousin.

It is also useful to locate business ethics research by the Chinese or about China in the context of macro-, meso-, and micro-levels. Much of the writing on business ethics in English by mainland Chinese scholars has focused on the macro-level with discussions regarding the effects and ethics of the transition over the past few decades to more of a market economy. Papers on corporate culture and ethical climate from a Chinese perspective and/or regarding Chinese firms are beginning to appear (Deshpande et al. 2011; Hawes 2008; Davies 2007), but this research stream to date is rather thin. A few articles have examined culture at China’s state-owned enterprises (Ralston et al. 2006). Chinese scholars have to date done relatively little work to date in incorporating behavioral ethical discussions of behavior ethics topics such as framing, anchoring, and rationalization. While discussions of



corruption abound (see above), less interest has been paid to topics associated with white collar crime (e.g., causes of accounting fraud). A growing body of work by scholars from China and Taiwan and by ethnic Chinese centers on the relevance of Confucian ideas to business practice (Ip 2009; Lam 2003) and on ways in which Confucian virtue ethics overlap with and differ from Western virtue ethics (Chan 2008; Koehn 2013). For example, Confucianism does not focus on practices with internal goods in the way that Alasdair MacIntyre's virtue ethics does, but Confucian rituals (*li*) might be analogous to such practices in some ways.

## Cross-References

- Bribery
- Economics, Ethics, and the Environment
- Ethical Climate and Ethical Culture
- Property Rights

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## Chinese Stock Market

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## Synonyms

China's security market

## Definition

The People's Republic of China stock market, also known as the Chinese stock market, dates back to the early 1990s. As an emerging and rapidly growing stock market, the Chinese stock market has made remarkable achievements in a short span of several decades. The establishment of the Shanghai stock exchange and the Shenzhen stock exchange in 1990 marked the beginning

of the development of the Chinese stock market. Currently, the network of trading and settlement of both the Shanghai stock exchange and Shenzhen stock exchange has covered all parts of the country. By the end of 2018, there are over 3000 companies listed on the Chinese stock market. China's stock market is featured as a pure order-driven centralized market. All investors have equal access to market information, and all orders are visible without any dark pools.

## Description

The Chinese stock market has played a prominent role in promoting the reform of the state-owned enterprises and China's economic restructuring. Originally, the dominant characteristic of the Chinese stock market was the state-owned shares, and the legal person shares of listed companies were controlled as noncirculating shares. The large non-tradable component was held by corporate founders and central or local governments. As a result, only tradable shares were traded on the market. However, the stock index is still calculated in accordance with the total share capital, which then enabled traders to enjoy greater control with fewer shares. In order to revitalize the state-owned assets, the China Securities Regulatory Commission has introduced a number of programs designed gradually to solve the problem of the non-circulation of state-owned shares since 2001.

After decades of development, the Chinese stock market has strengthened the supervision on the behavior of stock market participation by introducing a series of administrative regulations and rules, such as prohibition of insider trading and securities fraud (Shanghai stock exchange 2008). The information disclosure system, listing approval system, and transaction clearing system are now well established. Meanwhile, the Shanghai and Shenzhen stock exchanges have adopted advanced online technology to facilitate seats and account management as well as the management of stock market issue releases and communication. These efforts

effectively promote the Chinese stock market and regulate the behavior of all participants.

China's stock market has a dual-share system. There are two major categories of stocks, A and B shares, that are traded on the market. The trading currency of A and B shares is different. A shares are denominated in RMB, while B shares in the Shenzhen stock exchange are denominated in Hong Kong dollars, and B shares in the Shanghai stock exchange are denominated in US dollars.

- *Shanghai stock exchange* – Authorized by the State Council, the People's Bank of China approved the establishment of the Shanghai stock exchange in December 1990. This is the first stock exchange on the mainland since the founding of P.R. China (Shanghai stock exchange 2017). Located in Shanghai, Pudong New Area, Shanghai stock exchange is engaged in loan transactions, not future trading. The main business includes bond and stock trading. Besides stock trading, bonds such as government bonds, corporate bonds, and financial bonds are also traded on the Shanghai stock exchange. On the Shanghai stock exchange, most listed companies are large or medium-sized. Listed companies on the Shanghai stock exchange cannot be traded on the Shenzhen stock exchange and vice versa. Stocks in the Shanghai stock exchange are coded 600 at the beginning for A shares and 900 for B shares.
- *Shenzhen stock exchange* – Founded in December 1991, the Shenzhen stock exchange is one of the two stock exchanges in mainland China, located in Shenzhen, Guangdong Province (Shenzhen stock exchange 2017). Besides the main board market involving several large companies, the Shenzhen stock exchange focuses more on venture capital (Growth Enterprises Market – GEM) and small and medium enterprises, which are also called small plates or the SME board. In terms of stock coding, stocks start with 002 on the small plates, and the beginning of the GEM is 3. On the Shenzhen stock exchange, stocks on

the mainboard are coded 000 at the beginning for A shares and 200 for B shares.

## The History of Market Reform

The establishment of the exchanges in Shanghai (1990) and Shenzhen (1991) opened one of the most important enterprise financing channels in China (Carpenter et al. 2015). The number of listed stocks grew rapidly from eight to more than five hundred at the end of 1996. In 1997, the China Securities Regulatory Commission (CSRC) was established as an official regulator of Chinese stock market in order to deal with rampant speculation and accounting fraud and stock price manipulation. Many policies were then published to regulate market operation and shape an efficient capital allocation platform for Chinese businesses and enterprises.

In 2001, China's entry into the World Trade Organization (WTO) became a breakthrough of market reform. Since then, the CSRC has issued more and stricter regulations to protect minority shareholders and increase accounting transparency and audit quality. The famous National Nine Rules in 2004 is an example, which has greatly deterred stock price manipulation and audit fraud (Shenzhen stock exchange 2005). Chinese government also took great efforts to promote the healthy development of stock market, such as facilitating the privatization of state-owned enterprises and encouraging foreign investors' direct investment in the A-share market.

During 2007–2009, Chinese stock market was also influenced by the global financial crisis and the following economic recession. A new round of market reform was launched to stimulate domestic economic development afterward. In 2013, the New Third Board market was formally established. It is also officially called National Share Transfer System for Small- and Medium-Sized Enterprises, serving the development of innovative, entrepreneurial, and small- and medium-sized enterprises. After listing, enterprises can issue additional shares to improve corporate credit rating and achieve fast financing. With multilevel market system, Chinese stock

market has gradually matured in providing investment and financing services for the Chinese economy.

After more than 20 years of development, Chinese stock market plays an increasingly important role in financing and optimizing the allocation of resources for the growth of China's business and economy.

## Cross-References

► [Chinese Approach to Business Ethics](#)

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## Christianity and Business Ethics

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## Synonyms

Christian business ethics; Christian morality in business

## Introduction

Christianity is a monotheistic religion centered on Jesus of Nazareth, the Messiah, or Christ, who was promised in the Hebrew Bible (the Old Testament for Christians). This is the world's largest religion (33% of the global population) with about 2.4 million adherents, under different denominations.

Christians believe in one God, the Creator of heavens and earth, in whom three different persons coexist – the Father, the Son, and the Holy Spirit – and in the incarnation of the Son, born from a virgin named Mary. Jesus Christ became a man to redeem humanity, saving people from sin and introducing them in the spiritual Kingdom of God, the fulfillment of which will occur at the end of time. According to Pope Benedict XVI (2005, n. 1), the heart of the Christian faith, expressing the Christian image of God and the resulting image of mankind and its destiny, can be found in this words of the Bible “God is love, and he who abides in love abides in God, and God abides in him” (1 Jn 4:16); and the next verse offers us a kind of summary of the Christian life: “We have come to know and to believe in the love God has for us” (Ib.).

Jesus elected 12 apostles to continue his mission on earth. They, together with the other disciples of Jesus, constituted the Christian Church, the first external manifestation of which can be dated to the day of Pentecost in the year AD 29. The primitive Church has suffered several schisms. Currently there are three primary manifestations of Christianity: Roman Catholicism, Eastern Orthodoxy (split off in the eleventh century), and Protestantism (started in the sixteenth century and presently with many different confessions).

Adhesion to Christian faith involves a way of life moved by the Spirit of God and based on the fellowship of Jesus Christ. This entails spirituality and morality and requires coherent behavior, including in business activity. The main source of Christian spirituality and morality is the life and teachings of Jesus Christ contained in the Gospels and other texts of the New Testament, including the letters of the apostles, as transmitters of the Jesus' teachings. The Old Testament, particularly the Law of God given to Moses, and the

exhortations of the Prophets are also part of Christian morality. In this sense, Jesus affirms that He had not come to abolish the Law or the Prophets but to fulfill them (Gospel of Matthew 5:17). Another primordial source of Christian morality, recognized by many Christian denominations, is the early Christian writers known as the “Church Fathers” largely before AD 700 (the so-called Patristic period), since they show the primitive tradition of Christian morality. They did so through catechesis, homilies, letters, and exhortation to live a Christian life.

In Christian morality, charity (*agape*, in Greek) – understood as love of benevolence for all people – is central, both as a principle and as a virtue. In Jesus' words, the first and most important commandment is that “you shall love the Lord your God with all your heart and with all your soul and with all your mind and with all your strength.” The second is “You shall love your neighbor as yourself.” He adds: “There is no other commandment greater than these” (Gospel of Mark 12:30–31). Jesus, Himself, is the model for this love: “This is my commandment, that you love one another as I have loved you” (Gospel of John 15:12). Complementarily, Jesus teaches the Golden Rule: “So whatever you wish that others would do to you, do also to them, for this is the Law and the Prophets” (Gospel of Matthew 7:12). Love requires justice as the first requirement but goes beyond; also entails compassion and mercy.

The connection between Christianity and Business Ethics is through Christian Ethics, which is not identical to Christian morality. While the latter refers to maxims, values, attitudes, virtues, and practices, the former proposes a reasonable and systematic approach which is intellectually coherent. Thus, Christian Ethics, with its internal logic, can enter in dialogue with moral philosophy or ethics.

Christian Ethics, especially in the Catholic and Protestant traditions, has influence in Western Europe and in North and South America where a substantial group of scholars are devoted to this discipline, but Africa and Asia also have an increasing number of Christian ethicists. In Russia and some other Eastern European countries, the Orthodox tradition is more dominant.

Through the ages, outstanding Christian theologians have developed Christian Ethics by employing philosophical reflection. However, there is not unanimous agreement among the different branches of Christianity on the role of reason in such a development.

## Faith and Reason in Christian Ethics

The combination of faith and reason in Christian Ethics is more evident in some traditions (Catholicism and Orthodoxy) than in others (Protestantism). The motto *intellectus fidei* (intellection of the faith) was dominant in the Church until at least the fourteenth century, with two outstanding thinkers: St. Augustine of Hippo (fifth century) and St. Thomas Aquinas (thirteenth century). The latter elaborates a comprehensive Christian Ethics which includes virtues and precepts. He took as sources the Bible, the Church Fathers, previous developments of natural moral law – drawing from Aristotle and Cicero – and Aristotelian virtue-ethics. This approach has been highly influential in many Catholic thinkers and especially in the teachings of the Catholic Church, the authority of which (*Magisterium*) unifies the essential aspects of Christian-Catholic Ethics.

Aquinas harmonized rational findings from Creation (human nature) and positive divine revelation. However, in the fourteenth century, this was contested by William Ockham, according to whom, the entirety of Christian Ethics derives from a discretionary will of God. Thus, moral obligation consists in obedience to God's commands and omits human nature. This approach – known afterward as the "Divine Commandment Theory" – had a great influence in the Protestant approach to Christian Ethics, especially in Martin Luther but also, to a lesser degree, in John Calvin – the two main reformers in the sixteenth century.

Catholic theologians developed Scholasticism, the maximum exponent of which was Thomas Aquinas, but in the fourteenth century, this school of thought fell into decay. In the fifteenth and sixteenth centuries, a revival (Italian School, School of Salamanca) brought about significant development of applied Christian Ethics in

politics, economics, and business. From the seventeenth century up to the beginning of the twentieth century, Catholic-Christian Ethics was dominated by a legalistic conception of morality and an abuse of casuistry – a rule-based reasoning to evaluate sinful actions – although with the brilliant exception of Alphonsus M. Liguori (eighteenth century), who opposed legalism and avoided positions of both laxism and rigorism. Since the mid-twentieth century, the legalistic approach has been abandoned for a more Christocentric Ethics which gives primacy to love (charity), without forgetting the rational capacity to know the Creation of God. Thus, a realistic ethics based on biblical teachings and Christian tradition, but also on human nature from an ontological perspective, has emerged – human nature, but not in the biological sense. It is an ethics based on good and virtues rather than being strictly duty based. Nevertheless, it entails norms derived from good – understood as objectively existing and concrete, not a mere concept. Recent documents have provided guidelines on the relationship between faith and reason (John Paul II 1998), and on Christian Ethics (John Paul II 1993) understood as life in Christ (Catechism of the Catholic Church 2003, Part 3), as well as on the primacy of love, which should be accompanied by truth (Benedict XVI 2005, 2009)

In contrast, the Protestant perspective stresses the significance of theological aspects, giving primacy to Scripture and emphasizing freedom; it avoids any authoritative teaching on specific issues and rejects any casuistic approach. Consequently, in Protestant Christian Ethics, there are a great pluralism and a diversity of approaches, and often rather than Christian Ethics, they talk of Biblical Ethics, based on biblical studies on morality.

To mention only a few streams within Protestantism, *Lutherans* give primordial importance to the faith and the Bible, rejecting reason and human nature as valid sources of morality as these are tainted by the effects of sin. *Calvinists* emphasize the will and are more open to natural law than Lutherans, although they do not share the metaphysical understanding of natural law of Catholics. Calvin proposed moral norms with a

tendency to a legalistic understanding of Christian Ethics. In the *Anglican* communion, there are relevant Christian thinkers who try to build bridges between Catholicism and Protestantism. *Liberal Protestantism*, in the nineteenth century, through its main representative Friedrich Schleiermacher, proposed an ethical theory for all areas of life, which included goods, duties, and virtues. Karl Barth and Reinhold Niebuhr advanced the idea of interpreting the world in which we are living in the light of our common faith and insisted that our responsibility as citizens is compatible with our faith. The Orthodox tradition includes a certain legalism but stresses the role of spiritual life and the necessity to strive for Christian perfection. Regarding the relationship between faith and reason, it has been closer to Catholic positions in certain periods and to Protestant positions in others.

Currently, although there are still marked differences among the Christian Ethics, a certain convergence is taken place, starting with the modern development of Christian Social Ethics from the late nineteenth century. Nowadays, Catholics emphasize the Bible much more than before, while many Protestants accept a moderate use of reason, also in social and business issues.

## Christianity on Business: A Short Overview

In the Patristic period, a seminal doctrine of ethics in business was introduced. This included calls for honesty in business and condemnation of unfair wealth; the legitimacy of private property was confirmed, and the obligation to share one's wealth to help people in need was stated. Loans were to be done as expression of charity, and charging interest on them was prohibited – this was considered as usury, forbidden in the Bible. We must remember that, at this time, money was seen as a measure of economic value, not something to be invested to generate more money.

Thomas Aquinas dealt with topics such as private property, integrity in honoring promises,

observing legitimate contracts, and repairing injustices, respect in dealing with and talking about people, acting with justice in buying and selling, and related topics such as just price and fraud. He also paid attention to usury. He repeated the conclusions of the early Christian writers, but with some nuances, such as certain compensation for the damages incurred through a loan. Luther endorsed the Scholastic usury doctrine, while Calvin, who was more tolerant, forbade usury in loans to the needy but allowed an interest rate on commercial loans.

Calvin supported, in a seminal way, the existence of a “calling” for business activity, an idea which was further developed by later Calvinists, and especially Puritans, in the late seventeenth century. These saw wealth as a sign of predestination, and this had implications for how work was (Protestant work ethic) and wealth accumulation were considered. Max Weber argued that the Protestant work ethic fostered early capitalism, a thesis not free of controversy.

Late Scholasticism (fourteenth to seventeenth centuries) – mainly Italian Scholastics (Olivi, Artesanus, Bernardino of Siena, and Antonino of Florence) and the School of Salamanca in Spain (de Soto, Mercado, and Molina, among others) – developed Aquinas' doctrine. Due to a better understanding of economic dynamism, they accept banking and financial activity and advanced in topics such as justice in contracts, fair commerce, private property and its limits, and the role of free market. Most of them considered it legitimate that the lender receives some interest on his loan to compensate for profit foregone (*lucrum cessans*, “ceased profits”) and for the risk of losing the loan (*damnum emergens*, “loss occurring”).

For more than a century, Christianity, and more specifically Christian Ethics, has paid great attention to moral aspects of the market, business enterprises, working conditions in factories, and respect for labor rights. From the last third of the twentieth century, consumerism and ecology have been objects of study and action by churches and Christians.



## Modern Christian Perspectives on Business Ethics

*Capitalism.* Churches and Christian theologians generally accept the free market economy (capitalism), recognizing that the free market system respects human freedom and contributes to human well-being better than other systems such as the planned economy. However, they are commonly reactive to capitalistic forms close to the primitive “laissez-faire” capitalism, where private individuals operate with almost absolute freedom and with no check or control on their abuses of power. A free market economy is accepted when it operates with a sound ethical-legal framework and in a context of social justice.

*Service and profits.* Jesus looks sympathetically at business people, some of whom are protagonists of his parables, and praises those who made good use of the talent received. At the same time, He preaches against greed and categorically warns: “You cannot serve God and mammon (riches)” (Gospel of Luke 16:13). Serving God entails serving people through business. Profits are necessary but only as an instrument to higher ends. Consequently, making profits is legitimate when they are from serving people; they are not acceptable if they have been gained without respecting people’s rights and their well-being.

*Business enterprises.* They are seen as positive elements of a society, related with the generation of jobs, wealth creation, and as a means to make products, services, and income accessible to people. Many Christians oppose extreme individualism and consider business organizations as communities where people can grow by acquiring skills and developing themselves.

*Honesty and integrity.* The Christian tradition on honesty in commerce dates back to the Old Testament, where fraud, bribe, and extortion were firmly forbidden, as were cheating, paying unjust wages, forcing up prices by taking advantage of the ignorance or hardship of others, and abusing of those in need. The Bible is also explicit regarding integrity in honoring promises, observing legitimate contracts, and repairing injustices. Regarding loans, as noted above, a reasonable interest rate in proportion with the risk is

acceptable, while high interest rates are condemned as usury.

At the same time, the Christian tradition encourages integrity in doing business and acting moved by virtues, including justice and truthfulness. Truthfulness entails giving relevant information to those who have a right to receive it; acting transparently in financial reports, product information, and any corporate communication; not bearing false witness; and avoiding calumny and rash judgment.

*Respect for human dignity and human rights.* Christianity is one of the strongest defenders of human dignity. The creation of the human being in the image of God provides, not only to Christians but to the whole Judeo-Christian tradition, a motive for doing so. The Incarnation of the Son of God as a man and the vocation of the human beings to live in communion with God forever give new arguments to be added to philosophical arguments. Consequently, respect for human dignity and the inherent human rights are strongly supported by the Christian faith, as are the promotion of these rights, especially for the vulnerable, and remedial actions when such rights have been violated. This applies to business and corporate behavior especially in places where human rights of employees and consumers are at risk.

*Human work and working conditions.* Any work is seen as something noble. Jesus Himself was a carpenter. Work is also considered as calling or vocation related with the meaning of life and a means for human flourishing and to grow spiritually. Meaningful work is work which makes personal growth possible and is very desirable.

Any work has dignity as human activity, regardless of its economic value, because it comes from the person, who should be respected, as should labor rights, which are part of human rights. A consequence of this view is promoting decent work, which includes, among other aspects, working in healthy and safe conditions, receiving a fair wage, respect for the right of workers to associate through unions, an appropriate participation in business life in different ways, and harmonizing work and family duties as much as possible.

*Ecology, sustainability, and globalization.* Christian thinkers generally defend the position that we should act as stewards of Creation and take care of our “common home” and even have a sense of communion with all beings through considering God’s love for all creatures. This requires safeguarding and caring for the environment, moderation in the consumption of goods, concern for sustainability, and remembering the needs of future generations.

In the context of globalization, the Christian faith has a sense of universal fraternity, since God “from one man has created the whole human race and made them live all over the face of the earth” (Bible, Acts 17:26). Consequently, a global world should make us not only much more interconnected but also reinforce the sense of being brothers and sisters of all humankind.

The safeguarding of the natural environment, social inclusion of all people and groups in prosperity, the eradication of poverty, and contributing to human development are now quite common concerns of Christian communities.

## Cross-References

- [Catholic Social Thought](#)
- [Humanistic Management](#)
- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Religiosity](#)
- [Spirituality at the Workplace](#)
- [Usury](#)
- [Work Ethic](#)

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## Collaborations Between Grassroots Advocacy Groups and Business

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## Synonyms

Anti-discrimination; Social impact; Social justice;  
Social movement

## Introduction

Social movement activists often target companies in order to “influence [the] organization’s social practices.”<sup>1</sup> Strategies may include boycotts, shareholder actions, and letter-writing campaigns, all intended to draw visibility to a social cause.<sup>2</sup> Activists may also work to impede profitability and influence corporate stakeholders, including consumers, investors, and regulators.<sup>3</sup> However a lack of shared goals between social movements and business on one issue does not equate to an inability to align on others. Businesses and grassroots activists can and do collaborate, but the factors that lead to successful partnerships are not well-defined.

## Business and Social Movement Collaboration

### How and Why Businesses Collaborate on Social Issues

Business is at the forefront of sustainability efforts as CEOs are making the business case for stronger environmental protection.<sup>4,5</sup> Corporate social responsibility (“CSR”) programs are common and not only make charitable donations through their foundations but also pioneer environmental projects and work to strength communities and schools.<sup>6</sup> Since 2010, 33 states have passed “benefit corporation” legislation, which allows companies to legally protect their social mission as a corporate obligation.<sup>7</sup> Businesses are also

creating their own social movements<sup>8</sup> that mirror the principles shared by grassroots advocates in areas such as poverty eradication and health-care access. Social responsibility has moved from fad to company policy.

Thus, companies can and do collaborate with social movements and actively engage in social causes where there is a perceived risk of outcomes that may threaten the bottom line or are inconsistent with company values. Inherent in such partnerships is the risk of offending stakeholders, as well as of creating an appearance of insincerity or inauthenticity.<sup>9</sup> Thus, business may join with activist groups to “borrow from the superior social legitimacy of these organizations.”<sup>10</sup> It may also do so because reputable activist organizations have considerable expertise in movement politics, expertise that companies lack. Businesses may need partnerships with both social movement activists and governments to address “a mountainous problem.”<sup>11</sup>

For grassroots activists and business, there is no clear road map that shows each how to leverage the other to achieve shared goals. However, the Indiana experience with its Religious Freedom Restoration Act (“RFRA”) suggests some answers.

### The Indiana Example

In 2015, the Indiana General Assembly offered up Senate Bill 101 (the Religious Freedom Restoration Act or “RFRA”)<sup>12</sup>, a law ostensibly intended to protect Hoosiers in their free exercise of religion, but widely viewed as a discriminatory response to the Seventh Circuit Court of Appeals’ ruling in 2014 that struck down the state’s prohibition on same-sex marriage.<sup>13</sup> RFRA raced through the Republican supermajority legislature in Indiana and was quickly made law by then-Governor Mike Pence, a long-time vocal

<sup>1</sup> Easley et al. (2016).

<sup>2</sup> *Id.*

<sup>3</sup> McDonnell (2016).

<sup>4</sup> See, e.g., Savitz (2013).

<sup>5</sup> See also, e.g., UN Global Compact-Accenture CEO study. Agenda 2030: A window of opportunity. <https://www.accenture.com/us-en/insight-un-global-compact-ceo-study>. 2016 (reporting that 97% of CEOs surveyed “believe that sustainability is important to the future success of their business”); Casey 2017.

<sup>6</sup> See, e.g., Benioff and Southwick 2004; Porter and Kramer 2006.

<sup>7</sup> State by state status of legislation. Benefit Corporation. <http://benefitcorp.net/policymakers/state-by-state-status>. Accessed 25 June 2017.

<sup>8</sup> Elkington (2013).

<sup>9</sup> McDonnell, 53.

<sup>10</sup> *Id.*, 56.

<sup>11</sup> Miller (2015).

<sup>12</sup> S.B. 101, 119th Gen. Assemb., 1st Sess. (Ind. 2015).

<sup>13</sup> Grant 2015; see also *Baskin v. Bogan*, 766 F.3d 648 (7th Cir. 2014), *cert. denied*.

opponent of gay and lesbian rights<sup>14</sup> and one of the nation's most conservative governors.<sup>15</sup>

Business and grassroots advocacy leaders collaborated to try to defeat RFRA prior to its passage.<sup>16</sup> The message of RFRA was at odds with the state's reputation for "Hoosier hospitality" and its increasing national profile as a convention and sports hub.<sup>17</sup> It also potentially impacted the ability of Indiana-based companies, including Eli Lilly, Cummins, Dow AgroSciences, and others, to recruit top candidates.<sup>18</sup> Gays and lesbians, as well as their allies, expressed concern that the Indiana legislature's perceived hostility toward equal rights threatened the stability of their families.<sup>19</sup>

Major Indiana corporations and the Indy Chamber, which represents small businesses to big corporations, met privately with legislators, testified in public hearings, and warned that RFRA was unpopular at best and dangerous for Indiana at worst.<sup>20</sup> Nonetheless, their months-long efforts and predictions went unheeded: the legislature pushed RFRA through without hesitation and in defiance of the business community.<sup>21</sup>

One year earlier, the Indiana legislature had moved to place a constitutional amendment banning same-sex marriage on the ballot.<sup>22</sup> Freedom Indiana was formed then to coordinate activist efforts, and business was part of that process. A memorandum of understanding, or MOU, established the goals and responsibilities of this business/grassroots partnership during that

fight.<sup>23</sup> It also provided a formal mechanism for financial support of grassroots efforts. A year later, in late February 2015, Freedom Indiana rapidly re-launched to fight RFRA.<sup>24</sup> Other LGBT groups also reactivated their efforts in the state.<sup>25</sup>

After RFRA passed, nine Indiana CEOs penned an op-ed to Governor Pence calling for a "fix."<sup>26</sup> Freedom Indiana messaged that effort to its broad list of committed supporters.<sup>27</sup> Thirty-nine tech industry leaders then released a similar statement condemning Indiana's RFRA legislation.<sup>28</sup> While business interests were impacted by the threatened withdrawal of major conventions, including GenCon and Disciples of Christ, among others, it was the activists that energized and organized movement people to write letters, make phone calls, boycott, and pray.<sup>29</sup>

Pence signed RFRA into law in a closed ceremony that included several of the most virulently antigay activists in the state.<sup>30</sup> The secrecy, combined with the persons present, belied the assertion by Pence and others that RFRA was not intended to allow discrimination against the LGBT community. Immediately, political and business leaders around the country denounced Indiana's new law and threatened to pull investments and employees out of Indiana.<sup>31</sup>

<sup>23</sup> Interview with K Blair, *supra* note 14.

<sup>24</sup> Freedom Indiana is Back. Freedom Indiana. [www.freedomindiana.org/freedom-indiana-relaunch](http://www.freedomindiana.org/freedom-indiana-relaunch). 4 Mar 2015.

<sup>25</sup> *Id.*

<sup>26</sup> Swiatek and Evans, *supra* note 16.

<sup>27</sup> 9 major CEO's tell Governor Pence: Move quickly to fix RFRA and protect LGBT Hoosiers! Freedom Indiana. [www.freedomindiana.org/ceos](http://www.freedomindiana.org/ceos). 30 Mar 2015.

<sup>28</sup> Tech industry leaders make unprecedented & historic joint statement to legislators, Freedom Indiana (Apr. 1, 2015), [freedomindiana.org/techleaders](http://freedomindiana.org/techleaders).

<sup>29</sup> Gen Con - One of Indianapolis' largest conventions - threatens to relocate because of RFRA. Freedom Indiana. [www.freedomindiana.org/gencon](http://www.freedomindiana.org/gencon). 24 Mar 2015; Christian church (Disciples of Christ) reconsidering 2017 convention in Indianapolis if RFRA is signed into law. Freedom Indiana. [www.freedomindiana.org/christianchurch](http://www.freedomindiana.org/christianchurch). 25 Mar 2015; see generally Blog Posts. Freedom Indiana. [www.freedomindiana.org/category/news/blog](http://www.freedomindiana.org/category/news/blog).

<sup>30</sup> Kirschner et al. (2015).

<sup>31</sup> *Id.*

<sup>14</sup> See Mike Pence on gay marriage The Political Guide. [www.thepoliticalguide.com/Profiles/House/Indiana/Mike\\_Pence/Views/Gay\\_Marriage](http://www.thepoliticalguide.com/Profiles/House/Indiana/Mike_Pence/Views/Gay_Marriage). Last updated 20 Jan 2011.

<sup>15</sup> Mike Pence. Ballotpedia. [https://ballotpedia.org/Mike\\_Pence](https://ballotpedia.org/Mike_Pence). Accessed 20 Jun 2017.

<sup>16</sup> Interview with Katie Blair, campaign manager, Freedom Indiana. Indianapolis, IN. 8 May 2015.

<sup>17</sup> See Tracy (2015).

<sup>18</sup> Swiatek and Evans (2015).

<sup>19</sup> *Id.*; see also Barbaro and Eckholm (2015).

<sup>20</sup> Interview with K Blair, *supra* note 14.

<sup>21</sup> Pulliam Bailey (2015).

<sup>22</sup> Smith (2014).

The day after RFRA became law, Freedom Indiana hosted a planned anti-RFRA rally that unexpectedly drew thousands of protestors, committed to continuing the fight.<sup>32</sup> The next day, Pence appeared on the Sunday morning television news program *This Week* with George Stephanopoulos and refused to answer questions about the intent of the law.<sup>33</sup> Within days, Pence, under pressure, signed an amendment that not only affirmed the rights of gays and lesbians but also those who face discrimination on the basis of gender identity.<sup>34</sup>

### Lessons for Business and Social Movement Collaboration

Several factors appear to have been key to the success of the business/grassroots collaboration on Indiana's RFRA law. First and perhaps most significantly, there was a business case for opposing RFRA.<sup>35</sup> Firms raised concern that discriminatory laws and attitudes negatively impacted recruitment of talented, thoughtful people to the state.<sup>36</sup> This aligned with the grassroots message that treating one's neighbors, coworkers, friends, and family members differently based on inherent characteristics like race, ethnicity, sexual orientation, and gender identity demeans everyone.

Additionally, the advocacy groups respected the limits of the business case and were careful of "mission creep."<sup>37</sup> They committed to defeating RFRA, and eventually to achieving a

reversal in some meaningful form, and worked with businesses for funding and public support.<sup>38</sup>

Activists may have a more expansive vision of an issue, one that goes beyond the business case. But collaboration in a focused way may be the limit of what the partnership can support, even if the entirety of an agenda for social change cannot be achieved collaboratively. The ability and willingness to focus also demonstrate the professionalism that a social movement group possesses and builds trust. When businesses know that they can hand off the rallying, social media, and 24-h news cycle work to activists who will respect the agreed-upon boundaries of the partnership, then businesses may perceive that they can safely come back for further targeted campaigns.

Waiting for social justice causes and business concerns to sync up may be the limit of the collaborative relationship. But many activist organizations exist in the environmental space, for example, and there is clear opportunity for business in that ambit. Where a nexus between social goals and the business case can be articulated, meaningful legislative and political collaborations between the grassroots and the corporation may be fruitful.

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- Corporate Social Responsibility
- Fair Trade Consumerism
- Religious Freedom Restoration Acts
- Values-based Consumption

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<sup>34</sup> Cook et al. 2015; Conf. Com. Rep. 119-50, 1st Sess. (Ind. 2015). Available at [thehousefile.com/wp-content/uploads/2015/04/SB-50-Conference-Committee-Report.pdf](http://thehousefile.com/wp-content/uploads/2015/04/SB-50-Conference-Committee-Report.pdf)

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<sup>36</sup> See 9 major CEOs, supra note 25; see also Kirschner et al., supra note 28.

<sup>37</sup> Interview with K Blair, supra note 14.

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## Collective Bargaining (USA)

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### Synonyms

Labor negotiaton between unions and management

### Definition and Elements of Collective Bargaining

Unions in the United States organize to bring collective strength to employees in their dealings with employers. With the exception of multi-employer associations and the involvement of external interests, the “collective” dimension of *collective bargaining* (CB) arises from the union side of the relationship. Thus, there can be no collective bargaining without organized employees.



CB assumes conflicting interests between workers and employers. It is the relationship between unions and employers in which each party seeks to advance its interests through negotiations that may lead to a *collective bargaining agreement* (CBA), or contract. The subject matter of negotiations is the *terms and conditions of employment*, including wages (or salaries), non-wage benefits (e.g., health insurance and retirement), working conditions, job security, grievance procedures, and the procedures and limits of the relationship itself.

Yet CB is much more than the mere negotiation of contracts. As implied above, its first phase occurs when workers form a union, which then strives to force recognition and enter the second phase – negotiation. The third phase occurs during the term of an agreement, called *contract administration* or, often by unions, *contract enforcement* and *grievance representation*.

## An Overview of Collective Bargaining in the United States

In the colonial era and well into the 1800s, worker organization was informal, even intermittent. Workplaces and job sites were small, rarely employing more than a few dozen journeymen and apprentices supervised by a master. Workers sometimes organized strikes, usually in pursuit of higher pay or in opposition to pay cuts. Whether the strike was won or lost, organization usually lapsed. There were no written agreements.

By mid-century there appeared more permanent *benevolent associations*, union precursors that provided insurance for illness, death benefits, and other assistance to members and their families. These early organizations sometimes evolved into permanent unions that continued to offer insurance benefits to stabilize membership through difficult times.

Workers found little sympathy in the courts. Some held that strikes illegally restrained trade. And beginning in the 1880s, state courts began to advance a doctrine known as *employment at will* which held that in the absence of a contract limiting its rights, an employer can hire and fire as it

pleases, with or without cause, and even for cause “morally wrong.” This common law doctrine is currently maintained in almost all of the 50 states.

Opposition to unions was, and continues to be, maintained on the basis of the supposedly immutable “laws” of free market economics, which, adherents maintain, provide optimum wages. They argue that unions interfere with the efficient operation of markets. From the worker and union perspective, a goal of CB is to curb the effects of market forces on labor.

By the late 1800s, unions were established in major crafts, or trades, and cooperated under the banner of the *American Federation of Labor* (AFL). By the 1920s, many AFL affiliates were taking in skilled workers, while ignoring the less skilled, in many of the growing manufacturing industries, where, despite their minority status, they could exercise bargaining leverage.

Beginning early in the 1900s, a different approach was practiced by the militant *Industrial Workers of the World* (IWW), which sought to unite all workers in “One Big Union,” notably in the mining, railroad, agricultural, and manufacturing sectors. While ultimately unsuccessful, the IWW had a profound influence on later industrial union organizing efforts.

By the early 1930s, worker unrest among less-skilled industrial workers led to widespread protest. By 1935 restive industrial unions were in open rebellion against the AFL and left its ranks the following year, forming what was later named the *Congress of Industrial Organizations* (CIO). In 1955 the two bodies reconciled, merging to form the *AFL-CIO*.

## The National Labor Relations Act (NLRA)

In 1935, Congress addressed economic collapse and the demands of millions of Americans, when it passed, and President Roosevelt signed, the *National Labor Relations Act* (NLRA), also known as the Wagner Act. Though not the first statute enabling collective bargaining, it was the broadest in scope and, after several modifications favoring employers, remains the dominant statute regulating collective bargaining in profit sector

employment. Other statutes govern the railway and airline industries and federal government employees.

The NLRA covered each of the three stages of collective bargaining. First, it established employees' rights to join unions without employer interference or retaliation. The statute created an oversight agency, the *National Labor Relations Board* (NLRB), to accept worker petitions for elections, establish appropriate bargaining units (the categories of employees eligible to vote and be covered by a CBA), and conduct elections. The NLRB would then certify a union that garnered a majority of votes cast as the *exclusive bargaining agent*, with the employer mandated to bargain with that union in good faith. This *duty to bargain* continued through the second, or negotiation, phase and into the third once a contract took effect.

The NLRA declared certain types of employer conduct (e.g., discriminating against or discharging employees for union activity, refusal to bargain in good faith, making unilateral changes in negotiated terms) to be *unfair labor practices* (ULPs) and charged the NLRB with investigating ULP allegations in all three phases of collective bargaining and penalizing employers found to engage in them.

The passage of the NLRA fed the surge of union organizing. Unlike the AFL unions, each of which represented workers in a different skilled trade or craft, CIO affiliates were based on entire industries. Thus, the Steel Workers union sought to represent all bargaining unit employees in the basic steel industry, skilled and less skilled alike. By early 1940s, industrial unions were firmly in place in major mass production industries.

Contracts were negotiated with major employers in each industry. CBAs were committed to writing but, by current standards, brief. The initial contract between the United Auto Workers (UAW) and General Motors consisted of two pages. By the 1970s, bound master agreements, with local (plant by plant) supplements, approached two inches in thickness.

During the 1960s and since, states enacted laws, typically patterned on the NLRA, permitting limited bargaining with state and municipal

governments, although they typically ban strikes and, in several states, negotiation of economic terms such as salaries and benefits.

## Bargaining Power and Bargaining Structure

In the formulation of Charles Craypo (1986), union strength in collective bargaining issues from two sources: the *ability of employers to pay higher compensation*; and where employers have this ability, the *ability of unions to make employers pay more*. The first set, employer ability to pay, exists:

- A. Where employers can pass on higher labor costs, as is ordinarily the case in monopolistic and oligopolistic markets; where markets are spatially sealed, as often occurs in local building construction; in cases where rates are set through regulation; and where cost-plus contracts or other subsidies are in effect.
- B. Where employers can reduce production costs through productivity gains.

The second part of the formulation – union ability to make employers pay – requires:

- A. That unions organize the *relevant work force* (RWF), which consists of all workers whose labor can replace that of unionized workers. For craft workers, the RWF consists of workers capable of doing the skilled work in the particular market. For industrial workers, it covers the work wherever it is performed, as long as the products or services can replace those provided by the union-represented, and potentially striking, workers. Thus, the union must “follow the work” wherever it is performed.
- B. The absence of *competitive unionism*. If more than one union competes to represent employees in the RWF, they may undercut one another on labor costs. This competition can be eliminated by forming a coalition to bargain together as one, by coordinating efforts to achieve common terms, by

- consolidating different bargaining units, and by merging into a single union organization.
- C. Developing an appropriate *bargaining structure*. Union bargaining organization must match up effectively with employer structure. Faced with large employers in large industries, unions must centralize bargaining to build numerical and organizational strength (solidarity) and standardize demands and terms or, where there are separate contracts with each employer, establish a strong pattern in order to standardize terms. To fail here is often to invite employers to “divide and conquer,” playing unions or bargaining units off against one another.

## Types of Bargaining Structures

Bargaining power is more than the result of crafty negotiating technique. Involvement and mobilization of union members before and during negotiations certainly helps, as does timing (e.g., bargaining when inventories are low and demand high). But much of the leverage in complex environments results from bargaining structure, the combinations of bargaining units and levels of union and employer organization for bargaining engaged in a given negotiation or set of related negotiations.

The simplest bargaining structure is a single local union negotiating for a single bargaining unit which is the sole unit employed by an employer. Add to these elements and the structure becomes more complex. There may be more than one bargaining unit in the workplace, with a contract for each. There may be a different union representing each unit. In some instances, several employers negotiate with a single union on a national basis. Or several employers may combine to negotiate with several unions. Building trades unions often negotiate geographical area agreements in which all employers agree to similar terms that maintain the relationship among wage scales for different trades in the area. These structures and contracts may serve both parties by

“taking wages out of competition” and thus stabilizing wages and eliminating the ability of employers to undercut one another.

An example: Once the UAW organized most of the auto plants in the USA during the 1930s and 1940s, the union moved toward corporation-wide CBAs with each of the three major employers: General Motors, Ford, and Chrysler. These agreements covered wages, benefits, and other subjects that could be standardized across the industry. The contract with the first, or “target” employer, became the pattern for the two that followed. The structure, in effect, was industry-wide. Items where local plant flexibility was needed that did not create competition among plants (e.g., different scheduling needs among foundry, parts, and final assembly locations) were addressed in local supplements to the master agreements. Automobile industry agreements had major impacts on wages in other industries.

A different two-level structure appears in industries such as entertainment, where, for example, a master agreement between a union and employers addresses general provisions, including some economic floors and caps, within which individual actors or athletes, each represented by their own agents, negotiate individual contracts covering compensation and other subjects.

## The Decline of Union Bargaining Power

Union organizing successes during and since the 1930s and efforts to build advantageous bargaining structures paid off in stronger CBAs benefiting not only bargaining unit employees but workers in related areas as well. However, after WWII the political climate took an antilabor turn that plays out to the present. In 1947 Congress passed the Taft-Hartley Act, which amended the NLRA with several measures designed to enhance employers’ advantage. The closed shop (where employers can hire only union members) was banned; ULP charges could now be filed by employers against unions; unions were banned from deploying secondary boycotts (“do not

buy” campaigns against employers not directly involved in a dispute); and states were allowed to enact so-called “right to work” laws which prohibited the negotiation of union shop and union security provisions requiring nonmembers to pay the equivalent of union dues. Dubbed “right to work for less” by labor, these state laws enabled “free riders” to avoid paying their share to support union-negotiated gains benefitting everyone in a bargaining unit.

Union membership peaked in the mid-1950s when approximately a third of the workforce was unionized. By 2016 membership had fallen to under 15 million, or about 10% of the workforce. In the 1950s union membership was almost entirely in the private sector. By 2016 government employees accounted for about half of all members.

Periodic changes in the law and in NLRB enforcement stymied many union organizing, bargaining, and contract enforcement efforts. Federalism enabled employers to shift political decisions from the national level to the states, where they were even more effective in advancing their agendas. By 2016, 24 states had enacted “right to work” laws. “Big money” poured into political action, most of it to the antiunion right, especially after the Supreme Court, in its 2010 *Citizens United* decision, removed restraints on wealthy donors and corporations.

The rise and decline of union membership and bargaining strength cannot be explained solely by political and legal developments. Accelerating structural changes in the domestic and global economies eroded union bargaining power in several ways:

- Work became more fragmented. Once large workplaces have shrunk and many jobs are now mobile, even home based, with scattered workers connected to their “workplace” by computer or hired as contractors, not employees. This change has made realization of solidarity more difficult.
- Automation eliminated millions of jobs.
- Domestically, jobs moved to less-unionized regions and union organizing everywhere became more difficult.

- Markets globalized, expanding RWFs, especially in manufacturing, beyond the reach of U.S. unions. These shifts put the wages and benefits of USA workers directly in competition with workers earning as little as one-tenth their incomes. Plant closings and plant flights became everyday events.

The symptoms of decline were seen in new corporate offensives and waves of “concession bargaining.” For example, during the 1980s and 1990s, employers were increasingly successful in negotiating two-tier wage structures that reduced the wages of new hires below those of current workers doing the same work. Major reductions in employer benefit contributions became commonplace, notably in health insurance and retirement plans.

To deal with these problems, many unions sought, with uneven results, to reenergize their organizing programs, yet overall membership losses continue. However, the ease with which many employers escaped to lower standard, non-union locations has led to a shift of priorities by some unions. *Unite Here* (hotel and restaurant employees), *the Service Employees*, and other unions target employers unable to move their operations. These are typically providers of onsite or local services, not manufactured products.

There have been a few victories. Most, like the Occupational Health and Safety Act of 1970 and the Family Medical Leave Act of 1993, benefit most workers, which benefits those in unions, who are better able to take advantage of these laws. The benefits of bargaining persist for many. And the pay differential between union and comparable nonunion employment, by some estimates, approaches 20 %, but with the floor for many non-union employees higher as a result of union bargaining efforts.

## Collective Bargaining Around the Globe

CB is regulated by statute in most democracies. Some arrangements are relatively original. Germany, for example, maintains its system of *code-termination* which, in an effort to democratize the

economy and the society, mandates worker participation in the governance of large corporations. Laws in many countries are derivative, based largely on statutes found elsewhere. Authoritarian states that do not ban unions and CB still tend to be formalistic, with the government and large employers, regardless of statutory provisions, exercising a dominant hand. Here, the law often exists for the sake of appearances and does not significantly affect behavior.

### Issues of Justice, Fairness, Equity, and Ethics

The ratios among different pay classifications within a bargaining unit or industry are complex. Overall, CB appears to narrow the pay gap between skilled and less-skilled workers, but maintains a level for both that is higher than the “free market” would provide. This compression effect is worked out politically within the union, where skilled trades employees are typically a numerical minority though accorded an economic premium, and with employers through negotiations.

Attention in recent years has focused on the income and wealth differentials of different classes. A 2014 Harvard Business School study showed CEOs in the 500 top USA corporations making 354 times the pay of the average worker, more than double the ration in runner-up Switzerland. Extreme inequality is also reflected in the data on wealth: the top one-tenth of the top 1% hold more wealth than does the bottom 90%. How much these disparities have been affected by CB and its decline is not firmly established.

Another issue concerns union democracy. Optimal bargaining structure, to the extent it requires centralization, tends to centralize authority within unions. To maximize solidarity and be effective, unions simply cannot allow members of each local union to realize their own preferences regarding economic terms. To do so would place them in competition with one another, ripe for defeat. The sheer complexity of many negotiations would also appear to add to centralization

and limit democracy, affording greater weight to both expertise and solidarity.

The third phase of CB, grievance representation and the possibility of third party arbitration where a case cannot be settled between the parties, raises other issues of fairness and justice. A weak union typically has less power to achieve justice and fairness for aggrieved workers. As union people often observe, “The contract is only as strong as it is enforced in the grievance procedure.”

Even a strong union may be susceptible to uneven representation. The NLRA imposes on unions a *duty of fair representation* which prohibits arbitrary, discriminatory, or bad faith representation of employees in the bargaining unit. But this does not redress all disparities, such as those flowing from internal union politics, nor does it account for disparities of bargaining power within and across units. The opportunity to raise grievances is certainly a major advantage for union workers over the non-union *status quo*, but it is not a cure-all.

These are only a few of the issues that arise and that may frame matters of ethical conduct for members and unions alike. Yet they do not touch employer responsibility for normative matters in employment and the workplace – matters over which managements have day-to-day initiative and control. These include outcomes flowing from employer power in collectively bargained arrangements. The expansion of corporate power, not just in the workplace but in politics and society, raises questions, at least in the USA, about the reality behind declarations by the International Labor Organisation (ILO) and the NLRA suggesting that worker and union rights are human rights.

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## Commodification of Care

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### Synonyms

Big Pharma; Corporate greed; Health; Immorality; Medical industry

### Introduction

This article considers the trend of powerful entities that are in full control of the means and knowledge needed to provide care and assistance to those who need it most. The article specifically focuses on healthcare, since the healthcare industry could be considered the strongest and most solid manifestation of care commodification. Scholars on the topic of healthcare and the ethics surrounding this important aspect in our lives have questioned whether healthcare could be considered a commodity as any other. More importantly, the question was raised, whether free-market ethic could work for healthcare. An often cited perspective since the early questioning has been that healthcare is not a commodity as any other because, (1) healthcare happens in a physician-patient relationship, which clearly differs from the usual definition of a commodity as being a transaction without relationship between seller and buyer aside from the transaction, and (2) physicians don't own the product they "sell," which is usually the case with a commodity (Pellegrino 1999). It should therefore first and foremost be understood and respected that patients are the primary stakeholders in a healthcare situation, and excellence in their care is the primary value creating activity (Reddy and Mythri 2016). "Healthcare is a common and public good which has to be preserved equally by the healthcare organization and also the welfare state" (Reddy and Mythri 2016, p. 374).

### Big Pharma: A Healthcare Powerhouse

In the healthcare industry, there is an elite group of major corporations holding patents and rights to the production of products and treatments, needed by large groups of society members, and using this privilege to accumulate billions of dollars at the expense of societal health. In an analysis of the pharmaceutical industry, Oppenheimer et al. (2015) lament about the immense sums of money that are invested in items aimed at enhancing health and well-being of society's members. Due to their critical position, pharmaceutical companies (often referred to as "Big Pharma"), indeed, often find themselves entangled in litigations due to a variety of perceived contradictions in their operations. For instance, they claim that there is currently an innovation crisis in the healthcare industry, yet the number of new medications soars. They also claim that they have to pay high costs (more than \$1 billion) to get a new drug into the market, yet the spending of their revenue on R&D is estimated to be merely 1.35 percent of their revenue. In addition, Big Pharma's research is publicly funded, with the government being the most important consumer of their product (Oppenheimer et al. 2015). D'Agostino (2012) adds to the above concerns the fact that the pharmaceutical industry is patenting essential medicines, which is perceived as unethical and socially irresponsible. The question thereby raised is, whether it is acceptable to view medicines as a luxury. Orozco and Poonamallee (2014) underscore the bleakness of it all by pointing out the one-sided notion of Intellectual Property Rights (IPRs), which favors established corporations in healthcare at the expense of the appropriation and commercialization of indigenous knowledge. At the same time, the general interpretation of IPR blatantly disregards the knowledge of indigenous peoples regarding medicinal products in nature and their rights to knowledge protection.

The actions of Big Pharma reek like corporate greed, which is particularly disheartening when we consider that the product of this global player is healthcare: the foundation for the living to enjoy a healthy life. Brown et al. (2012) point out that the global health industry leader, which strikes up



around \$700 billion annually, is known for its widespread unethical sales tactics and marketing strategies including blatant exploitation, as mentioned earlier in discussing the IPR, as well as abusing and manipulating those in poor parts of the world. Big Pharma is also known for its unabashed astroturfing, which is the practice of masking the sponsors of a message or organization to make it appear as if it originates from and is supported by an individual. This is where we see people suffering from serious illnesses such as cancer appearing on the media to fulfill the wealthy companies' commercial desires. Brown et al. also reiterate the tendency of these gigantic healthcare providers to claim high R&D expenses, while their marketing budget far exceeds their investments in new product development. One of the most abysmal recent strategies is to lower the official hypertension threshold, under the guise of ensuring improved health among society members, but with the real aim of vastly increasing their customer base and the market for ACE inhibitors, hence, their annual income. Then there are these suave sales representatives, who regularly visit the physicians, and offer them the most eye-popping gifts to convert them into easy followers of Big Pharma's demands to prescribe so-called new drugs to questionable medical conditions (Brown et al. 2012).

### Health Insurance as Commodity

When considering the aspect of health insurance, the concerning trend gets further congealed. The World Health Organization (WHO) announced that, in 2016, private insurance accounted for more than 40% of all health expenditures in the USA, while out of pocket expenditures added up to an additional 11.5% (Christiansen 2017). The excessive rates for health insurance from private companies, as is the common trend in the USA, continues to lead to large numbers of uninsured or underinsured members of society. As a result, the USA has a reputation of having inferior health outcomes, even though general spending on healthcare is higher (Christiansen 2017). The devastating truth is that many people in the USA fear to acquire healthcare and suffer from conditions

that go untreated, due to the commodification of care in this country. It is, then, not surprising when comparative studies find that larger parts of US citizens (almost 40%) avoid the doctor in case of a medical condition, compared to much lower percentages in countries with government healthcare, such as Norway and Canada (7 percent), Sweden (5%), and the UK (1%) (Davis et al. 2014). Sadly, researchers have also found that those who can afford health insurance run the risk of being over-medicated, over tested, and treated, because the service to them is perceived and treated as "sales" to support the profits of Big Pharma (Applbaum 2009; Gottschalk 2009; Leys 2009).

### Perspectives on Physicians

When we consider the effects of healthcare commodification on relationships with physicians, another concerning reality surfaces. Chih-Han Huang et al. (2018) used cross-national data of 23 countries to study the role of healthcare commodification patient-physician trust. The study demonstrated that people living in healthcare-commodified countries, such as the USA, Germany, and Poland, have significantly lower levels of trust in their physicians than people living in reference countries, such as Denmark, Switzerland, Belgium, and France and those in healthcare-decommodified countries such as the UK, the Netherlands, Japan, and Norway. Based on their analysis of these three categories of countries, Chi-Han Huang et al. conclude that healthcare commodification significantly contributes to the decline of public trust in physicians. "When healthcare is profit driven it becomes about maximizing profit rather than about improving health" (Phipps 2016, p. 266). Additionally, physicians have frequently been proven receptive to the freebies and honors they receive from the pharmaceutical giants, which then influence their decisions in the prescriptions of treatments to their patients (Reddy and Mythri 2016). Commodifying healthcare remains a major concern in light of the Alma-Ata declaration of 1978 which stated that health is a universal human right and that the gross inequalities in health between and within countries are unacceptable (Phipps 2016).

## Healthcare Commodification in Practice

In the final section of this article, two cases are reviewed, each pertaining to the commodification of healthcare products. In each of these cases, a business executive abused a healthcare product that is immensely important to sustain the well-being of large groups in society, for excessive wealth accumulation, thus illustrating the point made in this article, that healthcare commodification is simply unethical.

### Mylan's EpiPen Price Gouging

EpiPen is a pen-shaped, self-injectable medication, prescribed to people with life-threatening allergies. Because EpiPens can be lifesaving in cases of extreme allergic reactions that can cause swelling in airways leading to unconsciousness or even death, about 3.6 million Americans are dependent on this drug and carry it with them at all times (Ossola 2016). EpiPens are so important, because they contain epinephrine, also referred to as adrenaline, which causes muscle relaxation, reopening of airways, and a chance to breathe again, all within 30 s after injecting it in a thigh of the allergic person. Since this medication wears off in 10–20 min, it is critical for the allergic person to get help within that time for more structural treatment. While there are somewhat similar remedies, they do not have the same effect as EpiPen, so doctors usually don't prescribe the alternatives. A recent effort to get a true generic alternative into the market was rejected by the Food and Drug Administration (FDA) (Ossola 2016).

Since 2007, the price for a two-pack of EpiPens, as they are sold, has increased by more than 500 percent, from about \$100 to more than \$600. This has placed an enormous pressure on patients with high health insurance deductibles. The company that markets the EpiPen is Mylan, and its CEO is Heather Bresch, a woman who has been ranked in Fortune's Top 50 for most powerful women in business, and whose father is the senior US Senator from West Virginia. The EpiPens must have been a true cash cow for Mylan's executives, as their salaries took an immense hike along with the price increase of

the medication. Bresch saw her annual salary increase almost seven-and-a-half times since 2007, from \$2.5 million to \$18.9 million (Ossola 2016).

In regard to the EpiPen price gouging accusations, Mrs. Bresch claimed that the price increase was needed to compensate for the immense marketing and lobbying campaigns that the company set up for the EpiPens. As the company came under increased media scrutiny, it started offering vouchers to reduce the price of the medication for those who have to pay it out of their own pocket. However, this resulted in yet another wave of criticism, as vouchers are not a price reduction. While Mylan has thus far refused to drop the price of the EpiPens, the company saw its stocks plummeting and got pressured into either giving in to the demand for a drastic price reduction or finding creative alternatives to regain some of the public's trust (Ossola 2016).

Sources reported that Mylan's top executives cashed in about \$300 million in compensation between 2011 and 2016 (Turtle 2016). What makes it all more questionable is that Bresch is not just another CEO. As mentioned before, her father is a US senator and her mother a powerful executive in the national school board group, who headed a campaign to require EpiPens in schools (Turtle 2016). Yet, as accusations piled up, Bresch did exactly what most business executives who get caught in the act of greed do: they point the finger elsewhere. In Bresch's case, she conveniently blamed it all on Obamacare, calling it a "broken system that needed to be fixed." Her father, senator Joe Manchin, also took the easy way out by denying any knowledge of his daughter's activities, claiming that he had little or no understanding of her industry practices (Turtle).

Meanwhile, Mylan has introduced a generic version of EpiPen for half the price into the market, causing the company's market performance to be corrected, with a stock price spiking due to reported adjusted earnings per share of \$1.57, instead of the estimated \$1.42 (Mangan 2017).

### Martin Shkreli's Pharmaceutical Dealings

Martin Shkreli made a name for himself as an American entrepreneur and a pharmaceutical

executive and subsequently as a price gouger and securities fraudster. He had earned some early successes in predicting biotech stock at Cramer, Berkowitz and Company and Regeneron Pharmaceuticals in the early 2000s, then worked at UBS and Intrepid Capital Management prior to co-founding a hedge fund called MSMB Capital Management in 2009 (Goldman 2015).

In 2011, Shkreli expanded his horizons and founded the pharmaceutical company Retrophin, which he managed as a portfolio company focusing on biotechnology, to create treatments for rare diseases. Right after doing so, Shkreli made some poor bets, causing him to lose \$7 million for his hedge fund and an additional \$1 million in other trading losses. Having reached an all-time low in assets, MSMB discontinued its trading. However, Shkreli continued to communicate with investors as if all was still flourishing at MSMB. He convinced nine investors to place \$3 million with him and mismanaged it to a point where he had a little over \$300 left. He had a habit of paying himself lavishly, merrily ignoring the agreed upon 1% management fee and 20% profit incentive (Smythe 2015).

As with most Ponzi-like swindlers, Shkreli started robbing Peter to pay Paul: for the next 3 years, he took money from Retrophin to pay for his personal debts and those of MSMB (Goldman 2015). He falsified documents to make it appear as if MSMB had invested in Retrophin. Investors at Retrophin started becoming concerned and demanded money from Shkreli. As Shkreli continued his unapproved settlements, disguised as (fake) consulting agreements, the members of the Retrophin board became so disconcerted that they voted him out as CEO in 2014 (Goldman). Shortly before he was ousted from Retrophin, the company acquired the rights to market Thiola, a drug used to treat the disease cystinuria, and raised the price of this medicine from \$1.50 to \$30 per pill, a 2000% price increase for a pill of which oftentimes 10–15 had to be taken per day by one patient.

Within a year, and undaunted by his previous experiences, Shkreli started another pharmaceutical company, Turing Pharmaceuticals. Turing bought the rights to market Daraprim, a popular and highly demanded medical treatment for AIDS

patients. As he got sued by Retrophin for \$65 million for using the company's money to pay of MSMB investors, Shkreli unscrupulously gouged the price of Daraprim by raising the price per pill from \$13.00 to \$750.00, a raise of 5,000% (Goldman 2015), claiming that he did what his investors wanted: profit maximization. Shkreli soon acquired the reputation of being the most hated man in America, not necessarily because of the size of his securities fraud, but far more because he engaged in such distasteful price gouging with products that were meant to assist sick people. At the end of that year, Shkreli was arrested by the FBI and accused of running a Ponzi-like scheme. He resigned as CEO of Turing and was replaced by the Chairman of the Company's board, Ron Tilles.

The recurring act of price gouging on medicines, as presented in the above discussed cases, has revived the discussion about capitalism and human well-being. "When allowing pharmaceutical companies to arbitrarily decide prices, especially for those medications that do not simply relieve symptoms but rather sustain life, many believe that dangerous territory is entered: 'The more definitive the cure, the closer we are to asking, 'What's the value of a human life?'" (Martin Shkreli and the Increased Cost. . . 2015).

## Cross-References

- [Corporate Crime](#)
- [Ethical Citizenship and Business Ethics](#)

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## Common Good Principle

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## Synonyms

Common good – common end/shared end; Community – society/organization/association; Flourishing – well-being/fulfillment; Good – end; Virtues – excellence

## Introduction

According to the Pontifical Council for Justice and Peace (hereafter, CSDC) definition of the common good which departs from the premise of the “dignity, unity and equality of all people,” the common good is “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily” (CSDC 2004, 164). But what is the good? It is an end which attracts and perfects the one who pursues it. And what makes this good “common” is that it can be achieved if, and only if, everyone else in the group achieves it. In other words, it belongs to everyone and to each person. Only in this way is it possible to attain the [common] good (CSDC 164). For this reason, the common good perfects the persons involved as they jointly seek excellence in their actions to preserve the uniting factor on which their flourishing depends. Indeed, the common good transcends physical objects that meet individual desires as if they were the only cause of human association (Simon 1960). It is not a clutter of material goods; neither is it a sum of individual self-interests. It is an internal guiding principle and the end of a community of persons acting for the whole (Sison and Fontrodona 2012). Therefore, the common good is “the good of all people and of the whole people” (CSDC 165).

Certainly, there have been debates about whether general usage goods fulfill the criterion

of being termed common goods. Some authors like John Rawls choose to equate the collection of social amenities and individual rights to a conjunct possession of goods, in the sense that the common good is a quantifiable assemblage of satisfied self-interests. Other authors (Walshe 2006) pose the notion of the common good as an undeterminable, albeit a real feature of a specific community, whereby the members, guided by a common objective, strive toward building a society that facilitates their flourishing. To this end, this essay reiterates that the common good is not a mere aggregate of individual goods, nor is it exclusive of these personal goods. A mere sum of individual interests does not guarantee a community of shared end. Although made up of parts, the common good is an integral whole that is undiminished despite being shared by many.

This paper presents a concise knowledge of the main underpinnings of the common good principle. However, it does not pretend to offer a comprehensive presentation of the topic but rather a precise insight into the critical notions of the common good. To do this, it first explores the historical background of the common good principle beginning from the Greeks. Second, it enquires about the core precept behind the common good – virtues – and their role in perfecting the human person to attain flourishing. In the last section, it examines the different manifestations of the common good in human society, primarily, in the political community where there are natural communities and voluntary associations.

## The Different Conceptions of Common Good in History

The notion of common good has been present, albeit sometimes implicitly, since the Greeks. In the *Republic*, Plato dramatically contends a king's importance in a State that secures unity, not division or discord. Such good does not belong to the State's individual exclusively but to the entirety (The Republic 2003, 462a-e). Therefore, each citizen rises above the use of singular pronouns of "mine" to utter in unison "ours." The above shows a separation between unity and

individuality in the conception of the common good. Aristotle in *The Nicomachean Ethics* (hereafter referred to as NE) stressed that the common good is possible only when grasped from the perspective of individuals' common goals in a society. And when the common good principle reigns in that community, he believed that the shared good among these individuals is of higher value than their individual goods, thus preserving what is more significant and dearer to a greater number of people. Also, even though the common good is superior, it is not opposed to individual goods (NE 1094b). It is at once communal and individual (Dupré 1993).

Thomas Aquinas's notion of the common good in medieval times explores various interpretations. First is the idea that "common" signifies a universal whole; that is, it "can be said of many and is understood to be entirely in each of them" (Walshe 2006, 199). Thus, a common good belongs to all the community members precisely because it is contained or sought by each member. In another interpretation, Aquinas equated the common good to something that is yet to exist or actualized as the end goal of each individual who makes up a community (Walshe 2006, 200). In other words, the common good is not yet present. It acts as a propelling force that determines the actions of each of the community members. Finally, the most critical account of Aquinas' common good is that of an integral whole. Here, the good can only be common insofar as each community member possesses it (Walshe 2006, 205–208). Moreover, apart from material goods, individuals also share goods that appeal to rationality and represent human flourishing, such as truth, love and contemplation of the arts, friendship and companionship, the quest for social justice, and so forth.

With liberal enlightenment, there is a substantial loss of the notion of the common good due to their adherence to individualistic conception of the human person. For these thinkers, the human person is primarily an individual who only takes up social relations as an afterthought. Secondly, their interpretation of the good equates to individual rights. However, rights are adversarial. They cannot be shared. Hence, individuals seek their



flourishing depending on what they take as their good/right. The good, then, simply means what each individual prefers. Therefore, as liberal enlightenment draws on individual rights as the good, it is incompatible with the notion of common good. And this explains why some modern and contemporary authors understand the common good as an aggregate of individual goods. But, again, the common good is an end, it perfects, and it is shared.

### **The Driving Force Behind Common Good: The Virtues**

The virtues, as Sison et al. (2018) summarized, “are necessary for and partially constitutive of flourishing.” “Virtue” comes from the Latin word *virtus*, which originates from *vis*, meaning “force,” “power,” or “strength.” *Virtus* is the translation of a Greek concept, *arête*, which stands for “what is best” or “excellence” in human beings. “Virtue,” therefore, means “what is best in human beings” or “human excellence” (Sison et al. 2018). And so, a virtuous character results from the development of virtuous habits. Habits derive from the frequent repetition of virtuous actions caused by ethical inclinations consistent with human nature and its end (Moosmayer et al. 2020).

As earlier noted, the common good is well-being or flourishing. Virtues, on the other hand, are partially constitutive of the common good. They are *constitutive* because there is no flourishing without the virtues. Flourishing takes place to the extent there is excellence in the person’s nature, the acquisition of upright habits through continuous striving to do and act well. That is no more than the perfection of one’s character through the practice of virtues. Indeed, as a human being’s individual and social dimensions are interconnected, people cannot flourish without being part of society. No person can thrive without other people achieving a certain level of well-being too. Thus, the common good comes about as a collective effort of a society’s members to contribute to well-being through “doing well.” Every member needs to contribute his part to

promote the common good by striving to act in a rational way consistent with the good. Each member ought to seek the common good as a personal effort that contributes to building up the State, which involves “living well and doing well” (Aristotle 1987, 1098a).

In addition, virtues are *partial* components of the common good because there is need for the economic means. Hence, it is clear that flourishing/common good (which is the object of politics) depends on two pillars – the virtues, which are products of ethics, and the material goods, which are products of the economy.

### **Different Manifestations of the Common Good**

Primarily, the political community provides the architectonic structure for human flourishing. Here, there are the natural communities comprised of the family and the village. Humans belong to them by nature. Each of these groups has their own common good; otherwise there would not be any uniting end that they share. The family’s common good is reproduction and the quest for daily survival. But it remains too limited an organization to provide flourishing. On a broader scale and while still within the natural community, there is the village which goes beyond the quest for daily necessities. In the village, different families support one another to make up for what they cannot provide individually by themselves. Again, the village does not guarantee full flourishing. Both the family and the village need the entire political community to provide flourishing.

Between the political community and the individuals in their families, there are the intermediate associations. They are voluntary associations that one belongs to because one wants to. These are schools, churches, social clubs, business firms, and other economic organizations. Each of these groups fulfills a specific need and has their peculiar common good. However, the principles of subsidiarity and solidarity should accompany their common good. “Subsidiarity respects personal dignity by recognizing in the person a



subject who is always capable of giving something to others” (Benedict XVI 2009, 57). Thus, there is reverence for freedom of initiative to establish private institutions or engage in activities that contribute to society’s flourishing without fear of being overshadowed by the State. Along with subsidiarity comes the principle of solidarity, which is not a mere sentimental feeling at other’s tragedy. Instead, it is the firm resolve to seek the good that all members hold dear and possess in common. Certainly, solidarity guarantees a united striving for a shared end, a prerequisite of the common good.

Business firms as economic intermediate associations have the common good as collaborative work. Work presupposes the whole dimension of the human person. Thanks to our social nature, certain types of work are impossible without the cooperation of the others. Working together for a particular enterprise provides the foundation of a shared end and the transformation of both the objective and subjective dimensions of work. The objective dimension is external to the agents and made up of resources and instruments used. The subjective dimension is “the human person’s activity as a dynamic being capable of performing a variety of actions” (CSDC 270). For this paper, the primacy of the subjective over the objective is affirmed because it is here that humans acquire knowledge, skills, and the cultivation of virtues. Developing the virtues at work perfects the agents and transforms him into a virtuous person. Indeed, businesses start with the aim of high profits. However, in an ethically guided firm, a high profit margin need not be its exclusive end. Instead, a business is successful only in the measure that there is flourishing of all the members. In other words, the firm thrives by a genuine principle of the common good.

The above can be extended to the professions. But the question is: what is a profession? A profession is an occupation whose core element is work based upon the command of a specific branch of knowledge and skills used in the service of others. Its members form a college of professionals that is governed by codes of ethics. They profess a commitment to competence, integrity and morality, altruism, and the promotion of the

public good within their domain. These commitments form the basis of a social contract between a profession and society, which in return grants the profession a monopoly over the use of its knowledge, the right to considerable autonomy in practice, and the privilege of self-regulation. Professions and their members are therefore accountable to those served and to society (Cruess et al. 2004). For example, lawyers are agents of the law; thus, a lawyer who takes bribe to win a lawsuit is a corrupt lawyer. The same goes to a physician whose primary aim is to save life and seek health. A physician who is paid to take life in whatever way is a bad physician. Ultimately, the professions as intermediate associations of a political community have their own common good, and each professional has a committed task to uphold the common good through his work. Also, because virtues are one of the indispensable means to flourishing, the virtuous professional contributes to the common good of his organization and to the entire political community through his work well done.

## Conclusion

The essay has presented a comprehensive definition of the common good derived from CST. The definition departed from acknowledging the equal dignity of persons and confirmed the common good as achievable only through a collaboration of these persons united by a common end. Everyone seeks to flourish, and a community guided by the common good principle guarantees its members’ flourishing. Then, the paper traced the historical presence of the common good notion and how it evolved from Plato to Aristotle and to the medieval times down to our contemporary era. Later, it delineated the indispensable role of virtues in human flourishing. With its transformative quality, the virtues as attractive goods motivate the agent to live well and flourish, and flourishing is a common good. Finally, it explored the significant groups that comprised the political community and highlighted how the common good manifests in them. The common good of the firm and the other professions accentuated the lead role of virtues for flourishing through work. Hence,

with grounding in virtues, together with the necessary economic and social conditions, the common good is the whole community's flourishing and that of its individual members.

## Cross-References

- [Catholic Social Thought](#)
- [Eudaimonia](#)
- [Future of Work: Values and Ethical Issues](#)
- [Human Dignity and Business Ethics](#)
- [Journal of Business Ethics](#)
- [MacIntyre and Business Ethics](#)
- [MacIntyre, Alasdair](#)
- [Meaningful Work](#)
- [Virtue Ethics](#)
- [Work Ethic](#)

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## Communism Versus Capitalism

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## Synonyms

For capitalism: Free market, Free enterprise; For communism: Collectivism

“Capitalism can be described, in simple terms, as *a social system of production and distribution, dominated by markets* (markets being where buyers and sellers meet to trade goods and services).” (See [“Capitalism”](#), in this volume). Communism can be described as *a social system of production and distribution, dominated by command* (command being where the details of production and distribution are determined by the state). Communist economies are associated with the central government, long-term planning of production and distribution; capitalism is associated with production and distribution adapting to market pressures that lead to socially beneficial results. While capitalist economies have aspects of command (i.e., the judiciary, national defense, and other roles of the state) that control some aspects of production and distribution, markets play the dominant role. Similarly, communist economies often have some markets; however, command plays the dominant role in production and distribution. China and Cuba, considered communist economies, have allowed markets to exist on a selective basis in the early, twenty-first century – i.e., markets exist but are not pervasive.

## Origins

Capitalism evolved out of post-feudal society where the dominant role of landlords was displaced by capitalists. Unlike communism, capitalism is not associated with an organized political movement. Capitalism emerged over more than a century during which people acquired greater freedom (including control of their own labor) moving from a society dominated by command and/or tradition to one where markets gradually became more common. Early capitalism can be, generally, characterized by a class struggle between feudal landlords and merchant capitalists through which the capitalists emerged triumphant. It is, in theory, associated with “The establishment of perfect justice, of perfect liberty, and of perfect equality. . .” (Smith, Book IV, CH. IX, p. 190).

Communism emerged out of early capitalism where the social conflict shifted from landlords and capitalists to the class struggle between capitalists (employers of labor) and labor (the working class). As recognized by Adam Smith (1776) and Karl Marx (1867), labor adds value in capitalist production – capitalists need labor to be successful and labor, to meet their material needs, require capitalists willing to buy their labor. The capitalists who best captured a share of this labor-generated value (rather than paying wages that reflected labors’ full contribution to production) enjoy the greatest profits. The profit-maximizing imperative of capitalists is directly related to the productive capacity of labor, and the unequal power in the market for labor – employer over employee – is a source of profit for capitalists. Thus, the class struggle between capitalists (the owners of the means of production and the output from production) and labor led, in the mid-nineteenth-century Europe, to the communist political movement.

In the early nineteenth century, the term “communism” was first used in France to define a political movement that addressed the dominance of capitalists over laborers. In 1848, Karl Marx and Friedrich Engels published *The Communist Manifesto* which established the idealistic principles of a communist economy – classlessness, the collective (public) ownership of property and the

means of production, and the distribution of goods and services produced in the hands of the state. This represented a political movement that placed the poor, working-class majority against the wealthy, capitalist minority. While the communist political movement spread, often alongside the spread of capitalism, worldwide in the late nineteenth and early twentieth centuries, it was not until the October 1917 revolution in Russia that a communist government took power. This set the stage for the emergence of more communist economies through political revolution – e.g., in China and Cuba.

## Tensions and Transitions

In social systems of production and distribution, there are inevitable tensions between private interests and public interests. Whether it be capitalism or communism, resolving these tensions reflects social values and the accepted moral and ethical behavior regarding production and distribution. In capitalism, private interests most often take precedent over public interests. There are, however, occasions in capitalism when the public interests (e.g., protecting public safety or promoting behavior that impinges on a generally accepted social value) supersede the private interests through the manifestation of social values as expressed in the political and legal systems. In effect, the expression of private interests in economic activity is accepted until a certain burden of proof is reached regarding their impingement on public interests, according to the social values of the time. Should the expression of private interests prove to be against the public interests, the public interests often prevail.

In communism, the public interests vastly dominate the private interests. In theory, with property being common (i.e., publicly, not privately, owned), there being no classes (thus no capitalists), and the decisions regarding production and distribution being made by the state (i.e., in the collective, public, interests), individual gain is superseded by the public interests. Like capitalism, the social values reflected in moral and ethical behavior are manifest in the political and legal

systems of communism. However, should it be determined that some economic activities undertaken by way of markets where private interests are expressed serve the collective, public interest, communist economies have, on a very selective basis, allowed markets to operate.

The evolution of capitalism over the twentieth century demonstrated greater flexibility than the nineteenth-century views of Marx and Engels, for instance, imagined. In the post-WWII era, in several sectors of capitalist economies, the public interests in health, education, and transportation prevailed over the individualistic, private interests in many capitalist economies. An expanding view of public safety and public health in capitalist economies has also led to restrictions on private actions that can have potentially harmful social consequences – e.g., smoking in public settings, drinking and driving, and environmental destruction. In many ways, capitalism has moderated its individualistic focus to take greater account of public interests.

Those economies that continue to function under communist principles have made a moderate transition toward capitalism. China has designated “special economic zones” where markets operate more freely than in other areas of the country, and capitalist principles are, in certain sectors, embraced. Also, in the early twenty-first century, Cuba has become increasingly open to expanding, very selective, market-based economic activity. Nevertheless, communist economies continue to be dominated by command, not markets.

While capitalist and communist economies remain extremely different – with very different social values reflected in their cultural, political, and legal systems – the differences between capitalist economies and communist economies in the early, twenty-first century are less prominent than they were in the mid-twentieth century.

## Cross-References

- ▶ [Capitalism](#)
- ▶ [Distributive Justice](#)
- ▶ [Economic Man](#)

- ▶ [Individualism](#)
- ▶ [Justice](#)
- ▶ [Libertarianism](#)
- ▶ [Property Rights](#)

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## Company Socialization and Ethical Fit

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## Synonyms

Company-employee value integration

## Introduction

Before joining a new employer, many people have preconceived ideas of what the organization stands for in terms of values, mission, and ethical orientation. On progressing through the application, selection, and induction processes and increasingly embedded in the organization's structure and function, they become exposed to the existential reality behind the overt image. As they are exposed to this reality in the company socialization process overtime, the perceived ethical fit/misfit to their new employer becomes shaped and crystallized. This is regarded as a dynamic process over an unspecified period of time, although the organizational socialization shaping process and the employee's awareness

of ethical misfit that emerges from this is likely to show itself earlier rather than later in the employee's company career, it does sometimes occur later when he or she is confronted by action or behavior incompatible with his or her ethical values. This may or may not lead to prescriptive remedial steps being taken by an employee to relieve ethical incompatibility culminating in various forms of organizational "disengagement" that can reduce individual performance and productivity, or result in labor turnover.

### Organizational Socialization and Staff Induction

Organizational socialization is an important concept in Human Resource Management (HRM) (Antonacopoulou and Güttel 2010; Cable and Parsons 2001; Tuttle 2002), and management research (Ostroff and Kozlowski 1992). Louis (1980, pp. 229–230) defines it as:

the process by which an individual comes to appreciate the values, abilities, expected behaviors, and social knowledge essential for assuming an organizational role and for participating as an organizational member." Staff induction, on the other hand, is defined as "any arrangement made to familiarize the new employee with the organization, safety rules, general conditions of employment, and the work of the section or department in which they are employed. (Skeats 1991, p. 16)

Organizational socialization and staff induction are closely allied concepts, with one distinguishing feature being the timeline of induction, which is usually constituted in the form of a formal program presented over a finite time period, and the on-going process of the organizational socialization over the entire period of employment.

The process of organizational socialization can be regarded as consisting of two main aspects: presocialization and postsocialization. Presocialization refers to features of the company that attracted potential recruits as a place for employment, with its values and ethical stature as part of those features, alongside pay and conditions of service that many employees consider important today. Broadly speaking, presocialization refers to what the recruit expects from a company when joining it. Postsocialization

refers to postenrolment processes of company socialization occurring from the 1st day of employment and the reality of being employed in the company as it unfolds over time (Van Vianen and De Pater 2012, p. 144). Staff induction is often the first formal indoctrination process in company socialization. However, the longer timeline in organizational socialization is recognized by Ostroff and Kozlowski (1992, p. 869): "...when socialization is viewed from a long-term perspective, the contextual features of the organizational environment may become critical and play a greater role after newcomers have achieved task and role mastery." They indicate clearly that *contextual features* of the organization (including, presumably, contextual aspects of company ethicality) unfold and become more pertinent after the incumbent attains technical competency in the work itself.

### Organizational Socialization and Person-Organization Fit

Staff induction and organizational socialization are sometimes used for achieving "goodness of fit" between specific organizations and the staff employed by them (Antonacopoulou and Güttel 2010). Chatman (1991) defines person-organization fit as the extent of the match between organizational and individual values. Chatman (1991) found that value congruence between the new employee and the organization was important, and that the induction and organizational socialization process over the 1st year of employment could fundamentally change (positively or negatively) the person-organization fit relationship. It is also possible, as Cable and Parsons (2001) indicate, that the socialization tactics used by an organization can change individual values to make them more in line with those of the organization.

However, Kim et al. (2005) note that new employees cannot be regarded as perfectly malleable. New employees arrive with their own value systems and the organizational socialization processes may influence their perceptions of this process positively or negatively.

In sum, studies on person-organization fit have suggested four main things:

- New employees have preconceived ideas about the values of the organization and its goodness of fit with their own.
- Value congruence is important in determining individual work outcomes (e.g., job satisfaction, organizational commitment, and turnover).
- Socialization is a two-way process in which the organization can try to mold the individual which he/she can accept or reject.
- There is an underlying dynamic in the socialization process which starts with the new employee joining the company and unfolds over time.

### Levels of Ethical Development and Person-Organization Fit

Kohlberg (1981) provides a theory of moral development that describes three major stages in moral development.

- The preconventional stage which describes a basic level of moral development such as that found very young children and emphasizes obedience enforced by punishment. Later, in the preconventional stage, young children develop an individualist and instrumentalist view in their relationships with others and interaction with the world.
- The conventional stage of moral development which is, according to Kohlberg (1981), the “final” stage for the majority of adults. There are two separate substages to the conventional level. A first substage, characterized by “good boy/nice girl” approval-seeking behavior (Carroll and Buchholtz 2000). And, a second substage focusing on moral behavior externally controlled by the law and the rules required for the maintenance of order.
- The postconventional stage is regarded as the final and most refined stage of moral development and consists of two substages. The first substage embraces altruism as a central concept in moral behavior or, “an understanding of social mutuality and a genuine interest in the welfare of others” (Barger 2000, p. 1). The second substage incorporates belief in

universal principles and personal moral control through conscience (Barger 2000).

Socialization-ethical fit is conceived as the fit between individual ethical orientations and expectations on joining an organization (presocialization) and the actual ethical orientation of the organization as it unfolds through induction and socialization processes (postsocialization). Kohlberg’s (1981) theory has been applied to organizational ethical orientation and individual ethical expectations by Coldwell et al. (2008). Individual ethical expectations of job seekers and their ethical fit with an organization in Coldwell et al.’s (2008) model focus on company reputation arising from its corporate social performance (CSP). The model illustrated in Table 1 modifies the original model by adding in the important dynamic of organizational socialization in person-organization fit.

The Adapted Socialization (AS) model consists of nine sections. The time factor in organizational socialization processes is central to the AS model and relevant to all nine sections of the model.

Table 1 indicates nine distinct sections. The vertical axis of Table 1 consists of levels of moral *expectations* that individual employees might hold, corresponding to the main categories of Kohlberg’s (1981) model, namely the postconventional (principled), conventional (social), and preconventional (ego) levels of moral development. The horizontal axis consists of individual *perceptions* of organizational ethics which are categorized in the same way as: principled, social, and ego levels of perceived organizational ethics.

Table 1 plots possible outcomes of the nine horizontal and vertical axis permutations arising from the organizational socialization process. For example, in the section denoted as “Fit 1” in Table 1 shows individuals with postconventional (principled) levels of moral development consonant with their perceptions of a specific organizations’ ethics as principled. In this case, various possible outcomes can be deduced from organizational socialization processes over time. Given individuals with postconventional levels of expectations and principled perceptions of organizational ethics on joining (Pre socialization,



**Company Socialization and Ethical Fit, Table 1** Socialization effects (AS) model on P-O ethical fit

|                               | Principle perceptions                                                                                                                                      | Social perceptions                                                                                                                                            | Ego perceptions                                                                                                                                                    |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Principle expectations</b> | <i><b>Fit 1</b></i><br>(Pre-soc) <i>t1</i><br>$E = P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E = P</math></b><br><b>(B) <math>E &gt; P</math></b>          | <i><b>Ambivalent 2</b></i><br>(Pre-soc) <i>t1</i><br>$E > P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E &gt; P</math></b><br><b>(B) <math>E = P</math></b>      | <i><b>Misfit 3</b></i><br>(Pre-soc) <i>t1</i><br>$E > P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E &gt; P</math></b><br><b>(B) <math>E = P</math></b>               |
| <b>Social expectations</b>    | <i><b>Ambivalent 4</b></i><br>(Pre-soc) <i>t1</i><br>$E < P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E &lt; P</math></b><br><b>(B) <math>E = P</math></b>   | <i><b>Fit 5</b></i><br>(Pre-soc) <i>t1</i><br>$E = P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E = P</math></b><br><b>(B) (<math>E &gt; P, E &lt; P</math>)</b> | <i><b>Ambivalent 6</b></i><br>(Pre-soc) <i>t1</i><br>$E > P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E &gt; P</math></b><br><b>(B) <math>E = P, E &lt; P</math></b> |
| <b>Ego expectations</b>       | <i><b>(R) Misfit 7</b></i><br>(Pre-soc) <i>t1</i><br>$E < P$<br>(Pos-soc) <i>t2</i> ,<br><b>(R) <math>E &lt; P</math></b><br><b>(B) <math>E = P</math></b> | <i><b>(B) Ambivalent 8</b></i><br>(Pre-soc) <i>t1</i><br>$E < P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E &lt; P</math></b><br><b>(B) <math>E = P</math></b>  | <i><b>(B) Fit 9</b></i><br>(Pre-soc) <i>t1</i><br>$E = P$<br>(Pos-soc) <i>t2</i><br><b>(R) <math>E = P</math></b><br><b>(B) <math>E &lt; P</math></b>              |

Key: *R* Remains postsocialization, *Pre-soc t1* Presocialization at time 1, *B* Becomes postsocialization, *Pos-soc t2* Postsocialization at time 2

PreSoc,  $E = P$ , in Table 1) a specific company, the effects of organizational socialization processes on such perceptions can, logically, only stay the same (indicated as  $E = P$ , *R* “remains the same” in Table 1) or diminish (indicated as  $E > P$ , *B* “becomes” in Table 1). Clearly an individual with postconventional, principled expectations of organizational ethics cannot, after the effects of organizational socialization processes have occurred or continue to unravel, perceive the organization as operating at a higher-than-principled ethical level (we assume here that moral development remain relatively fixed/constant by adulthood as suggested by Kohlberg’s theory).

Similarly, individuals with a conventional level of moral development or social expectations (vertical axis in Table 1) can develop perceptions of organizational ethics after socialization processes which: remain the same, become enhanced to principled level (horizontal axis in Table 1), or diminished to an ego level through their perception of organization ethics. Finally, individuals with a preconventional level of moral development (ego expectations) can perceive organizational ethics as remaining the same through the organizational socialization process or as enhanced, but not diminished, since they are

already positioned at lowest level of moral development.

It is unlikely that an individual with principled moral expectations would join a company perceived as operating at an ego level of organizational ethics (Misfit 3 in Table 1); or that a person with a preconventional level of moral development would join a company with principled organizational ethics (Misfit 7 in Table 1), *unless other overriding factors are involved, such as unemployment levels make such behavior necessary*. In such cases, misfits can remain misfits without negative work outcome effects (such as turnover behavior). Or it is possible that the socialization process enhances perceptions of organizational ethics to the extent that earlier misfits become fits.

The “ambivalent” sections of Table 1 (sections 2, 4, 6, and 8) refer to situations where there is some degree of misfit, which may be more “tolerable” than where there are gross mismatches between expectations and perceptions (although this would also depend on the degree to which particular individuals are able to tolerate ambivalent mismatches which in turn will depend on other individually specific contingencies). However, the model suggests that such ambivalent situations are, *ceteris paribus*, most likely to

prevail without any specific negative or positive work consequences arising through organizational socialization processes. However, obviously there are many other factors relating to the individual and his/her particular personal circumstances which have a bearing on actual work outcomes. Finally, “postsocialization” can refer to formal organizational socialization processes that have a predetermined timeline, or it can refer to a longer, sometimes indeterminate, time period in which employees become aware of company values and practices.

## Cross-References

### ► Person–Organization Fit

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## Compensatory Justice to Groups

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## Synonyms

American Indians; Black slavery; Business;  
Compensatory justice; Oppression; Reparations

## Introduction

An increasing amount of research has been published in recent decades on the ethics of compensatory justice to groups. In the United States, much of said research addresses the ethics of such reparative justice to American Indians<sup>1</sup> and US blacks for the role of the US government in oppressing those peoples (Corlett 2010). This is

<sup>1</sup>By “American Indian,” I mean those peoples indigenous to what is currently referred to as the “United States of America.” Even though historically such peoples were misidentified by certain explorers as being Indians from India where the explorers thought they landed at the time, most peoples indigenous to the United States refer to themselves as “Indians” (as well, of course, by way of tribal affiliation) and out of respect for them I do so here as I do elsewhere in my published research. This linguistic custom differs from some other regions of the world wherein indigenous peoples are referred to as “First Nations” (Canada), “Aborigines” (Australia), etc. Indeed, in the United States, many nonindigenous people refer to indigenous peoples as “Native Americans,” a label, much like “Hispanic,” which is rejected by several to whom the labels refer in that the labels originate from out-group members (e.g., the US government). I am indebted to Professor Deborah C. Poff for urging clarification of this matter.

an article about the normative ethics of compensatory justice to groups which have been seriously and wrongfully harmed by businesses. The focus of this article will be on businesses in the United States, on the one hand, and American Indians (indigenous groups in the United States) and US black descendants of the transatlantic slave trade, on the other. The primary issues of this article are whether or not and to what extent ought such businesses which participated in either the serious harmful wrongdoing of American Indians or black slavery owe compensatory reparations to the descendants of said groups and why. Assumed herein is that certain of the businesses in question still exist and that descendants of the wrongfully harmed groups also exist and that there are measurable damages caused by said businesses to those they wronged.

Compensatory reparations are monetary damages paid to groups which have been substantially and wrongfully harmed by another group (such as a business or a government) in order to rectify the harm. While the moral justification of compensatory justice of this type is questionable from the perspective of social utility considerations which values the maximization of overall happiness over compensatory rights (Thomson 2002; Walker 2006), from the perspective of a rights-based theory, when a government wrongfully harms a group, then it should pay that group by way of, say, a reparations tax (Boxill 1984; Corlett 2010; McGary 1999). For instance, it is argued from a rights-based perspective that the US government owes trillions of dollars to American Indians for its genocide of them and the massive land from them and that the US government should pay a reparations tax to American Indians (Corlett 2010). However, what, if anything, should occur when the harmful wrongdoer is a business rather than a government? Examples of such cases abound. In recent years, Volkswagen has admitted to using slave labor for the Nazi regime and has agreed to pay reparations to those who were enslaved (<http://www.infoplease.com/spot/holo-caust1.html>: accessed on 20 November 2016). CXS, a US-based railroad company; Aetna Inc., a US-based insurance company; and FleetBoston, a US-based financial company, were each named

in a 2002 legal suit in the United States which sought compensatory reparations for the alleged roles each said business played in the transatlantic slave trade (<http://usatoday30.usatoday.com/money/general/2002/03/25/slave-reparations.htm>: accessed on 20 November 2016). Thus, there is clearly precedent for victims and/or their heirs to seek compensatory reparations from businesses which are guilty of committing severe and harmful wrongdoings against them.

But what is the moral reasoning concerning such matters from a rights-based perspective? Is there a morally sound basis for such reparations – even assuming that the businesses and their victims or victims' heirs still exist? A general argument in favor of business reparations to, say, American Indians and US blacks might be as follows:

1. Instances of clear and substantial historic rights violations ought to be rectified by way of compensatory reparations.
2. Business X has committed substantial historic rights violations against American Indians and/or US blacks.
3. Therefore, the historic rights violations of business X against American Indians or US blacks ought to be rectified by X by way of reparations to American Indians and/or US blacks.

There are at least three facts that need to be present for a case of reparative justice to be made. First, there must be an identifiable and existing offender. Second, there must be an identifiable and existing victim. Third, there must be identifiable and measurable damages. In the case of businesses and compensatory justice to groups, there must be an identifiable and existing business which caused the damages in question. There must be an identifiable and existing victim of set of them or their heirs. And there must be identifiable and measurable damages which the offending business is said to owe the victim(s) or heirs of the victim(s) or victim-heirs.

Many think that compensatory reparations are owed to those from whom a business net benefited in its harmful wrongdoing against a particular party. However, the net benefits argument is

problematic in that a slave owner would then not owe anything to the descendants of his slaves if he were a poor financial manager of his plantation. Yet moral common sense would tell us that regardless of the slaver's ability to manage his financial matters, he still owned slaves and, since owning humans is the violation of a human right of great importance, that slaver, should his heirs still exist, owes compensatory reparations to the heirs of his oppression. Whether or not a slaver net profited from his ownership of slaves is irrelevant to the question of whether or not his business owes compensation to those slaves and their heirs. For while guilt for the slavery does not transfer to heirs, responsibility for the compensatory reparations owed does<sup>2</sup> (DeWolf 2008).

Given the foregoing, it would follow, for instance, that the descendants of slavers such as the infamous Mark Anthony DeWolf owe to the descendants of his slaves quite a sum of unpaid slave labor given that he was one of the most successful slavers in all of the United States (DeWolf 2008). For such unpaid wages effectively make the descendants of DeWolf's slaves creditors of DeWolf's unpaid debt when he died. Thus, as it is in US laws of inheritance, nothing should have been paid to DeWolf's heirs until all of his debts were paid. Yet this debt of unpaid slave labor was not paid to DeWolf's slaves or to their heirs. Instead, it was bequeathed to DeWolf's heirs, who were bequeathed what they did not deserve in light of the fact that all creditors were not paid DeWolf's outstanding debts. While the crudest of utilitarian approaches to compensatory reparations to groups would likely deny this reasoning, they would do so at the expense of denying the moral rights of DeWolf's slaves' descendants to compensatory justice from DeWolf.

Yet it is not only the unpaid slave wages that must be paid as reparations to US blacks; it is also the human rights violations that must be compensated, morally speaking. Similarly, American Indians are owed compensatory reparations for

both the genocide of their peoples and for the massive theft of their lands. Since several businesses, some of which persist to this very day, participated in such human rights abuses, they must be brought to justice – compensatory justice.

What about other businesses in the United States which participated in the enslavement of blacks and/or the genocide of American Indians and the theft of their lands? If those particular businesses have survived until today, and if members of the Indian nations (or the descendants of the slaves) who were wrongfully harmed by said businesses still exist, and if damages can be measured, then there is a case to be made for compensatory reparations from those businesses to those groups.

Other US-based businesses which profited by slavery include Lehman Bros., Aetna Inc., J.P. Morgan Chase, New York Life, Norfolk Southern Railway, the oldest and largest US investment bank and securities firm Brown Brothers Harriman, the retail suit manufacturer Brooks Brothers, and US Life Insurance (now owned by AIG) (<http://atlantablackstar.com/2013/08/26/17-major-companies-never-knew-benefited-slavery/>; accessed on 22 November 2016). And those which profited by the genocide of American Indians and the theft of their lands include every single US business in that each is in violation of the Principle of Morally Just Acquisitions and Transfers: Whatever is acquired or transferred by morally just means is itself morally just, and whatever is acquired or transferred by morally unjust means is itself morally unjust (Corlett 2010). This implies that to the extent that each and every US business operates on land that is in violation of this principle, each such business owes American Indians compensatory reparations as, morally speaking, it belongs to American Indians. Such businesses cannot exist in this territory without the violent or otherwise immoral theft of such land. Simply because a group of Europeans came, uninvited to "settle" and steal the lands of North America, in no way gives them, or the United States, Canada, or Mexico, morally legitimate claims to said lands. Having moral legitimacy requires, among other things, a valid moral claim to the territories in question. Yet as history clearly testifies, such

<sup>2</sup> That responsibility but not guilt can obtain between generations is found in Feinberg (1970).

lands were acquired and transferred in violation of the principle of morally just acquisitions and transfers. Thus, such countries lack moral legitimacy and ought to pay compensatory reparations to the remaining American Indian nations.

While it runs against the traditional American Indian belief to exchange anything, especially money in the form of compensatory reparations, for land which is considered by Indians to be their Mother, compensatory reparations, if they are paid in good faith, can assist American Indians in reacquiring and protecting some of their lands from further encroachment.

On the face of it, it might seem to some that a policy of businesses which are guilty of serious harmful wrongdoings against such groups is a kind of double-dipping in that it has already been argued that the US and various other governments owe reparations to such groups (Corlett 2010); this does not constitute a double-dipping of compensatory reparations because businesses are considered to be persons in and of themselves. Thus that reparations taxes are owed by certain governments to said groups is not the same as the question of whether or not certain businesses within such countries owe such reparations to them. This mode of operation would be consistent with the idea that, in imposing fines on businesses duly convicted of crimes, the court ought to first do all that it can to fine those individuals most guilty of the crimes before the court imposes fines on the guilty business. This of course assumes that there is no limited liability for business individuals, a law that would require the retraction of corporate limited liability laws in the United States. Indeed, those who engage in business should be held legally liable for their own responsibility for harmful wrongdoings. There appears to exist no morally sound argument to the contrary. What is so special about business that those who engage in it ought to be immune from their own responsibility for the harmful wrongdoings they cause?

While most of the foregoing discussion has centered on the basic reasoning underlying the claim that US businesses ought to pay compensatory reparations for their historic rights violations, contemporary businesses which substantially

violate the rights of others ought to be forced to pay reparations to such groups. Just as contemporary businesses must compensate individuals who they wrongfully harm, so too must they be forced by law to compensate groups they harm.

The most recent US military invasion and occupation of Iraq is an example wherein the precepts of just war theory were violated by the United States, and yet the invasion was carried out and is still in effect. To the extent that the United States is in substantial violation of what is necessary and sufficient to justify a military invasion, the United States and its allies owe substantial compensatory reparations to Iraq. But it is not only the United States and its government “coalition of the willing” which owe such reparations; it is also the hundreds of businesses that participated, uncoerced, in said invasion. Morally speaking, it is as if a bully started a fight with an innocent person, and others assisted the bully in the fight. While the bully is primarily guilty of and responsible for the fight and most or all of the damages that accrued, those who assisted the bully share in the bully’s guilt and responsibility. This includes those in the US Congress, such as Hillary Clinton, who proudly voted to give then US President G. W. Bush the authority to declare war on Iraq, ought to be punished in manners that would be proportionate to their roles in starting that unjust invasion and occupation. Since any person using common sense can discern that a military invasion of that sort would mean almost certain death of thousands of innocent people, it is clear that those most directly responsible for declaring the unjust invasion ought to, if they are duly convicted in a court of law, be executed as war criminals no different than some of the Nazi war criminals in Nuremberg. And those in the US Congress who voted in favor of giving Bush the authority to invade Iraq for insufficient reason must be sentenced to substantial prison terms for their war crimes of enabling Bush and company to officially declare the invasion. All of this is part of what constitutes reparations for that war crime against Iraq (Corlett 2014).

Thus, those businesses which provided transportation, private companies providing private mercenaries like Blackwater, USA (now XE

services), etc. each owe compensatory reparations to Iraq to the extent that they participated in the immoral invasion and occupation of Iraq. This would especially include any businesses which lobbied Congress and/or the US president to invade Iraq. Each such business must subsequent to due process and thorough investigation be forced to pay proportionate reparations to Iraq for its role in that unjust invasion and occupation.

Also, compensatory reparations would be owed to the American Indian nations, including the Standing Rock Sioux nation, of the North and South Dakota regions due to the violation of their land rights by the Energy Transfer Partner which is the contractor in charge of constructing the oil pipeline. For while the pipeline is being constructed on US federal land, that land was stolen from the Sioux centuries ago, and so any construction on it that is done without Sioux's approval is without moral standing, thus the need for the ceasing of the construction. The construction is reported to also threaten the sole water source of the Standing Rock Sioux nation and also sacred burial grounds.

Many would argue that some of the foregoing reasoning in favor of compensatory reparations is impractical and would require virtually all business development to halt. But this is an essay in ethics and business. As such, ethics must play a primary role in our thinking and behavior, and this implies that the principle of morally just acquisitions and transfers must guide our thinking and behavior. Perhaps it is time for business ethics to finally begin to take American Indian and US blacks rights seriously. If this is done, then their respective rights to compensatory justice must also be taken seriously. And if this is done, then business life as we know it may change forever and quite substantially. Perhaps that is how it ought to be, that is, if ethics is taken seriously and we are not presumptuous about the "rights" of businesses.

Shallow business ethics presumes that businesses should occupy a preeminent place in society. Deep business ethics makes no such assumption on way or another about the role of businesses in society. Rather, it places rights in a

preeminent place. As much as is reasonable, moral rights ought to be protected by legal rights. And rights violations, by governments, individuals, or businesses, must be rectified. This much is required of any reasonably just society. And the interests of any business which run afoul of rights must be made to comply with such rights. For this is the essence of the case for compensatory justice to groups in the context of business.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Affirmative Action in Business](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)

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## Conflict of Commitment

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## Synonyms

Conflicts of interest; Value clarification



## Definition

Conflicts of commitment are specific types of conflict of interest. Conflict of interest is generally defined as a situation where a person is in a position of trust and authority and is supposed to decide between alternative choices rationally and with unbiased fairness but where one decision benefits the person deciding either directly or indirectly. In the case of a conflict of commitment, the difference is that the choices may be one where the decision-maker may be altruistic and not self-motivated but may still be in conflict. In these cases, a conflict may be between two or more professional commitments that will potentially affect “one’s focus of time, attention, and responsibility” (Werhane and Doering 1995, p. 51).

Conflicts of commitment are differentiated from conflicts of interest because they “involve the distribution of focus and effort between two sets of professional obligations, rather than a conflict between professional and financial/recognition interests” (Werhane and Doering 1995, p. 61). Conflicts of commitment can include consulting, lecturing, acting as an expert witness, or service on a professional board or committee. In the case of consulting, the conflict may be between loyalty to a client and loyalty to the employer if the findings may in some way embarrass the institution. They may also arise between two mutually beneficial commitments whose competing interests cannot be both satisfied at the same time (e.g., serving on a hospital board and a university both of which require fundraising efforts by board members within the same time period). These are generally but not necessarily activities that may detract from the primary commitment of the individual. While professionals in business or university settings can never be completely free of these competing commitments, they do need to evaluate, acknowledge, and address their existence.

## What Are the Issues?

Conflicts of commitment differ from conflicts of interest in subtle but important ways. Conflicts

of commitment are “conflicts that entail a conflict between two or more sets of professional commitments that will affect one’s focus of time, attention, and responsibility” (Werhane and Doering 1995, p. 51). An example of this might be a university faculty member or business executive who invents a piece of equipment and receives financial compensation for this but does not disclose the activity or the income to his university or primary place of employment in spite of clear regulations about declaring other income. Another example of this might be a university professor who sits on a medical school admissions committee but also sits on the board of directors of a company that provides teaching for medical school entrance exams. Conflicts of interest, in contrast, describe competing demands between professional interests and personal or financial interests. An example might be an employee who requests days off to attend his child’s sports practice even though these days occur during significant reviews within the company in which the employee is a key person.

## What Are the Ethical Issues?

In business organizations value congruence is considered to be a determinant of job-related outcomes (Schwepker 1999). Incongruent ethical values between the individual and the organization may affect commitment and ability to remain in the work environment. The resulting ethical conflict comes from the lack of shared values between the individual and the organization.

The organization assists in the clarity and communication of the ethical values of the system to employees. Identifying, communicating, and practicing the ethical standards is the first step in diminishing the conflict of commitment that can emerge when ethical standards are not clear or not enforced and valued within an organization.

The ethical dilemmas involved in academic medicine and pharmaceutical research have illuminated the pitfalls and risks of a conflict of commitment. Kachuck (2011), in commenting about ethical issues that arise in the relationships

between primary and secondary interests, notes that “a conflict of commitment occurs when primary interests are discordant, and when we assume roles that may have overlapping, but not identical primary interests.” He maintains that conflicts of interest occur when a secondary interest compromises the integrity of judgments related to the primary interests. In both situations secondary interests may be nonfinancial.

In the example of the university faculty on admission’s committee voting on decisions about medical school acceptance, the conflict is not financial but is based in the individual’s conflict of commitment to her role on the committee versus her unacknowledged role on a board of directors of the testing company. Her behavior challenges the process of transparency of commitments, essential to the stated value of the committee and the university.

### How Are Conflicts of Commitment Managed?

The Internet is populated with numerous university directives about managing conflict of interest and commitments for staff and faculty. The central themes of these directives involve clarity about the meaning of employment in the work environment, boundaries about financial and nonfinancial involvement in other activities, and clarity in declarations if involvement in those other activities does occur.

The keyword in management of conflict of commitment is transparency from all parties involved including the university, the corporate entity, and the individual employee. Conflicts of commitment, while viewed as inherently negative, might be managed positively if negotiated openly with employers before beginning a position *or* openly acknowledged as potentially occurring during employment. Hidden, secretive activities omitted from discussion with employers are the actions that cause doubt and suspicion and ultimately might result in ending the employment relationship.

### Conclusions

Individuals with concerns about their various commitments should be encouraged to discuss this with superiors in their work setting, regardless of the environment. Knowledge of and adherence to stated regulations are essential to effective functional and management of potential conflicts of commitment. The key is recognizing, acknowledging, and dealing with the conflicts that can influence work behaviors.

### Cross-References

► [Conflict of Interest in Research](#)

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### Conflict of Interest in Research

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### Definition

A conflict of interest occurs when reasonable observers perceive a significant risk that an individual’s judgment or actions regarding a primary interest is inappropriately influenced by a secondary interest. Aside from *actual* misconduct that may occur, conflicts of interest can also create the *perception* of misconduct, engendering suspicion,

and mistrust of the individual. Conflicts of interest can be either financial or nonfinancial. Financial conflicts of interest occur when a person is in the position to receive a potentially significant financial payoff that is at odds with their professional duty or at odds with their obligations to the primary party.

Nonfinancial conflicts of interest occur when a person's nonfinancial interests conflict with a person's ability to carry out their professional or public obligations, or when they cause a person to inappropriately favor one contracted party over another. Nonfinancial conflicts of interest can stem from a variety of sources, for example, political, religious, or ideological beliefs; academic commitments; personal relationships; or institutional affiliations. An academic may face nonfinancial conflicts of interest in a variety of roles, for example, when teaching, serving as a journal reviewer, or voting on tenure decisions.

Most attention has been given to financial conflicts of interest as they can be more objectively defined, more impartially regulated, and are more easily dealt with. Less attention to nonfinancial conflicts of interest has resulted in fewer procedures for evaluating and addressing such matters.

## Policy

Professions are based on extensive training and specialized knowledge. They hold power and prestige inasmuch as the society regards them as necessary and useful. Professions rely on the ethical behavior of their members to establish and retain the profession's integrity and trustworthiness. A researcher employed by a university, a research institution, or engaged in policy or governmental work has a significant responsibility to the public to act honestly and follow "good practices" in providing credible, rigorous, and robust research. While most professions have established a code of ethics for their discipline (which often includes a conflict of interest policy), many economics and business associations do not have consistent, widespread conflict of interest policies. Conflicts of interest can create bias and hinder the ability of professionals to carry out their

professional obligations and ensure research integrity, vital for securing trust in a profession.

The Great Recession in the 2000s revealed problematic potential conflicts of interest between some elite academic, financial economists, and private financial institutions. In a study of a group of prominent academic economists lobbying around financial reform, fifteen of the nineteen economists studied had private financial affiliations over the period 2005–2009, and the great majority of these economists failed to disclose their private financial affiliations in their academic or their public work related to financial reform (Carrick-Hagenbarth and Epstein 2012). These financial affiliations included owning shares in financial institutions, serving on one or more boards of financial institutions, and consulting for financial institutions. Perverse incentives, including conflicts of interest, have been cited as a contributing factor to why many of economists failed to recognize financial fragility leading up to the Great Recession.

Other professions can provide additional examples of how conflicts of interest create bias and affect research. The academic medical profession has become increasingly interwoven with industry funding. For example, a national survey in the United States conducted in 2006 of 459 department chairs in medical schools and independent teaching hospitals found that over 60% of those chairs had significant ties to industry (as consultants, board members, paid speakers, etc.), and 67% of the academic departments had ties with industry (Campbell et al. 2007). The Institute of Medicine (2009) reviewed several meta-analyses of industry-supported pharmaceutical studies. The report found financial ties between investigators and manufacturers typically had a strong association with positive pro-industry results and biased reporting of results.

The American Association of University Professors (2014) presented an overview of the strategy the tobacco industry employed to "distract and confuse" from the mounting scientific evidence that tobacco was harmful to health. The tobacco industry used financial payments, funded academic studies, and financial conflicts of interest to buy academics. Although the actual number

of academics working as paid researchers and consultants was low, it was enough to cast doubt of the negative effects of tobacco on health. This strategy for creating scientific doubt and manipulating scientific evidence is perhaps the clearest indication of how financial conflicts of interest can be used to cause harm. The AAUP notes this same strategy has been used by a variety of industry groups, including most recently those seeking to obfuscate the environmental and economic threats of global warming.

There is evidence that financial conflicts of interest cause bias. The psychology literature identifies two main problems pertinent to conflicts of interest people encounter in objectively reviewing conflicting information: cognitive dissonance and bias blind spots. Cognitive dissonance occurs when there is an inconsistency between a person's beliefs or between a person's actions and their beliefs. Generally, people try to reduce cognitive dissonance, either consciously or unconsciously. For example, a person may seek new information supporting one of the beliefs or actions or may re-frame one of the beliefs or actions so that it carries more weight than another. Dissonance reduction is one way to explain how a person confronting a conflict of interest can rearrange their values to reduce the perception of the conflict as problematic in their mind, making the belief or action more amenable.

Bias blind spots are another way in which people do not recognize unethical behavior in themselves. Studies of students, medical faculty, and medical residents have all identified a bias blind spot, in which these people on average claim themselves to be less biased than their peers or colleagues (Dana 2009). Evidence from the research on bias blind spots and cognitive dissonance imply conflicts of interest cannot be effectively managed solely by the individual holding the potential conflict of interest.

## Regulation

Research conducted in the professions occurs most often in universities, research institutions, government positions, and research arms of

businesses. Guidelines for ethical research occur at a variety of levels. Most professions have nationally based professional associations which provide guidelines for ethical behavior, often including a conflict of interest policy. Many national research agencies have created research integrity codes that researchers and institutions who receive funding from these agencies are required to follow. At the global level, the Singapore Statement on Research Integrity (2010) aims to provide international ethical guidelines for researchers, institutions, and governments.

In addition to professional guidelines (or when such guidelines do not exist), the regulation of conflicts of interest as they pertain to the research conducted by academics and professionals is often the responsibility of their institution of employment. Professionals that work for universities, governments, research institutions, or research arms of businesses are subject to a conflict of interest policy if these institutions have them.

University policies vary in strength and implementation. These policies may address three types of conflicts of interest: financial conflicts of interest, conflicts of commitment, and conflicts related to human subjects. Most universities in the United States require that faculty members consider the university to be their primary interest and to report outside activities to the university or college for review as secondary interests. Many universities consider some involvement in outside activities to be of value not only to the faculty but also to the university. As such, many of these activities are permitted following disclosure to the university.

Financial conflicts of interest are often defined as a monetary quantity over a particular period. A conflict of commitment occurs when the quantity of time and the quality of a faculty member's work for the university are compromised by another commitment. Often conflicts of commitment are intertwined with financial conflicts of interest.

Research involving human subjects has received considerable attention with respect to conflicts of interest. Many ethics policies around the world were formed in response to experiments in the medical field that crossed

ethical boundaries. In academia, customarily studies involving human subjects must be reviewed and pass muster by an ethical review board or committee before they can be implemented. Such boards are omnipresent in many developed nations and are increasingly present in low and middle income nations for biomedical research.

### Institutional Conflicts of Interest

In addition to the conflicts of interest individual researchers might hold, universities can also have conflicts of interest. Institutional conflicts of interest “refer to situations in which research, teaching, or service are compromised because of external financial or business relationships held at the *institutional level* may bring financial gain to units or the institution in form of increased revenues, whether payments or donations, or when external financial relationships have the potential to influence decision making regarding these activities” (Slaughter et al. 2009). The main actors affected here are those with some administrative clout to influence the direction of research at the university level. Slaughter et al. explain such conflicts might come about when the university stands to gain financially through a particular line of research of its faculty (for example the creation of patents) and results in the administration acting on commercial rather than academic interests, or a relationship in which the University receives funds from industry and in return the industry can use the university’s name or the university uses the affiliated business’s products.

Institutional conflicts of interest fall under the university policy, when such a policy exists (such policies exist in some form for the majority of American universities). Ordinarily, institutional conflicts of interest are dealt with on a case by case basis. Similarly to conflict of interest policies for individual professionals, institutional conflict of interest policies vary in strength, implementation, and depend heavily on the quality of implementing committees and senior officials.

### Disclosure, Management, Recusal

Conflicts of interest can be dealt with in three ways: disclosure, management, or recusal from the conflict of interest. For example, the American Association of University Professors 2014 advocates for the elimination of the conflict of interest, or for its disclosure, and when applicable a plan for its management. Two cases illustrate some possible approaches to addressing potential conflicts of interest, the field of economics, which has some of the least developed approaches, and the field of medicine, which has some of the most sophisticated sets of rules.

Aside from university policies academic economists fall under, most economics professional associations have provided few rules or guidelines. Disclosure has been by far the most popular response to dealing with potential conflicts of interest for academic economists. Some journals have begun to require disclosure and some academic economists have begun to voluntarily disclose on their own websites. Yet, there are no universal standards for dealing with conflicts of interest. Management of conflicts of interest for academic economists has received little attention. Recusal is particularly unpopular for two reasons. One, business and academia are becoming increasingly intertwined. Two, economists see value in holding positions in business which provide insight into the way the economy functions.

The medical field has perhaps the most sophisticated sets of rules for dealing with potential conflicts of interest. In the United States, the Institute of Medicine guidelines (2009) acknowledges the benefit that can come with the merging of industry and research institutions, but they also recognizes the potential risks to research integrity and participant well-being that accompany financial conflicts of interest. In response, the Institute of Medicine report recommends that “Academic medical centers and other research institutions should establish a policy that individuals generally may not conduct research with human participants if they have a significant financial interest in an existing or potential product or a company that could be affected by the research”

(pp. 117–118). The report lists some exceptions, such as if the study could not be completed without the participation of the particular person with the conflict of interest, noting that in such a case, a plan must be implemented to monitor the conflict of interest. Generally, the medical field requires, at a minimum, conscientious disclosure and sometimes advocates for the complete avoidance of financial conflicts of interest.

## Conclusion

Conflicts of interest are present for academic researchers and academic institutions. For the most part, professions have restricted themselves to regulating financial conflicts of interest. The majority of policies to address potential conflicts of interest either for the individual professional or an institution resides primarily at the university level. As most potential conflicts of interest are reviewed on a case by case basis, the quality of the outcome depends to a great extent on the implementing committees and senior officials.

## Cross-References

- [Business, Law, and Codes of Ethics](#)
- [Economics, Ethics, and the Environment](#)
- [Research Integrity and Research Misconduct](#)

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## Confucianism and LGBTQ+ Rights

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## Synonyms

Civil and human rights in a Confucian-influenced cultural context; LGBTQ

## Introduction

Confucianism continues to influence culture and society in Hong Kong, Taiwan and on mainland China as well as in Japan, South Korea, and Vietnam. Its ideas influence the day-to-day activities, including business and commerce, of over 21% of the world's population (US Census Bureau 2020). As a way of life, Confucianism is considered both a philosophy and a religion, one which exists side by side with Daoism (“Taoism”), Buddhism, Animism, and other beliefs about the natural and supernatural world. On the whole, Confucianism focuses primarily on human lives and how they may best be lived. Among its core values are benevolence (*rén* 仁, also translated “humane-ness”), wisdom (*zhì* 智), propriety (*lǐ* 禮), uprightness (*yì* 義), and filial conduct (*xiào* 孝). Confucian notions of filial conduct emphasize family and respect for seniority, especially male seniority (Ames and Rosemont 1999). This concept of family is broadly understood as holding individuals socially responsible for marrying and producing children with the purposes of continuing the family line and caring for aging parents. As a result, LGBTQ+ people in Confucian



cultural contexts experience significant familial as well as social pressure to suppress their own desires, happiness, and well-being. Though there is significant variation in severity across East and Southeast Asia – for example, between Taiwan and Hong Kong on the one hand and mainland China on the other – LGBTQ+ people, issues, and identities remain largely silent and invisible (Chiang 2018; Tamagawa 2018; Wang et al. 2020).

## Society and the Workplace

In much of East Asia and Vietnam, the social and professional aspects of Confucian cultural influence are largely inextricable. This is because professional and personal life are far less separated there, and particularly in China, than is typical in Western countries (Santoro and Shanklin 2021). As a result, there is little separation between what counts as socially problematic versus professionally problematic influences of Confucianism. Moreover, it is common to view relationships among peers and colleagues as analogous to family relationships in certain ways – the family is where one learns to build and maintain relationships, then one extends that framework for treating relationships to one's friend, social, and professional networks. Thus, while filial conduct is at its core a familial concept, it grounds and guides norms of behavior in personal and professional relationships, especially relatively close ones, outside the family. The consequences of this most relevant to LGBTQ+ experiences in the workplace are the patriarchal and hierarchical aspects of filial conduct. Subordinates are expected to be deferential to superiors, where superiority is typically defined by job title as well as age. In much of East and Southeast Asia, seniority in terms of rank is closely correlated with age – there is a widespread sentiment roughly to the effect that opportunities to advance and make change in organizations require tremendous patience as one waits for the senior men to retire.

This high degree of deference to seniority is driven not just by Confucian views of hierarchy and respect for seniority, but also by widespread

cultural beliefs in the importance of maintaining harmony within social groups, businesses, and other organizations (Santoro and Shanklin 2021). In *Analects* 4:18, Confucius describes how to handle disagreements with parents, which again is taken as a model for handling disagreements with authority figures in general: “In serving your father and mother, remonstrate with them gently. On seeing that they do not heed your suggestions, remain respectful and do not act contrary. Although concerned, voice no resentment” (Ames and Rosemont 1999, p. 93). The parents in this passage are widely understood as placeholders for managers, executives and other leaders. The Confucian paradigm therefore prioritizes outward deference, whatever one's internal emotional state, so as to maintain the smooth functioning of the social unit, whether that be family, friend-group, work-unit, department, and so on. While businesspeople generally feel these pressures in Confucian-influenced cultural contexts to some degree or other, LGBTQ+ businesspeople typically feel these pressures more acutely. Not only must one remain respectful and comply with the directions of superiors, but one is expected to acquiesce deferentially to widespread suppression of LGBTQ+ people, experiences, relationships, and identities.

## Rights and Sources of Pessimism

In much of the world, rights have proven an important vehicle for protecting the interests of an individual, minority, or oppressed group against those of society, business and/or government. Especially in the Western world, rights-talk and -activism, in this case LGBTQ+ rights including marriage equality and legal antidiscrimination protections, are key means by which groups challenge and in some cases overcome the sorts of issues described above. Though progress is sometimes, indeed often, inhumanely slow, the articulation of rights-violations and the processes of ensconcing rights-protections into legal systems has resulted in major progress in increasingly many places around the world.

Notoriously however, rights, including civil rights and particularly human rights, do not translate well into East and Southeast Asian culture contexts. (For an up-to-date discussion of why and of some broader implications for international business, see Santoro and Shanklin 2021. There is an ongoing debate whether LGBTQ+ rights are human rights, civil rights, or both, but this article does not take a stand on that debate.) Rights as they are generally understood today are an ethical and legal framework developed (or discovered, depending on your background philosophical commitments) roughly 350 years ago during the European Enlightenment. Contemporary notions of rights are therefore Western and did not develop out of either indigenous or long-standing philosophies of East and Southeast Asia.

Not only do rights as a framework not fit well philosophically with Confucianism, there are several reasons why societies influenced by Confucianism are, to varying degrees, broadly resistant to rights-talk and -activism. For one, as suggested above, these societies' cultures tend more toward collectivism than individualism, in that individuals are generally expected to subordinate their interests to those of collectives of which they are members (families, work-units, departments, companies, etc.). This cultural tendency is directly at odds with one of the main purposes of positing rights in the first place – to advance and protect the interests of individuals, minorities, and oppressed groups. Another reason for this resistance is that there is a widespread and deeply engrained cultural distaste for adopting foreign ways and ideas when they are perceived to be at odds with traditional forms and values of East- and Southeast-Asian cultures. This is in large part because of how poorly many of these societies fared at the hands of foreign, specifically European and American, powers in the nineteenth and twentieth centuries. Resistance to foreign ideas is exacerbated when foreign powers accuse East- and Southeast-Asian countries of civil and human rights violations, when those very same Western powers have their own, often egregious, histories of rights violations. This suggests hypocrisy and is furthermore reminiscent of times when foreign powers imposed themselves culturally, militarily,

politically, and economically upon East- and Southeast-Asian societies, often to the detriment of those societies. (Examples abound, including: the Opium Wars, the Boxer Protocol, annexing Hong Kong, foreign-backed conflicts in Vietnam and Korea, military-backed pressure from France, Britain, and the USA to open Japan to foreign trade, etc.) Finally, many countries and cultures in East and Southeast Asia are old – in several cases, millennia old and hence much older than American and European counterparts. In Confucian contexts, age goes along with seniority and authority, so rights arrive in East- and Southeast Asia with multiple demerits: not only are they a foreign notion, where that comes with significant cultural baggage, but by Asian standards they are a Johnny-come-lately one on top of that. The accumulation of these factors often results in national indignation in response to foreign criticism about rights violations, as well as to foreign pressure to respect civil and human rights in general, and LGBTQ+ rights specifically. Altogether, these factors constitute significant barriers to the adoption of rights talk and activism as means to improve conditions for LGBTQ+ people in Confucian-influenced cultural contexts.

Traditional values and ideals continue to exert considerable influence on contemporary thought and behavior, including public perceptions. Same-sex couples who marry abroad and return home often choose to hide their status and face significant backlash both in person and online if they do not. In China, for example, homosexual couples living together continue to be harassed and even prosecuted, not under anti-LGBTQ+ laws, but under public nuisance laws (Rofel 2007, pp. 85–110). One scholar, Zeng Yi, publicly called same-sex marriage an “anti-human crime” (Tsoi-lai 2015). Another scholar, Fang Xudong, quoted the early Confucian Mencius (*Mèngzi* 孟子) in support of his claim that the Confucian duty to produce children outstrips one's own need for happiness, while simultaneously asserting: “Confucians don't have any discrimination against homosexual people” (Sheehan 2017). Perhaps Fang Xudong would be surprised to learn that the Confucian canon was cited in support of same-sex marriage in the US Supreme Court's

decision on *Obergefell v. Hodges*, though that reference was ridiculed by Justice Antonin Scalia in a note to the dissenting opinion as mystical aphorisms of the fortune-cookie.

Further pessimism derives from varying and often limited legal protections for LGBTQ+ people in many East- and Southeast-Asian jurisdictions. Same-sex activity is legal in China, Vietnam, Japan, and South Korea. In fact, in Vietnam it may never have been criminalized, and in Japan was criminalized only briefly in the late nineteenth century. Homosexuality is not mentioned in the South Korean constitution. In China, however, homosexuality was decriminalized in 1997 and removed from the official list of mental illnesses in 2001 (Sheehan 2017). There are laws allowing for legal change of gender in Vietnam and South Korea. There are similar protections on Taiwan as well as laws protecting against anti-trans discrimination in education. There are laws protecting sex reassignment treatments in South Korea and Japan as well as in Taiwan. However, broad national anti-discrimination protections relating to sexual orientation and gender identity are absent. Other than the education protection on Taiwan, when any such protections are present, they tend to proceed on city-by-city (China, Japan) or county-by-county (South Korea) bases. Confucianism per se does not appear to be a major cause of these realities – political histories are plausibly more important factors – but legal protections for LGBTQ+ persons as they relate to the workplace and elsewhere remain less developed in Confucian-influenced societies than in some others.

The combined influences of patriarchy, heteronormativity, hierarchy, social harmony, and ideals of filial conduct, all of which are distinctive of Confucian-influenced cultures dilute widespread public support for legal LGBTQ+ protections (Rofel 2007). Those influences further combine with widespread homo- and transphobia that persist in varying ways and degrees in all the cultures discussed here, though it is worth noting that experiences on Taiwan and Hong Kong have often been significantly less negative (Chiang 2018). In the workplace, together with cultural

tendencies toward collectivism over individualism, all these socially ingrained norms form a dense barrier to progress that reinforces desires not to stand out – as a Chinese proverb has it, “the nail that stands out gets hammered down.” Hence, while there have been pride parades – on Hong Kong and Taiwan, in Hanoi and many other cities in Vietnam, in Seoul and many other cities in South Korea, in Tokyo, and other cities in Japan – there are strong cultural disincentives to be visible and heard in the workplace and day-to-day life generally.

### Some Sources of Optimism

Despite myriad causes for pessimism, there are some grounds for optimism. In Japan, Vietnam, South Korea, and on Taiwan, where there is relative freedom of information, online communities have formed and constitute forums for discussion and advancement of LGBTQ+ interests. These are proving instrumental in helping LGBTQ+ people, especially youth, better understand themselves and their situations, as well as providing guidance on how to manage coming out to family, friends, and coworkers. In Japan and mainland China, for example, some LGBTQ+ people report that it is easier to come out to schoolmates, friends, and coworkers than to family (Rofel 2007; Tamagawa 2018). In addition, on mainland China, slowly but surely the internet generation will come into power, and despite close government controls, it is reasonable to think that this will open some doors to greater progress. A 2014 survey by *The Chinese Journal of Human Sexuality* indicated that nearly 85% of Chinese people already supported same-sex marriage (Tsoi-lai 2015). Some companies have taken it upon themselves to support their LGBTQ+ employees, for example, Alibaba has officially endorsed same-sex marriage, and together with Chinese LGBTQ+ oriented dating app Blued, has sponsored same-sex destination weddings outside China (Sheehan 2017).

There is even some reason for optimism, or at least hope, that LGBTQ+ civil and human rights, as well as rights generally as a legal-ethical

framework, will continue to gain ground in East- and Southeast Asia. Though Western in origin, there are non-Western declarations on human rights, including the Cairo Declaration on Human Rights in Islam of 1990 and the Bangkok Declaration of 1993. The latter sought to synthesize elements of the UN's (so-called) Universal Declaration of Human Rights together with Asian values including those discussed here, and with principles of national sovereignty as well as non-interference by foreign powers. Though the Bangkok Declaration stipulates significant qualifications to the UN's Declaration, as of the end of the twentieth century and into the twenty-first century, rights are becoming an increasingly global framework for articulating and addressing oppression, inequality, and other challenges facing LGBTQ+ as well as other populations.

There is evidence that, at least in some Confucian-influenced cultures, the most promising way forward, at least for the foreseeable future, will likely involve other approaches taken in concert with rights-based approaches. For example, recent research suggests that in East- and Southeast Asia, it is more beneficial to approach coming out not as a discrete (if repeated) moment of disclosure of one's sexuality or sexual identity to family, friends, or coworkers. Rather, many find it more productive and less risky to approach coming out as an iterative or "scaffolded" process that aims to maintain family and social-group harmony and integrity while overcoming specific sources of conflict between sexual minority individuals and those to whom they are coming out (Tamagawa 2018; Jhang 2018).

Among the most commonly reported sources of conflict are those one would predict given the discussion above: heteronormativity, the expectation that couples will produce children, and that children will care for aging parents as well as concerns about the homo- and transphobia that individuals will face. Iterative strategies are as varied as the specific realities of the individuals, families, social- and work-groups involved. However, effective strategies include: (a) articulating and critically examining one's own expectations as an LGBTQ+ person; (b) articulating and

critically examining parents/friends/coworkers' expectations; (c) slowly and subtly exposing sexual majority individuals, especially those with power within the relevant group, to LGBTQ+ friendly ideas; (d) as possible, slowly, and subtly exposing sexual majority individuals to positive depictions of LGBTQ+ people, (e) allowing LGBTQ+ status to be an "open secret" within the relevant group (in contrast to many Western LGBTQ+ peoples' expectations or hopes for overt acceptance and/or support), and; (f) slowly rather than suddenly introducing displays of affection such as hugging or holding hands (Jhang 2018). Though the last may be more relevant among family and friend-groups than in the workplace, these are among the types of techniques that have shown themselves effective. It must be acknowledged, however, that this type of approach places significant long-term burdens on LGBTQ+ people to manage the feelings, expectations, and understanding of the surrounding sexual majority people, including those with power over relationships, employment, and advancement. Also, as indicated above, improving conditions for LGBTQ+ people and other oppressed groups is often an excruciatingly long and inhumane process – this may be perpetuated by the long time-scale of the types of strategies just described.

## Conclusion

Though there is significant geographical variation, LGBTQ+ rights, both civil and human, have limited recognition and protections in Confucian-influenced societies and cultures. While rights-talk and -activism arguably continue to gain ground globally, both remain in tension with ingrained foundational values and ideals of Confucian societies, including heteronormativity, patriarchy, hierarchy, inter-group harmony, and filial conduct as well as widespread and often socially accepted homophobia and transphobia. In part, because of East- and Southeast Asian cultural-philosophical environments, civil- and human-rights talk tend to muddy debates about LGBTQ+ issues in these areas in large part because doing so introduces additional

controversies surrounding rights-talk and -activism to the conversation about LGBTQ+ status. Despite these challenges, rights as a legal and ethical framework remain a primary means for articulating problems and protecting the interests of individuals and groups against society, business, and government. There are some grounds for optimism arising not only from the global spread of rights as a framework, as well as of rights-talk and -activism, but also from promising, if painstakingly slow and burdensome, supplementary strategies for increasing visibility and acceptance among family, friends, and coworkers. It is not clear how things are most likely to go for LGBTQ+ people in the foreseeable future in Confucian cultural contexts. On the one hand, it appears that processes will likely remain slow and arduous, placing undue burdens on sexual minority individuals, groups, and organizations. On the other hand, international awareness of, and pressure toward equal protection continue to rise as increasingly many countries legalize same-sex marriage.

## Cross-References

- [China and Business Ethics](#)
- [Traditional Chinese Culture and Its Impact on Modern Business Ethics](#)

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## Conscience in Business and Organizations

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## Synonyms

Compunction; Inner voice; Self-judgment; Superego

## Introduction

In philosophical terms, conscience refers to the consciousness that individuals experience relative to their own actions in given situations, and more specifically, their judgments about whether these actions are consistent with their own internally held moral values, principles, and beliefs. A commonly ascribed aspect of conscience is that it facilitates integration of, or integrity between, the actions in which individuals engage, and the values, principles, and beliefs to which they subscribe and that they espouse (Baylis



2015). Specifically, when individuals engage in actions that violate their own moral standards, they experience undesirable, disquieting emotions such as guilt or shame that they wish to avoid. Conversely, when individuals engage in actions that are consistent with their own moral standards, they experience desirable, harmonious, or peaceful emotional states that they seek to maintain. Because different individuals prioritize different values and subscribe to different beliefs, subjectivity is a key characteristic of conscience.

### **Conscience in Business Ethics: Overview**

Within business ethics, the meaning and nature of conscience has often been left implicit, or briefly described as a construct that involves conscious ethical awareness, as well as processes of self-reflection on one's actions, feelings, thoughts, judgments, and integrity in relation to that ethical awareness. Kenneth E. Goodpaster offered a more robust discussion.

Goodpaster (2000) contrasted conscience with processes of mindlessness, thoughtlessness, and nonconscious self-deception, or uncritical reliance on organizational goals, technical requirements, legal regulations, policies, or value statements as corporately sanctioned substitutes for conscience. Goodpaster (2007) coined the term *teleopathy* to refer to a narrow and unbalanced quest to fulfill certain (organizational) goals in ways that could neglect moral consideration about both the means of attaining those goals, and the end goals themselves. He argued that fixation on such goals and rationalization of actions used to obtain those goals could, over time, result in detachment, or a dulling of conscience. As a remedy, Goodpaster (2007) argued for the development of conscience, involving the formation of good habits through application of certain underlying tenets of classical moral theory. This can guide individuals as they attempt to navigate and balance their own goals with the goals of their broader human communities. Building upon Catholic social thought, Bernacchio (2019) elaborated the importance of processes such as discernment in helping leaders foster the gradual development of principled moral action among employees. Understanding the personal

context and challenges faced by employees who are attempting to exercise conscience is seen as central to the task of helping employees form conscience.

### **Conscience in Business and Organizations: Themes**

Several themes emerge in relation to conscience in organizations. These include discussions of whether corporate level conscience can exist; the nature of corporate conscience; questions of whether corporate conscience should exist; and ethical issues associated with employee or corporate level conscientious objection in relation to specific work requirements. Consider each of these, in turn.

### **Can Corporate Conscience Exist?**

Corporations exist as artificial entities created in law. Although often anthropomorphized, corporations, as artificial entities, do not experience nor demonstrate aspects of conscience as conventionally understood. For example, unlike natural persons, corporations do not experience consciousness about their own actions in situations, nor do they experience disquieting emotions in response to decisions that are inconsistent with deeply held values.

However, despite their existence as artificial entities, it is often argued that corporations can have a conscience, as that which might reside in their membership. For example, the conscience of the founder or other influential leader might be projected onto (Goodpaster and Matthews 1982) and serve as the conscience for the organization (Blythe 2014). Members fulfilling particular roles such as public relations or HR are often seen as uniquely trained to consider human or public interest and therefore identified as those who could or should serve as the conscience for the corporation (St. John III and Pearson 2016). Conscience might also be created through the articulation, modeling, diffusion, and cultivation of certain values or moral principles throughout the entire organization. However, this would necessitate not simply an employee information



session but rather, meaningful opportunities, processes, and support for employee development and implementation of various, nuanced capacities that would foster the exercise of right conscience (Bernacchio 2019).

## What Is Corporate Level Conscience?

As alluded above, several conceptualizations construe corporate conscience as originating or residing within a primary and single corporate source (e.g., founder, influential leader, and department manager), to which others might also be held accountable. However, recent discussions reflect relational perspectives on corporate conscience.

Relational perspectives on corporate conscience reject reliance on a primary and single source or authority from which corporate moral values are enacted or diffused (Rojas 2019; St. John III and Pearson 2016). They also reject the view that the role of corporate conscience ought to be limited simply to maintaining corporate integrity, or the integration of corporate actions with a set of corporate values or moral principles (which might or might not be good values or principles). Rather, relational perspectives construe corporate conscience as a disciplined, proactive process of engaged dialogue, enacted throughout a web of interconnected stakeholders, both internal and external to the corporation (Rojas 2019; St. John III and Pearson 2016). Formal and informal dialogue with diverse stakeholders who might hold opposing views inspires corporate leaders toward effortful reflection upon values such as human dignity and social justice. Creative problem-solving can lead to generative opportunities and solutions for all.

## Should Corporations Have a Conscience?

Kenneth E. Goodpaster and John B. Matthews, Jr. (1982) acknowledged that individual values can be projected onto corporations but asked whether this should occur. Specifically, Adam Smith's invisible hand argument and John

Kenneth Galbraith's hand of government argument both suggest that corporations need only act responsibly within the systems of laws, rules, and incentives within which they exist. Invisible market forces, or visible government interventions, respectively, will shape the moral character of corporations, and corporations ought not to intervene in these processes through attempts to impose additional moral constraints. Goodpaster and Matthews (1982) challenged certain assumptions inhering these frameworks and deconstructed flawed objections to their alternative "hand of management" argument, which promoted agent (versus rule or system)-centered forms of organizational responsibility, characterized by rationality in moral decision-making and respect for diverse and underrepresented stakeholders as ends rather than means.

## Individual Level (Employee) Assertions of Conscientious Objection

Early research on conscience in organizations considered issues of work-related conscientious objection in which individuals make prospective claims that they are unable or unwilling to complete certain work tasks because doing so would contravene their own internal moral standards, thereby harming their personal integrity and wellness. Conscientious objection is an important area, because freedom of conscience is a fundamental value in many cultures (Von Bergen 2009).

Common examples of conscientious objection have been those occurring in health care in relation to provision of reproductive or assisted dying health services, and in military service in relation to taking human lives. However, a growing trend has been the expansion of conscientious objection, often on religious grounds, beyond such settings into other contexts, and the perception by workers that they should be protected in exercises of conscience that diverge from work demands. Examples have included objection against participating in the production of items perceived to promote violence or to be used for violent purposes; objection against work-related contact with alcohol or with other organizations

that condone alcohol use; and objection against having to sell (i.e., scan at a checkout) certain foods at grocery stores (Von Bergen 2009).

Various researchers have argued that decisions about whether conscientious objections ought to be upheld should be evaluated based upon several factors. Examples have included the centrality of the values upon which the objections are based to the individual's personal identity; the degree of commitment the individual has shown to these values; or the potential for negative personal impacts should individuals be required to engage in the actions against which they conscientiously object (Baylis 2015).

Other scholars have rebuffed the assertion that the purpose of conscientious action ought only to be that of facilitating personal moral integrity in which individuals integrate their actions with their personal values and beliefs (Baylis 2015). For example, what if the personal values with which individuals seek to integrate their actions are ethically concerning? Similarly, what if individuals asserted conscientious objection in the absence of reflective consideration of others, or at substantial costs to others? Instead, relational orientations comprising engaged, effortful dialogue with interconnected stakeholders, including those who might hold opposing views, are recommended, as this might facilitate creative, dignifying responses to what might seem like disparate underlying needs (Baylis 2015; Rojas 2019).

### Corporate Level Assertions of Conscientious Objection

The owners of corporations have also made conscientious objections on behalf of corporate entities. For example, in the widely noted 2014 US Supreme Court case *Burwell v. Hobby Lobby, Inc.*, the Court allowed the for-profit, but closely held, company Hobby Lobby to exclude certain contraceptives from employee benefits on religious grounds, even though provision would normally be required under the US Affordable Care Act. This outcome raised a number of ethical questions among scholars, including what the Court's decision might foreshadow in terms of varied religious

rights being granted to publicly traded (versus closely held) companies, and whether additional rights such as voting rights might similarly be conferred upon artificially created corporations.

In an incisive analysis of the ethical issues raised by various scholars, Amy J. Sepinwall (2015) argued that certain rights to religious freedom should be given to corporations only under two conditions. These include situations in which the controlling members agree on the exercise of a particular right, and only when these corporate rights are needed to fully uphold the religious freedom rights of the controlling members (not only in personal or family life but also in professional life). Although these two conditions might be met in closely held versus publicly traded corporations in relation to religious values, other rights, such as voting rights, are ones that can be fully exercised by individuals and hence need not be upheld in the corporate context. Sepinwall (2015) also identified that the costs associated with reduced contraceptive benefits should not become the responsibility of the employees, but rather the government, which both mandates the provision of these benefits through the Affordable Care Act and simultaneously upholds the human rights of business owners.

### Cross-References

- Bioethics
- Catholic Social Thought
- Corporations as Moral Entities
- Corporate Crime
- Corporate Psychopathy
- Leadership Integrity
- Social Responsibility and Business: The Milton Friedman Position

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## Contract Theory

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## Synonyms

Contractarian business ethics; Contractarian justice; Contractarianism; Contractualism; Social contract theory

## Definition/Introduction

Contract theory refers to a model of reasoning in political theory and in ethics more generally in terms of which authors aim to demonstrate the normative validity of a rule, principle, or institution, thereby making it plausible to a certain audience. In political theory these principles and institutions are often the authority of government, law, and other main social institutions. The

contract model then provides a solution to the problem of “political obligation,” i.e., it gives an answer to the question “why should we obey government and the law?” In ethics the contract metaphor is used to provide a justification for the system of norms as a whole.

The core of the contract model is the idea that such a norm or institution binds a certain target group or audience addressed if it can be shown that under certain carefully specified conditions, individual members of this audience *would agree* with the norm or institution. A primary characteristic of contract theory, therefore, is the individual perspective from which the justification proceeds. As Sugden (2018: 37–48) has recently reminded us, the contract model properly so-called consists of “a recommendation to a set of individuals, showing those individuals how they can coordinate their behaviour to achieve mutual benefit.” A well-formed contract argument therefore proceeds from the standpoint of “a mediator, helping the parties to a negotiation to find an agreement that they can recognize as mutually beneficial.” In contrast to a counselor advising separate individual parties, “the contractarian mediator is advising all the parties together.” At the same time, since the recommendation is addressed to each member of the community individually, its contents must be coached in terms which all parties can acknowledge. Following from these basic characteristics of contract theory is the idea of compensation, which links contract theory to the perspectives of rational choice and cost-benefit analysis (CBA) (“Rational Choice and Cost-Benefit Analysis (CBA)”). If “a specific policy proposal would impose harm on particular individuals, the addition of compensation payments may make the overall proposal mutually beneficial.” Another central corollary is that contract theory is logically incompatible with all forms of paternalism. Seen from a contractarian perspective, “a paternalistic recommendation *lacks a valid addressee*.”

In view of the modeling involved, the contract argument typically runs in terms of hypothetical, as opposed to actual, agreement. Since the work of Scanlon (1998), the standard distinction of contract theory is into *contractarianism*, building on the Hobbesian perspective of mutual

advantage, and *contractualism*, which goes back to Rousseau's notion of free and equal citizens and Kant's idea of rational autonomous agency.

## The History of the Social Contract Argument

The social contract model can boast a long tradition in political theorizing in which the model grew fashionable at certain times in order to disappear from view again for longer periods of time. In book II of his dialogue *Politeia*, which was set in Athens in 411 BC, Plato invokes a social contract account of the origin of society based on increasing specialization in the production of goods which in turn extended human needs and increased interdependencies. Plato then contrasts this starting point against his own blueprint for an ideal state. In the Middle Ages, at the time of the Investiture Controversy, when Pope Gregory VII quarreled with Emperor Henry IV over the right to appoint bishops, the Alsatian monk Manegold von Lautenbach invoked the contract model to secure the prerogative of his boss.

The social contract model took a very large flight especially during the period of the religious wars in England in the seventeenth century. In particular, the tightly reasoned contract model of Thomas Hobbes (1588–1679) contributed a lot to the popularity of the theory. Hobbes' framing proceeded on the thought experiment of a "Natural Condition of Mankind" in which there is no "common power to keep them all in awe." Hobbes (1651/1968: 189–217) recognized nineteen "natural laws" that are supposed to lead the behavior of people in the natural condition. For example, on the basis of the first law of nature: "every man, ought to endeavour Peace, as farre as he has hope of obtaining it; and when he cannot obtain it, that he may seek, and use, all helps, and advantages of Warre." The second law of nature tells us "That a man be willing, when others are so too, as farre-forth, as for Peace, and defense of himselfe he shall think it necessary, to lay down this right to all things; and be contented with so much liberty against other men, as he would allow other men against himselfe." These various laws

of nature specify to each individual how it would be in her rational self-interest to fulfill the terms of any contract she has made, provided she has sufficient assurance that the other party to the contract will perform too.

Given the motivation of individual citizens in the state of nature, everyone will continuously seek to neutralize other individuals in society by way of precautionary measure. In these circumstances, life would inevitably be "solitary, poor, nasty, brutish, and short," as one of the most famous phrases in his book *Leviathan* (1651) was formulated. Given Hobbes' modeling there was only one possible option for rational individuals to secure themselves against this omnipresent threat and that was by transferring all authority to a "sovereign representative" of the Commonwealth which was to be constituted by such a contract. Hobbes' version of the social contract argument works as an "alienation contract," i.e., "the position that the ruler is instituted when the people surrender their power to him" (Hampton 1986: 3). The paradox of Hobbes' analysis, of course, was that it could be used to support both the absolute regime of Charles I and the authority of Cromwell, once he had taken power and Charles was beheaded.

In the hands of John Locke (1632–1704), the social contract argument takes on a very different meaning. Locke's account of natural law gives a much more rosy picture of the state of nature. In his version of the model, the argument to consent to the establishment of a civil government is more like an unfortunate side effect of the dynamics between individuals in the state of nature. The problem that Locke outlines is basically the problem of a judge in his own case. Because everyone acts as the executor of the law of nature, people easily yield to the temptation to overcompensate. This is essentially the same mechanism that some scholars of international relations invoke to explain the nuclear arms race. Eventually, the reason why Locke thinks it is rational to agree with the institution of a civil government is therefore a pragmatic one. Civil strife is actually a by-product of how individuals interact under state of nature conditions, and it does not at all resemble the grim image

of Hobbes. Locke's version of the social contract argument is the classical version of an "agency" contract, i.e., "the position that the ruler's power is only loaned to him" (Hampton 1986: 3). This particular rendering of the argument much better fits Locke's objective, justifying the resistance against the reign of King James II regime and with the justification of the Glorious Revolution in 1688, in which the Dutch Stadholder William III and his wife Mary (who was James' daughter) took over the throne.

Jean-Jacques Rousseau (1712–1778) developed two separate variants of the social contract model. In his entry for the Academy of Dijon essay competition, the social contract appears as a clever intrigue of the rich against the poor. And although the smartest among the poor saw through this trick, they also realized that there ultimately was no alternative but to agree to the terms of the contract, because people had grown so dependent on each other that they could no longer return to the idyllic natural state. Although *Du Contrat Social*, Rousseau's most famous book in political theory, bears the name in its very title, his second version of the social contract deviates in an important respect from the standard model based on consent with the establishment of government by rational individuals in the state of nature as developed by Hobbes and Locke. Instead of individual consent, Rousseau introduces the idea of a general will that must be presupposed in order to conceive of a society in the first place. Rousseau is not clear about the origins of this notion, but the main line of his political theory amounts to realizing that the sum of all individual wills (to which he refers as *volonté de tous*) should be made to coincide in such a (*volonté générale*). Rousseau's innovation of the social contract model is further elaborated in the philosophy of Immanuel Kant (1724–1804) in which the idea of a social contract emerges as a hypothetical "idea of reason" forming part of the structure of the practical reason. "This idea . . . can oblige every legislator to frame his laws in such a way that they could have been produced by the united will of a whole nation," and obligate each citizen "as if he had consented" (Kant 1793/1991: 79).

## Contemporary Applications of the Social Contract

### Political Contract Theory

Since the culmination point of the classic social contract tradition in Continental Europe in the seventeenth and eighteenth centuries, the model effectively fell into oblivion until it was revived in the second half of the twentieth century in the work of John Rawls (1921–2002). With this author the application context of contract theory shifts from a substantiation of the authority of the state, the law, and the issue of "political obligation" to the problem of "distributive justice." The question is no longer why people would in fact have reason to obey the law, but how society could be organized in such a way that the surplus yield of joint lusts (and the necessary burdens) that arise from society can be divided fairly. Rawls only looks at society in its main outlines: his justification of the existing system in Western liberal democracy focuses on the "basic structure of society," by which he thinks of the main institutions such as basic liberties, competitive markets, private property, and the monogamous family. The core function of the "state of nature" thought experiment in the classic social contract tradition is substituted by the idea of an "original position" in which contractors deliberate on the principles on the basis of which a just society can be organized, while all relevant information, which would render partial their deliberations, is kept away from them behind a "veil of ignorance."

Rawls' influential social contract model prompted two broad lines of criticism. In the 1970s, Robert Nozick (1938–2002) developed a theory in which, based on the idea of the state of nature, the social contract served to justify a minimal state, but none of the extensive provisions of the modern welfare state which Rawls' model recommended. Nozick's interpretation of the state of nature formed the basis for a flourishing tradition of libertarian political theory that encompassed both a right-wing and a left-wing variant. In the 1980s, Rawls' project for a comprehensive social contract was criticized by Michael Walzer (1983) and a number of other



“communitarian critics” who sought to replace the individual starting point of the social contract argumentation with a model whereby individuals are conceived as beings which can only flourish as part of greater social bandages. There is no single overarching conception of justice that applies to all social domains. Instead, we should think of society as organized into different *Spheres of Justice*, such as education, medical care, office, free time, love, and divine grace, each of which has its own standards of justice.

Under the influence of his communitarian critics, Rawls saw fit to substantially revise his theory in the course of a number of articles that were eventually bundled in his book *Political Liberalism* (1996). The original (1971) version of his social contract model was based on a methodology of “wide reflective equilibrium” and assumed a full and uniform consensus shared by all the participants to the social contract. The (1996) revision of his work relaxed this to the methodology of “overlapping consensus.” This is “a consensus that includes all the opposing philosophical and religious doctrines likely to persist and to gain adherents in a more or less just constitutional democratic society” (Rawls 1985/1999: 390). In this line of thought, the existing order can also be legitimized by a conclusion shared by different participants for different reasons. Only in this way does Rawls consider it possible to arrive at a stable “conception of justice.”

Further elaborations of political contract theory were developed by Habermas (1981) and Akkerman (1980). According to Habermas, the best basic structure consists of an arrangement that is endorsed by participants in a collective debate under ideal speech conditions. That generally comes down to conditions of equality where everyone has the opportunity to participate in the debate and where everyone can question the claims of others. Habermas argues that it is not pragmatically possible to refer to reasons that serve only one’s own interests in such a public-oriented discussion. In this way he trusts that a basic structure will be chosen that best serves the public interest. In Akkerman’s variant of the model, the best basic structure is the arrangement

that is established in a dialogue that meets the neutrality condition. This means that no one can claim that her conception of the good is better than any other conception nor that she is intrinsically superior to any of her fellows.

### Moral Contract Theory

As mentioned, the contract metaphor is also used to provide the broader field of ethics with a normative foundation. Gauthier (1986) starts from the idea of mutual advantage and sets morality against the operation of the perfectly competitive market. Where interactions between people can be steered through market transactions, there is no need, not even room, for morality. According to Gauthier, the market is a “morally free zone.” But wherever the market fails, we do need moral rules. What these rules should look like is determined in Gauthier’s project on the basis of a contract between rational agents who have to adhere to the principles of “minimax relative concession” and “constrained maximization” (ibid.: 141–189). There is also a natural baseline to these controlled negotiations, for which Gauthier reverts to a clause from Locke’s theory of acquisition under the Law of Nature, the so-called proviso: everyone is free to arrange everything with each other as long as “enough and as good” quality resources remain for others to exploit (ibid.: 192). Finally, there is the idea of an Archimedean point. Just as Archimedes was looking for a sufficiently long lever and a place at a sufficient distance from the earth to be able to lift it, Gauthier argues that the form and content of moral rules must be generalizable in such a way that they can apply as moral rules for everyone.

Under the heading of *contractualism*, Scanlon (1998) develops a method to give substance to the idea of what he calls “the morality of right and wrong.” This is the whole set of value judgments that can turn out to be right or wrong. There is a certain delineated field of moral considerations that not only reflect values but also create obligations. *What We Owe to Each Other* develops a methodology based on the idea of “reasonable rejectability”: you can keep people to commitments if these cannot be rejected on reasonable



grounds. An example of a norm open to reasonable rejectability would be a principle requiring strict neutrality between friends and strangers. Such a principle can very well be rejected because it is incompatible with the attitudes and values of friendship (ibid.: 219). An example of a norm that cannot reasonably be rejected is the rescue principle: “If you are presented with a situation in which you can prevent something very bad from happening . . . by making a slight (or even moderate) sacrifice, then it would be wrong not to do so” (ibid.: 224).

### Contractarian Business Ethics

In addition to political theory and ethics, the social contract model has also been used for the more applied analysis in business management issues. In their project for an Integrative Social Contracts Theory (ISCT), Donaldson and Dunfee’s (1999) aim is to apply the contractarian perspective in the development of specific norms for economic morality. The idea of an “integrated” model in the title refers to the need to reconcile two levels at which social contracts operate. At the micro-social level, all kinds of norms originate from consent within a certain community. This includes profession-specific standards within individual sectors such as education, healthcare, the legal profession, retail, or the social cultural sector. Another category of micro-social norms consists of business links between different national states and instances of foreign direct investment. Where standards will presumably work well within sectors and national economies, they may easily conflict with each other if they are used between sectors and beyond national borders. Donaldson and Dunfee aim to resolve these kinds of conflicts by means of a macro-social contract. Two main devices of this contract are hypernorms and priority norms. Examples of practices that can be rejected using these hypernorms and priority rules are international bribery, gender discrimination, and workplace safety. In these cases, the authors argue, hypernorms will overrule possible local micro-social contracts warranting these practices.

By way of a final observation, contract theory “appeals to people who take an outsider’s view

of politics, thinking of public decision-makers as agents and themselves as principals. [This kind of people] does not think that he has been unjustly *excluded* from public decision-making or debate; he is more likely to say that he has (what for him are) more important things to do with his time” (Sugden 2018: 52).

### Cross-References

- [Animal Ethics and Business Ethics](#)
- [Locke, J.](#)
- [Property Rights](#)

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## Core Values

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### Synonyms

Ethical beliefs; Individual, social and moral norms

### Introduction

Core values are fundamental belief systems of individuals, teams, organizations, and societies that convey how these entities should conduct themselves, and indicate their preferences regarding outcomes they would like to obtain. At any level, these beliefs act to mold perceptions, attitudes, and affect, and guide motivation and behavior. A particularly important influence of value systems occurs in the process of making decisions with ethical implications.

### Values at the Individual Level

At the individual level, people hold core beliefs about how they ought to behave in various life domains (e.g., being benevolent toward others; working to achieve a goal, acting with integrity). They also express values in regard to their preferences as to what they will receive (e.g., a stimulating life, a challenging job). Values are considered to be important cognitions within the self-concept, providing guidance as to generalized modes of conduct, and forming a primary component of identity, the *ought* self, whereas preferences are beliefs about what one wants – part of

the *ideal* self. These dual aspects of values are related, such that cognitions about what one should do influence one's ideal-self preferences, and these preferences can affect beliefs about the ought self. Because identity-related beliefs are some of the most deeply held of cognitions, values tend to be stable and significantly mold other cognitions, motivations, and behaviors across situations. Therefore, values are not merely evaluative, attitudinal, or affective reactions; they are central elements of one's identity, and as such, provide organization for these other identity elements. One's conceptions of fact are also shaped by one's system of values, for example, the belief that jobs requiring higher skill levels must command more compensation.

Many scholars (e.g., Schwartz 1992) conceptualize values as responses to basic human needs: biological imperatives and requirements for functional social interaction and the survival of higher-level aggregates such as groups and organizations. Values are strongly socially desirable because they are developed as potential solutions to universal social issues. This means that most individuals will endorse the importance of value-related statements. Therefore, to better understand how individuals make choices between behaviors that represent different values, most researchers conceptualize individual work value systems as structured based on the extent of their impact on evaluations of objects, events, and behavior at work (Meglino and Ravlin 1998), although others have disagreed with such a ranking approach. Despite learning as children that one should always be honest or do one's best work, as individuals mature, these all-or-nothing beliefs become integrated as a value system. Decision situations often require the choice of one value-relevant behavior over another when they conflict; but over time, or in decisions with potentially complex responses, individuals may attempt to satisfy multiple values in their actions.

Values are inculcated at very early ages within families or other childhood socialization settings. Therefore, differences in core values are evident based on the societal culture that has developed over the history of particular nations or regions. However, general clusters of values are associated with universal issues human societies must

address. These include (1) how the individual relates to the collective; (2) the extent to which hierarchical differences are endorsed to maintain order; and (3) how the social world relates to the natural world (control orientation versus adaptation). As such, a relatively small number of values generalize across societal cultures, and thus enhance our understanding of differences in cognition, attitudes, affect, and behavior across the world.

Schwartz's (1992) research identifies 10 types of values in a broad variety of societal cultures: tradition, conformity, security, power, achievement, hedonism, stimulation, self-direction, universalism, and benevolence. These values have consistent relationships with one another, such that when an individual acts, or fails to act, on a specific value, other values are impacted as well. This is consistent with our understanding of values as a set of cognitively networked congruent or conflicting self-beliefs. This body of research indicates that specific pairs of values foster the fulfillment of each other (e.g., power and achievement, hedonism and stimulation, tradition and conformity). Further, two fundamental categorical conflicts are evident. First, certain values demonstrate openness to change (stimulation and self-direction) versus conservation (security, conformity, tradition). Second, self-transcendence (universalism, benevolence) conflicts with self-enhancement (achievement, hedonism, and power). Note that these conflicts are not inconsistent with the socially desirable nature of all values; rather, they imply the difficulty of enacting all values that one might endorse in one situation.

In addition to familial and cultural contexts, individuals learn core values from other societal institutions (economic, educational, and political). Factors such as personality, cognitive moral development, and other individual differences also have implications for an individual's value system. For example, values and personality are correlated, but both explain unique variance in occupational preferences. Because of their early socialization and social desirability, and relationships to such stable factors as culture and personality, values tend not to change much during adulthood. The lifecycle stage when they are

most subject to change is young adulthood, the phase in which individuals are most likely to experience significant new challenges and circumstances (18–22 years old). Such a shift is likely to require alterations in significant portions of the self-schema, encompassing related cognitive and affective elements. Studies over several years tend to agree that values are characterized by stability, but that there are some life cycle changes. Extrinsic and status-oriented values, in particular, have been noted to increase over the life span.

Direct conflict between values may produce a change in value rankings, and over time, individuals may find it easier to violate a value having violated it once, until ultimately it loses some of its importance. Because values are expected to function to help meet basic needs, repeated failures of a value-related behavior to help in this regard may also lead to systemic changes over time. Such processes may explain long-term, context-independent value changes in adults, although these are less likely to be observed. When the social environment in which individuals are embedded is altered, for example, through technological or financial shifts, value structures may evolve quickly, although these shifts may be temporary or liminal phases demarcated by more stable, and possibly more similar, periods. Recent scholarship has also investigated how one's cultural values may change through immigration, noting that length of time and amount of education in the new culture, and frequency of contact with locals, are important factors in how much change occurs. Even after two decades, however, acculturation is not complete (Taras et al. 2013).

**Work Values.** In the specific domain of work and organizations, work values have been studied extensively in terms of their content, acquisition, and change. They are often categorized in four commonly identified types: (1) extrinsic or instrumental values (bestowed by others; pay raise, bonus), (2) intrinsic or cognitive values (experienced internally; challenge, development), (3) relational or social values (respectful and/or friendship relationships between coworkers), and (4) power or self-enhancement values (gaining authority or status). Work values may be

considered to be context-specific manifestations of general life values; however, they may also shape life values in other life domains over time. Although some authors have argued for a compensatory approach in which people satisfy different values in different areas of their lives (e.g., achievement in work roles, concern for others in community roles), this idea has received limited research support. Instead, evidence tends to support the spillover of values between work and other life domains. This is consistent with the view that values are an important part of one's self-oriented beliefs, which would suggest some coherence across different contexts and role identities.

The cultural patterns described above are pervasive in the manifestation of work values because they indicate desirable ways of solving organizational problems, such as how order will be maintained. If a society endorses hierarchical means of control, power and self-enhancement work values will dominate, likely at the expense of egalitarianism and harmony (cultural values) and an emphasis on relationships (work values). In the workplace, interpersonal processes central to organizational effectiveness, such as communication, conflict resolution, and status organizing processes, have all been shown to be subject to cultural value differences.

A frequently expressed concern in recent years has been that in the United States and some other developed countries, a desire for increased balance of work and nonwork values is eroding work ethic (achievement) values. One potential cause for this shift may be that achievement-related behaviors, or lack thereof, are no longer as likely to significantly change one's socioeconomic status and the lifestyle one can afford as they may have been in the prior century. Research supports the existence of generational differences in work values. Specifically, nonwork values are of more, and work values of less, centrality to younger generations. Other-oriented (e.g., helping) work values, however, do not appear to differ.

**Effects of Work Values.** Although in some instances espoused values can be argued to be a product of behavior when they are used to

legitimize actions that have already been taken, research clearly shows individuals' work values mold perceptions and interpretations of events in the work environment, particularly in ambiguous or uncertain contexts. Further, values influence goals, which in turn lead to effortful behavior. In addition to the mediating role of goals, the extent to which one has discretion over action, and identifying an action as value-related, influences whether values will predict behavior in any given situation. As such, work values are motivators in that they indicate which pathways are ideally more attractive than others based on whether the action itself is valued, or because the action is associated with a valued object, goal, or event. The values of managers and coworkers have also been shown to shape individuals' motivation (e.g., toward safety behaviors), and work values also predict the development of relationships with coworkers.

Research examining specific values has noted some interesting effects. Individual values related to openness to change are significantly predictive of the choice to become an entrepreneur, but only when societal values do not support entrepreneurial behavior. In addition, findings show that those who place more importance on intrinsic values are more likely to report higher person-organization fit two years later, whereas those who emphasize extrinsic values are less likely to be unemployed. Ethical decisions in the work environment are also related to individuals' values. For instance, a dominant honesty orientation produces more ethical actions. Individuals' green (environmental) values have significant impact on their green (environmentally friendly) behaviors, and recent research shows that individual green values enhance the effect of organizational green human resource practices on both employees' in-role and extra-role behaviors. Additionally, social value orientation (pro-social versus self-oriented) has been studied as a predictor of cooperative behavior in cooperative tasks or social dilemma situations. These relationships between values and behavior are often small at any one point in time but are stronger when examined over time, as with other individual differences.

## Values at the Organizational Level

Organizational values are a fundamental component of the organization's culture, in addition to underlying assumptions and normative practices. These values are most often explicitly articulated by and disseminated from the organization's leadership, and are influenced by the competitive environment and other industry-specific qualities. An influential framework for understanding organizational culture and its effects is Quinn and colleagues' Competing Values Framework (Quinn and Rohrbaugh 1983). This approach utilizes two dimensions, control versus flexibility and internal versus external focus, to describe a range of effects. For example, organizations focused on external values and a control orientation are characterized by efficiency, planning, and goal setting. Organizations with an internal focus and a flexible orientation are likely to emphasize human resources development, morale, and cohesion. Recent research has shown that organization values differ across organizational types (e.g., for profit, not-for-profit, government), and stakeholder cultures have also been identified, with emphases ranging from self-interest to concern for all stakeholders.

Organizations socialize employees to understand, accept, and internalize their desired work values, and this process is an important source of change for individual values. Formal socialization processes, myths, stories, and their repetition are used to inculcate the organization's preferred values. Martin (2016) provides data on the effectiveness of narratives in this context based on values violation and the central actor in the story. Compared to stories centered on high-level actors, stories of lower-level actors acting in value-consistent ways led to newcomer self-transcendent (other-oriented) behaviors and reduced deviance. Stories featuring high-level actors, as opposed to lower-level employees, who violate organization values negatively related to both newcomer self-transcendence and deviance. For an individual to internalize organizational values, these values must be functional for the individual, or appear to be the only available path for behavior. Stated or espoused values may

produce transitory changes in behavior; however, if organizations do not support them in more tangible ways, these changes will dissipate. In such situations, employees may come to espouse these values (as does upper management), but recognize there is no need to enact them. When significant numbers of employees enter the organization at the same time, or when top management is replaced, these newcomers may have significant influences on organization values, as opposed to being socialized by the organization.

## Value Sharing

Value congruence refers to the alignment between employees' values and those of their supervisor or organization, and is therefore *supplementary*, as opposed to *complementary*, in nature; that is, similarity is its basis. Value congruence is generally considered beneficial for employees. It enhances employees' trust in their organization and their communication with others, leading to higher job satisfaction and commitment, and lower turnover intentions. Recent research shows that employees' value congruence with their organization is the key for human resource management effectiveness in retaining employees. Additionally, value congruence between employees and their leader fosters employees' identification with the leader.

The underlying mechanism of such positive influences of value congruence on employees' attitudes and behaviors is argued to be that value congruence satisfies one or more of a person's fundamental psychological needs, such as a desire for belongingness, or having discretion over one's actions. When employees experience value congruence with their organization, they feel that their identity matches their organizations' expectations of them, leading to a reinforcement or verification of their desired self-image. As a result, value congruence motivates employees to engage in their jobs and leads to increased task performance and citizenship behavior.

Recent research has refined our knowledge of value congruence by exploring the importance of the type and direction of congruence, and also

which value alignments may matter most. The majority of value congruence research is founded on the conceptualization of values as beliefs about how individuals should behave (i.e., *ideal value congruence*). This focus is consistent with an emphasis on individuals' approach or promotion motivation. However, congruence may also exist between employees and their organization concerning what they desire to avoid (i.e., *counter-ideal value congruence*; prevention motivation focus). Researchers have found that counter-ideal value congruence is positively related to employees' trust in their organization even when controlling for ideal value congruence. Congruence can also exist for either "high-high" or "low-low" shared value situations. For instance, value congruence that exists between employees and organizations who both have high concerns for the environment has greater influence on employees' job satisfaction and creativity than congruence that exists between employees and organizations who both have low concerns for the environment. In addition, recent scholarship has found that the effects of value congruence may be limited to certain values. For example, value congruence has been found to only benefit commitment when the values alignment concerns organizational performance expectations for employees.

Value incongruence has generally been viewed as detrimental for employees. The underlying reasoning for this is that the mismatch between employees' values and those of their organization may diminish employees' ability to fulfill their fundamental psychological needs and inflict harm on their self-esteem. Individuals feel that they are not able to enact their true identity as they attempt to meet the organization's expectations and that, therefore, their work is not meaningful. This lack of alignment may lead to ego depletion, the effects of which are independent of attitudes (job satisfaction) that may mediate the relationship between value congruence and performance. As such, employees experiencing value incongruence will not be satisfied or fully engaged in their jobs and may suffer from burnout, leading to increased intention to leave the organization and diminished job performance. These findings

are based on the assumption that employees are not able to change their situation, and will eventually leave their organization. However, recent research has showed that under some circumstances, employees can cope with and combat value incongruence with their organization through proactive work (i.e., job crafting) and nonwork or leisure behaviors.

Evidence has been very consistent that work value congruence relates to positive attitudes; however, the relationship between value sharing and performance across multiple contexts remains less clear. Congruence within an organization has been argued to create smooth internal processes, as shared mental models of desirable behavior and goals reduce conflict and uncertainty. This argument is consistent with the Attraction–Selection–Attrition approach, which indicates that organizations become more homogeneous as similar job candidates are attracted to, and are likely to be satisfied and stay with, the organization over time. However, consistency between the organization's values and the external environment has been viewed to lead to higher performance; that is, the organization must be mindful of the values of its external stakeholders in order to meet their demands as well. Organizational performance may be enhanced by the positive affect and identification generated by employee value congruence, at least in some situations. However, strong evidence on team composition clearly demonstrates that cognitive heterogeneity contributes to effectiveness in dynamic or creative contexts. The bridge between shared values, which can reduce uncertainty and act as a moral compass for the organization, and constructive differences between task perspectives, remains to be fully articulated.

## Cross-References

- ▶ [Company Socialization and Ethical Fit](#)
- ▶ [Ethical Climate and Ethical Culture](#)
- ▶ [Leadership Moral Foundations](#)
- ▶ [Person–Organization Fit](#)
- ▶ [Values-Based Consumption](#)
- ▶ [Values-Based Management Theory](#)



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## Corporate Crime

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## Synonyms

Crimes of the powerful; White-collar crime

## Introduction

Messages about the benefits of private enterprise inundate contemporary capitalist society. Corporations encourage us daily to purchase their products or invest in their stocks. Most major companies tout their commitments to social responsibility, declaring their respect for the environment and support of charitable causes. Governments declare that corporations offer much-needed jobs and the most effective and efficient means of accumulating and distributing wealth throughout society. Mainstream media portray “captains of industry” as role models and remind us that consuming products is socially and economically beneficial. It is virtually impossible today to envision a world without corporations;

we are transfixed by dominant beliefs that they are inherently good.

While corporations do generate certain benefits – new technologies, essential medicines, and employment – they also routinely break the law and cause untold harm. On a global scale, corporations annually kill hundreds of thousands of workers, injuring millions more, through unsafe and illegal working conditions; kill and sicken thousands of consumers by producing unsafe pharmaceuticals and other dangerous products; damage and destroy the environment by illegally dumping toxic waste into watercourses and landfills and spewing harmful cocktails of pollutants into the atmosphere; and steal millions of dollars through fraudulent accounting, price-fixing, and illegal insider trading. Far from the preserve of “rogue” or “fly-by-night” organizations, many highly respected companies – so-called industry leaders – are guilty of these offences. What is more, corporations and corporate actors are rarely charged for their crimes, and for the few who are convicted their punishments are rarely severe (Glasbeek 2017). The nature and extent of corporate offending raises vital questions about how best to regulate and control corporations.

Understanding corporate crime in contemporary capitalist society entails some consideration of how we define this phenomenon, including the political-economic influences that shape how we conceptualize and respond to corporate malfeasance. It also involves contemplating whether corporate crime is a result of individual wrongdoing/ethical failures or a by-product of decision-making within corporate capitalism.

## What Is Corporate Crime?

A range of terms have been used over the years to describe crimes committed by corporations and their actors or representatives: white collar crimes, corporate crimes, elite deviance, crimes of the powerful, economic crimes, occupational crimes, and safety crimes. There are generally two categories of corporate crime: financial corporate crime, or activities such as insider trading, fraudulent bookkeeping and price fixing; and social

corporate crime, encompassing offences against the environment (air and water pollution) and occupational health and safety crimes (unsafe and dangerous working conditions).

Important distinctions exist between the different terms used to describe corporate offending. Chief among these is the difference between white-collar and corporate crime. Edwin Sutherland, who pioneered the term white-collar crime in the 1940s, defined this phenomenon as: “crime committed by a person of respectability and high social status in the course of his occupation” (Sutherland 1983: 7). Sutherland challenged the ideologically based notion that crime was a distinctly lower class phenomenon; he argued in reality businessmen and professionals routinely committed serious harm and wrongdoing. Corporate crime scholars argued that Sutherland’s definition anthropomorphized the corporation, meaning that committing an offence was an individual act or choice to transgress the law. These scholars instead directed their attention to the organizational and socioeconomic factors of corporate crime, employing definitions that transcended humanist accounts to conceive corporate offending as a result of “structural irresponsibility” (Tombs and Whyte 2015). From this perspective, the modern corporation’s incessant demand for profit maximization – the corporation as amoral calculator – makes it inherently criminogenic, a situation worsened by the corporation’s legal status as a natural, independent person with limited liability (Glasbeek 2017). This approach does not suggest that individuals are without fault – i.e., some individuals within corporations do make decisions to act unethically and illegally – but that the pressures of profitability influence actions.

### **Neoliberalism and the Corporate Criminal**

Beyond definitional considerations, it is impossible today to understand corporate crime without some reference to neoliberalism. Beginning in the early 1970s, as Western states faced growing fears of stagflation and increased global competition, neoliberal economic reasoning began to dominate

the political and economic landscape, bringing about the death of state socialism. Massive cut-backs to welfare, social services, and post-secondary institutions and a quasi-religious commitment to programs of privatization followed. Corporate leaders argued that laws governing the economic realm were unnecessary, even redundant, because competition through free markets was the best way to separate out irresponsible employers and corrupt practices.

Deregulation of the economic realm became the dominant mantra of the 1980s and 1990s. Fuelled by visions of bureaucratic red tape and rhetoric denouncing the “regulatory burden” imposed on business, Western governments ditched numerous regulations in the name of economic progress, efficiency, and the neoliberal promise of tax cuts. In some arenas, corporate crime disappeared as both a concept and in law, overshadowed by deregulation, downsizing, and claims that supported corporate capitalism. In others, the state did not totally abandon its efforts to regulate business but reconfigured these responsibilities in ways that favored the interests of corporations and the markets.

Myriad consequences followed this shift in public policy toward privatization. In particular, corporations used their newfound freedom to run their businesses in the most efficient way possible, extracting the maximum amount of labor for the minimum amount of pay and exploiting the burgeoning financial markets to the greatest extent possible. Unfortunately, this “freedom” had an ominous downside, evidenced by a seemingly endless list of high profile corporate disasters, including: the 1982 Bhopal chemical disaster that killed thousands instantly and seriously sickened and killed thousands more in the following decade; the sinking of the sea ferry, the *Herald of Free Enterprise*, outside the Belgian port of Zeebrugge in 1987 killing 193 passengers and crew members; the BP oil disaster in the Gulf of Mexico in 2010 that killed 11 workers and destroyed the aquatic environment along the Louisiana coastline; and the 2008 global financial crisis where world GDP declined 6%, \$25 trillion was obliterated overnight, hundreds of thousands of people lost their jobs and pensions, and the

greatest economic downturn since the Great Depression ensued. Neoliberalism has thus profoundly shaped the production of corporate crime in recent decades.

### Globalization

While corporations have long operated globally, the full forces of globalization were only realized in the 1980s and 1990s when trade agreements abolished national protective tariffs and established a truly global economy. Since most laws restricting and regulating corporate operations were (and still are) state based, and many countries in the Global South have inadequate or absent labor, environmental and financial laws, transnational corporations had what amounted to free rein to run their businesses in ways that maximized profits and externalized all environmental, social, and cultural costs. Raymond Michalowski and Ronald Kramer (1987) characterized this situation as transnational corporations exploiting the “space between laws,” relocating their production processes to jurisdictions with less onerous regulations, therein ensuring that “injurious acts” prohibited in their home country went uncensored in the host countries where they operated.

### Corporate Social Responsibility

Alarmed by the growing amount of corporate malfeasance, particularly with respect to transnational corporations operating throughout the Global South, nongovernmental organizations and human rights groups promoted corporate social responsibility (CSR) as a means of conveying what they expected of corporations both normatively and ethically – expectations that extend beyond the incessant drive for maximal profits. Two notable initiatives by the United Nations exemplify these efforts: the Global Compact, developed to promote social responsibility among some of the world’s largest companies; and the UN Special Representative of the Secretary-General (SRSG) on business and human rights, charged in 2005 with identifying and clarifying human rights “standards and practices” for businesses and providing recommendations for their implementation. While proponents applauded these efforts for promoting CSR, critics

worried about their voluntary nature; that without legal obligations empowering authorities to investigate allegations of corporate wrongdoing, issue punishments and/or remedies, and independent verification to ensure that corporations amend their policies and practices accordingly, they were (and are) largely symbolic and toothless responses. In addition, despite positive corporate rhetoric supporting the UN’s work, corporate behavior around the world seems pretty much unchanged.

Beyond the UN’s work stands a plethora of CSR initiatives, including corporate-led social responsibility programs and reports, specialized CSR training and management opportunities, NGO efforts to hold companies to account for their commitments and academic resources. Most major companies now invoke the triple bottom line in reference to their commitments to balancing economic, social, and environmental responsibilities. However, despite lofty claims, the language of CSR – e.g., caring, respect, sustainability – is vague and imprecise, creating a void to be filled by powerful corporate interests. In addition, CSR is an attempt by corporations to avoid formal state intervention or regulations in favor of nonbinding (self-regulatory) codes of conduct, industry standards, and benchmarks. Corporate actors have always quickly and aggressively resisted any CSR proposals that include legislative requirements, helping cement the idea that social responsibility is a voluntary measure. What is more, CSR may simply be another economic “opportunity” for companies to engender consumer loyalty; a form of brand messaging that facilitates corporate expansion into new markets. In the end, despite the extensive literature on CSR, there is virtually no definitive information regarding how it can be realized or its overall efficacy in preventing corporate wrongdoing (Tombs and Whyte 2015: 117–127).

### Reconfiguring State-Corporate Relations

Lurking behind calls for greater CSR is an apparent inability or unwillingness of states to address corporate harm and wrongdoing. The history of capitalism is one in which the interests of states and corporations have frequently (albeit not

necessarily or automatically) converged. Even as states enacted laws aimed at protecting citizens from the abuses of corporate power, governments found it difficult to separate themselves both ideologically and materially from the interests of private enterprise – a truly contradictory position when contemplating measures to discipline corporations.

Ronald Kramer and Raymond Michalowski coined the term state-corporate crime in acknowledgment that states and corporations “intersect” in the production of corporate offending. As Kramer et al. (2002: 166) note:

The theory of state-corporate crime is deeply concerned with the political and economic processes that enable state and corporate managers to pursue plans and policies – often in concert with one another – that result in death, injury, ill health, financial loss, and increasingly in the globalized capitalist economy, cultural destruction, all the while being insulated from the full weight of criminalization for these actions.

The advent of neoliberalism has only deepened and extended this problem. States and corporations are in increasingly “symbiotic relationships” whereby states commit to minimum intervention in a free market economy that is itself deemed to be an inherent social good (Tombs and Whyte 2015). That there are no-go areas for the capitalist state in holding corporations accountable is particularly troublesome because, as several observers have noted, many corporations have become “too big to fail.” This situation unfolded following the 2007/08 financial crisis when world governments bailed out major banks to stave off a global economic meltdown – a crisis facilitated by state failures to regulate the financial sector.

Despite a seemingly endless list of corporate offending since the 1980s, there remains certain optimism within some political and academic circles to stay the course; to work with corporations, inside the confines of capitalism, to convince them, somehow, to respect their legal and social responsibilities.

Critical corporate crime scholars suggest that we need to conceptualize corporate offending as a structural problematic rather than a technical question of the right “tools” for encouraging corporate compliance with the law. A structural

approach would not mean abandoning the idea of regulation altogether – law is an important site of struggle over the meaning of corporate crime and how it should be regulated and controlled – but instead addressing the corporation as an amoral calculator. The corporation is not a “normal” political citizen – it is legally and structurally designed as a device to maximize profit for its owners and investors. Thus, it is rational for it, at times, to behave as an amoral calculator when faced with laws that add to the costs of production. As such, states need to (re)consider developing more robust laws (not voluntary measures) and ensure that they are adequately enforced.

At the same time, a structural approach challenges us to remain vigilant about the limits of law in addressing corporate harm and wrongdoing. After all, the state is a capitalist state, meaning that its interests ultimately lie in mediating class struggles and reinforcing capital’s existence, not with disciplining corporations. We must therefore be prepared to question capitalism’s inherent inequalities by, for instance, exploring transformative ideals through collective action, bringing together the diversity of individuals and groups in society that have experienced corporate capitalism’s profound harms and inequalities (the 99% of us) to struggle for a different, more equitable, and just way of organizing society. Embracing these ideals may be exactly what is required if we want to move beyond the disastrous consequences of neoliberal capitalism.

## Cross-References

- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Corruption and Gender](#)

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## Corporate Crisis Management and Business Ethics

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### Synonyms

Crisis management; Disaster management; Organizational crisis management

### Introduction

The field of modern corporate crisis management was galvanized by tragedies that occurred during the 1980s. These included the September 1982 deaths of seven people in the Chicago, Illinois area following ingestion of Johnson & Johnson's Extra-Strength Tylenol capsules that had been laced with cyanide; and, the January 1986 explosion-related deaths at liftoff of the seven crew members aboard the Space Shuttle Challenger. Analyses of the range of factors that contributed to the Challenger tragedy, and of the very highly regarded, principled management of the Tylenol crisis both instantiated the centrality of ethics to this field.

### Nature of Corporate Crises

The complex nature of corporate crises has posed definitional challenges. However, a number of specific characteristics of corporate crises have been identified (James et al. 2011). These include that crises are unexpected occurrences that involve actual or potential harm to a range of

stakeholders and pose significant risks for the viability or health of the organization. They are dynamic situations in which there is often ambiguity in causes, outcomes, and potential interventions; yet, there is a perception that urgent action relative to a range of stakeholders is required. Therefore, crises push organizations outside of their normal realm of operations.

Though infinite numbers of diverse and even unique crises might emerge, crises can be classified into typologies based on various characteristics. Although these can include content types (e.g., natural disasters, crises of rumor), it is useful to focus typologies on underlying characteristics, such as the underlying responsibility for, or impacts of, the crisis. The use of underlying characteristics has greater potential to categorize crises in parsimonious and otherwise fruitful ways.

### Corporate Crisis Management

Corporate crisis management typically comprises the proactive and systematic implementation of four components (Simola 2014). These include efforts to assess, identify and reduce the risk of potential crises; plan and prepare for potential future crises; manage actual crises in timely ways that limit their negative impacts; and, learn from current crises in order to prevent future occurrences. Consequently, crisis management requires the ability to anticipate and make sense of disruptive processes or events within the dynamics of multiple interacting systems and subsystems both internal and external to the organization. Although the goal of crisis management might be articulated in terms of restoration of, or return to normal precrisis functioning, effective crisis management might ultimately require health-promoting organizational growth and development.

### Relevance of Ethics to Corporate Crisis Management

Ethics are relevant to corporate crisis management in several ways. First, errors in ethical recognition, evaluation, or action might well predispose

organizations to crises; or, precipitate, maintain, or escalate crises. Second, despite the particularities of any given crisis, effective management involves consideration of diverse and potentially conflicting stakeholder values, needs, and goals. Effective management therefore requires ethical deliberation. Third, to the extent to which conscious, rational deliberation is used in decision-making, the focal areas of decision-making (i.e., recognition, evaluation, action) are similar within both ethics and crisis management. Therefore, skills in ethical decision-making and crisis management are mutually fortifying. Related to this, research in behavioral ethics has identified a broad range of individual, group, and organizational level factors that can inhibit effective ethical recognition, evaluation, and action, even below the level of conscious awareness. Given that many of these factors are also relevant for crisis recognition, evaluation, and action, knowledge of behavioral ethics is useful for crisis management (Simola 2014).

### **Research Themes on Ethics in Crisis Management**

Four research themes have emerged at the intersection of ethics and corporate crisis management. These include the ethics and effectiveness of crisis communication strategies; the implications of ethical theories for effective crisis management; the implications of behavioral ethics for effective crisis management; and the development of critical analyses of, and critical approaches to, crisis response.

### **Ethics and Effectiveness of Crisis Communication Strategies**

In terms of the ethicality and effectiveness of communication strategies in corporate crisis management, two interrelated factors have long been identified as crucial. These include the cultivation and use of a values-based approach to establish and maintain positive relationships with stakeholders (versus a narrow shareholder orientation);

and the use of timely, clear, and unbiased communication strategies with respect to causes, responsibility for, and current understanding and management of the crisis.

The pioneering and now classic case studies of the Jack in the Box e-coli and Malden Mills fire crises conducted by Robert R. Ulmer and Timothy L. Sellnow are prominent examples. In recognition of the uncertainty inhering crisis situations, they identified ethical predicaments in the use of ambiguous crisis communications that favored financial over other stakeholders in organizational intentions and motives associated with actions leading to the crisis; organizational interpretation of crisis-related evidence; and locus of responsibility for the crisis (Ulmer and Sellnow 2000). In counterpoint, precrisis and ongoing positive values-based relationships with a range of stakeholders enabled effective crisis management by creating the necessary conditions for the expression and receipt of postcrisis communications that went well beyond legalities and damage control (Ulmer 2001).

More recently, research in corporate crisis communication has begun to consider ethics of justice and care as foundations for effective and ethical communications (Tao and Kim 2017; Xu and Wenqing 2013). This research has built upon preexisting research that considered the implications of ethics of justice and care for effective corporate crisis management (Simola 2003).

### **Implications of Ethical Theories for Effective Crisis Management**

Consideration of the implications of ethical theories for effective crisis management has occurred primarily through analysis of case studies. Though it has sometimes considered virtue ethics approaches, it has focused primarily on ethics of justice and care. Foundational research elucidated the nature of justice and care ethics for the effective management of corporate crises (Simola 2003), as well as the implications of care ethics for the prevention of organizational crises (Simola 2005).



Although ethics of justice and care differ substantially in terms of their characteristics and implications, they also share commonalities that render them useful ethical frameworks in corporate crisis management. In terms of differences, whereas an ethic of justice emphasizes fairness and the transparent use of formal methods to adjudicate objectively between conflicting rights of stakeholders, an ethic of care emphasizes responsiveness to the subjective, concrete experiences, needs, and feelings of those affected (Simola 2003). An ethic of care also indicates the relevance of connection, resistance, and voice for signal detection and uptake of crisis warning signs in the prevention of corporate crises (Simola 2005). In terms of commonalities between ethics of justice and care, in contrast to moral foundations such as loyalty (versus betrayal) or authority (versus subversion) that focus attention *within* a dominant reference group, ethics of justice and care both reflect underlying moral foundations that are *outward-looking*, necessarily involving consideration of other stakeholders, which is a central tenet of effective corporate crisis management. Within this outward focus, care is particularly salient when there is potential or actual occurrence of serious harm to stakeholders, a circumstance that is almost ubiquitous to corporate crises. It is, therefore, perhaps unsurprising that ethics of justice and care have become relatively dominant frameworks through which to evaluate the effectiveness and ethicality of corporate crisis management efforts.

### Implications of Behavioral Ethics for Crisis Management

Since the beginning of the current millennium, behavioral ethics has become an increasingly influential field. Research in this field aims to describe what individuals actually do (rather than what they *should* do) in response to ethical issues. Although it is commonly assumed that individuals typically engage in reflective, rational, effortful reasoning about ethical dilemmas, behavioral ethics recognizes that individuals are much less rational and intentional than assumed.

Rather, individuals frequently engage in reflexive, emotionally laden judgments that occur outside of their conscious awareness. These types of judgments can also be influenced by situational cues, even when these cues exist below the level of conscious awareness. These reflexive, non-conscious modes of processing information can substantially impede ethical recognition, evaluation, and action, as well as recognition, evaluation, and management of corporate crises. Hence, research in behavioral ethics is also highly relevant in relation to corporate crisis management (Simola 2014).

Indeed, research in behavioral business ethics points to a large number of factors that can significantly impede recognition, evaluation, and action in relation to corporate crises (Simola 2014). Examples of these factors include, but are not limited to, the use of probability or cost-benefit scripts that narrow decision-making focus in ways that preclude ethical consideration of crisis impacts on the well-being of stakeholders; and, the use of cognitive heuristics that might lead to underestimation of the likelihood of potential crises. Additional examples include the slippery slope effect in which individuals find it difficult to notice small, gradual deviations away from corporate ethical, legal, or safety norms; uses of language that can obscure the potential risk dimensions of certain situations; and social factors such as groupthink that can preclude fulsome and rational consideration of potential crisis occurrences or crisis management strategies. Recent empirical research has also identified the occurrence of immoral entrenchment through which corporations demonstrate unethical rather than ethical crisis behavior under conditions of moral intensity (Eleazar 2021).

### Critical Management Analyses of Crisis Response

An important area of research that will likely continue to grow is the critical analysis of the degree to which crisis management demonstrates social justice, and the elucidation of critical approaches in support of social justice (Branicki

2020). This would include analysis of crisis management efforts, which regardless of intent, differentially advantage some groups while disadvantaging other groups who are already systemically marginalized because of factors such as racialization, gender bias, or classism. Public sector examples of this might include the North American nonresponse to the emergence of the AIDS crisis in the early 1980s that led many to question whether a more robust response would have occurred if AIDS had not been perceived as a disease affecting men with same sex orientations. Similarly, many have identified the disproportionate occurrence or negative impacts of natural disasters, unsafe work environments, water contamination, and dumping of toxic waste on communities that are already racialized. Additionally, the COVID-19 pandemic has demonstrated a disproportionate distribution of risks and burdens on workers, often differentially negatively affecting those groups already devalued through lower pay or marginalized job roles in service industries or care settings (Branicki 2020). Therefore, the development and use of critical approaches to crisis management is crucial.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Behavioral Ethics and Euphemisms](#)
- [Behavioral Ethics and Rationalizations](#)
- [Ethics and Crisis Management](#)
- [Impression Management and Business Ethics](#)
- [Leadership Moral Foundations](#)

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## Corporate Ethics Officers

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## Synonyms

Director of integrity; Ethical leader

## Organizational Ethics and Contemporary Business

More and more firms are now creating the position of Chief Ethics Officer (EO) as part of their overall ethical governance program. In the USA, the advent of the Federal Sentencing Guidelines in 1991, the Sarbanes-Oxley Act (SOX), and the well-publicized corporate scandals that precipitated these legislations seemed to have provided the impetus for corporations to create the office of the ethics officer. The Sentencing Guidelines

stated that companies with effective compliance and ethics programs, including the position of ethics officer, could receive preferential treatment during prosecutions for white-collar crimes.

Organizations themselves may be showing greater sensitivity to ethical issues, and corporate boards of directors no longer tolerate even minor lapses. For example, RadioShack fired its CEO for lying on his resume. Hewlett-Packard Chairwoman Patricia Dunn lost her job after hiring private investigators to find leakers on HP's board and it all happened under the watch of Kevin Hunsaker, HP's senior counsel and chief ethics officer (Clark 2006). Intel CEO Brian Krzanich abruptly resigned after what the tech firm described as a "past consensual relationship" with a company employee, and Best Buy CEO Brian Dunn resigned in April 2012 following an investigation into an alleged close personal relationship with a female employee, to name a few (McCoy 2018).

The recognition and attention to ethical issues have not prevented some of the recent cases of ethical violations by firms across the globe. For example, a report in *Forbes Magazine* in October 2017 indicated that Kobe Steel admitted falsifying information on some items the company sold to Boeing, Ford, Toyota, and others since 2007. Car-makers Nissan and Subaru also recalled 1.2 million and 395,000 vehicles, respectively, in 2017, saying they allowed unqualified inspectors to vet their cars in the final checks for decades. In 2017, Wells Fargo admitted that the company had charged as many as 570,000 consumers for auto insurance that they did not need. Perhaps the most notable violation, and most consequential from a financial perspective, was that of Volkswagen. VW admitted that it installed emissions software on more than a half-million diesel cars in the USA – and roughly 10.5 million more worldwide – that allows them to sense the unique parameters of an emissions drive cycle set by the Environmental Protection Agency. This violation cost the firm \$24.17 billion; VW reached a final settlement of \$14.7 billion with the US Government on October 25, 2016, in addition to a \$10 billion buyback program (Shen 2017).

What these examples demonstrate is that there is a greater urgency for organizations to build ethical cultures in which doing the right thing becomes the default choice. Having an ethics officer does not guarantee that organizations will always act morally. However, having a senior level management position in charge of building an ethical infrastructure could be very helpful.

### Definition: Ethics Officers

The Ethics Officer's Association (a professional association for managers of ethics, compliance and business conduct programs) defines an ethics officer as a leader in the area of business conduct (<http://ecoconnects.theecoa.org/home>). The ethics officer often holds a senior management position in an organization. Other titles used for the position include:

- Assistant vice president and director of compliance programs
- Director of ethics and compliance
- Corporate manager, compliance
- Vice president, ethics, compliance, and internal audit
- Director of corporate compliance
- Director of integrity, security, and compliance

The terms compliance officer and ethics officers have sometimes been used interchangeably. However, there is more than a semantic difference between the titles. While compliance evokes the image of someone focused primarily on making sure that laws such as SOX are complied with, the ethics officer's responsibilities go beyond compliance; their primary responsibility is for the management of the organizations' overall ethics program. Of course, an ethics officer may perform compliance roles, and some organizations have actually combined both roles into what they call the ethics and compliance officer (ECO). The differentiation between the two titles is more than a semantic exercise; the image the employees attach to a role may affect how they relate to the

person in the role. For example, employees may tend to be cynical about a program that is heavy on compliance but light on values and integrity. Compliance is mainly about the law and a bit reactive, while ethics tends to be more proactive, and voluntary.

Whether firms create the position of ethics officer as a form of safety net, or because of a genuine commitment to good governance, there is a reason to suggest that under the right conditions, the presence of an ethics officer can be beneficial in many ways. After all, a reputation for moral and ethical behavior can become a source of competitive advantage. Ethical failure, on the other hand, often has serious reputational and financial consequences for a firm, its stakeholders and investors.

### Primary Responsibilities of EOs

The Ethics Officers Association lists some of the key responsibilities of ethics officers to include the following:

- Global accountability for developing and directing an organization's ethics
- Compliance and business conduct function for the total corporation or organization
- Providing leadership, oversight, and expert advice to ensure the development, interpretation, and implementation of ethics and compliance strategies, programs, and policies
- Accountability for all program activities relating to standards of conduct including ethical relationships with customers

### Main Functions and Job Responsibility of EOs

The EO occupies an important and unique role. As the guardian of the company's ethical program and moral code, the EO is a senior level position with responsibility for guiding the organization in the building and implementation of its ethics program. The EO has the following five main job responsibilities:

#### Ethics Education

One of the most important responsibilities of an EO is to help develop and manage a company's ethics education program. Ethics training programs are an important way of building an overall ethics culture (Trevino 1986). Ethics training is about building ethical awareness and developing knowledge about ethical policies and codes of conduct. Both new employees and existing employees should be trained periodically and ethics training involves the following specific tasks:

- Training design.
- Develop training tools (value statements, policy manuals and codes of conduct).
- Training delivery. This involves the actual implementation of the training program.
- Developing ethical guidelines for global environments when necessary.
- Facilitate the building of the ethics infrastructure.

#### Manage Compliance

Compliance is more about required behavior (for internal rules of conduct or external guidelines such as SOX or the Sentencing Guidelines). Especially when the roles of compliance and ethics officers are combined, the EO has the following specific tasks:

- Management of program documentation
- Direct handling of hotline/guideline/internal reporting
- Assessing/reviewing vulnerabilities
- Preparation and delivery of external presentations
- Establishing company policy and procedures

#### Serve as Liaison Between Internal Stakeholders and Top Management

The advisory role of the EO is very important. The EO should have an ear to the ground and serve as a vital source of information for top management, advising and guiding them on the organization's overall ethical orientation. Some specific tasks here include:

- Senior management and/or board briefings/communications
- Serve as the primary link between internal stakeholders and top management including the board
- Be a moral sounding board for top management teams

### Investigative Oversight

The ethics officer has the following oversight responsibilities:

- Overseeing investigations of wrongdoing
- Conducting investigations of wrongdoing
- Oversight and measurement of compliance program performance and effectiveness
- Reporting and prioritizing potential risk areas
- Auditing and monitoring ethics and compliance programs
- Enforcing compliance

### Liaison to External Stakeholders

Having a chief gatekeeper to outside stakeholders is important. The EO has a primary responsibility for ensuring that anyone who needs ethics and compliance information on the organization knows where to look and who to ask. Some specific tasks here are:

- Community relations. The EO is a gatekeeper to the community.
- Representing the organization on relevant boards.

### Job Requirements

One important consideration is determining who to appoint to the position, specifically, the sort of qualifications this individual should have. The EO position is one that comes with multiple expectations and responsibilities. For example, the individual must deal with organizational members, top management, and external stakeholders. The multiple expectations could lead to role conflict. In addition, the EO may sometimes lack the information they need and have to work with incomplete or

ambiguous information and data (Adobor 2006). The role, therefore, requires a resilient individual with certain skills, dispositions, business, and technical knowledge to function well in the role.

### Personal Dispositions/Characteristics

- *Self-Leadership.* An individual with self-leadership qualities would be suitable for this role. Self-leadership is a process through which people influence themselves to achieve the self-direction and self-motivation necessary to perform (Manz 1986). A self-leader will look first within themselves for the necessary tools and strategies to motivate and control behavior and thought. Self-leadership involves opportunity thinking (Neck and Manz 1992). Opportunity thinking involves a pattern of thoughts focusing on opportunities, worthwhile challenges, and constructive ways of dealing with difficult situations (Boss and Sims 2008). Opportunity thinkers take a more active role in dealing with challenges, exerting greater effort, and persistence in overcoming these challenging situations.
- *Tolerance for Ambiguity.* An individual who is able to deal with ambiguity should perform better in the role than someone who requires clarity and certainty of information before acting. Individuals with a high tolerance for ambiguity are also better at adapting more quickly to situations. More important, such individuals are more persistent, take greater initiative, and are pragmatic and generally optimistic people.
- *Personal responsibility for results.* Individuals who take personal responsibility for results and their own success should do well in this role. Such individuals are also more likely to take initiative to control situations because such individuals use negotiation and other initiative-based strategies to achieve results and monitor their own performance.
- *People with moral integrity.* The Ethics Officers Association suggests that an ethics officer must be an individual of “highest integrity.” An ethics officer’s job essentially calls on him or her to exercise ethical leadership within a complex set of circumstances. Whether they

succeed or not may depend on how principled they are as individuals.

- *Transformational leadership skills.* Effective EOs should possess transformational leadership skills. Transformational leaders use influencing strategies to transform follower's self-interest into collective concerns. Burns (1978, p. 4) observes that transformational leadership is "moral in that it raises the level of human conduct and ethical aspirations of both leader and the led." Transformational leaders also use their ability to articulate a captivating vision and inspire others.

In addition to the personal dispositions discussed above, an individual suitable for an EO position must have the requisite business and technical knowledge. Competence on job-related tasks will reduce the task complexity of the position, as a technically competent ethics officer will be able to know what sort of information they need to seek, where to look for information and interpret issues in their proper light.

An EO who has a clear understanding of the nature of a firm's business and environment will be in a better position to understand the complex requirements of the different stakeholders and subsystems they have to deal with. Industry standards, including regulatory provisions that are specific to the firm's business place special demands on the firm. The following are some US and UK examples of important laws an EO has to be familiar with:

- *Regulation of Competition.* These are laws passed to prevent the restriction of fair competition. For example, The Sherman Anti-trust Act, of 1890 and the 1998 Digital Millennium Copyright Act that refines copyright laws to protect digital versions of the copyrighted material, including music and movies.
- *Laws Protecting Consumers.* These laws require businesses to provide accurate information about their products and services. The Federal Trade Commission's Bureau of

Consumer Protection has oversight for enforcing consumer protection.

- *Laws Protecting the Environment.* The Clean Air Act 1970 is one example of such a law.
- *The Federal Sentencing Guidelines for Organizations (FSGO).* The US Congress passed the FSGO in 1991 (Amended, 1994) to create an incentive for organizations to develop and implement programs designed to foster ethical and legal compliance.
- *Sarbanes-Oxley Act (SOX).* The SOX Act establishes a system of federal oversight of corporate accounting practices. Beyond that, some of its key provisions redefine corporate governance.
- *UK Bribery Act 2010.* The Bribery Act 2010 is an Act of the Parliament of the United Kingdom that covers the criminal law relating to bribery.
- *US Foreign Corrupt Practices Act 1977 (FCPA).* The FCPA was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business.

## Organizational Context for Ethical Leadership

Having a Chief Ethics Officer is no guarantee that ethical violations will not happen in the firm and organizations can do much to help the EO. Organizations can do the following things to increase the odds that the EO is effective:

### Organizational Climate

The organization as a whole must have a commitment to ethical behavior. A company-wide commitment to ethics must be reflected in top management support for ethical behavior as well as a company-wide culture that emphasizes ethics, moral behavior, and integrity in all the firm does. A strong ethical climate promotes moral behavior and firms can institutionalize their ethics codes and codes of conduct as a way of building a strong ethical climate.



## Top Management Commitment

Management commitment is important for the effectiveness of the EO. Top management should communicate their support for the ethics officer to all stakeholders as well as respect the position and opinion of the ethics officer. This means that when necessary, top management must submit itself to the jurisdiction of the ethics officer.

## Independence of the EO

Unless an EO has the autonomy to operate, his or her effectiveness will be seriously compromised. The EO must be able to use their personal discretion in decision-making. This independence is important especially since the job responsibilities of ethics officers include overseeing and investigating wrongdoing, including managerial indiscretion.

## Recruitment and Selection

Although organizations have the choice of either recruiting from inside or outside the firm, it may be preferable to recruit someone from outside as a way of demonstrating their neutrality.

## Conclusion

In the end, an EO is just one individual. It is the responsibility of organizational leaders to ensure that they create an ethical climate and build an ethical culture. The EO can certainly play a key role and organizations can do much to ensure that once in their role, ethics officers can be effective.

## Cross-References

- [Corporate Governance](#)
- [Ethical Leadership](#)
- [Ethics and Corporate Social Responsibility](#)
- [Values-Based Management Theory](#)

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## Corporate Governance

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### Synonyms

Corporate control; Enterprise governance; Organizational governance

### Definition

“Corporate governance” describes the processes, structures, and mechanisms that influence the control and direction of corporations. In this context, “control” is about how stakeholders and other agencies external to a corporation control or influence those responsible for directing and managing the affairs of the corporation, and “direction” is about the strategic guidance and management of the corporation.

A broad interpretation of “control and direction” encompasses the roles and influences of governments and regulatory agencies, capital market participants and existing shareholder and debtholders, managerial labor markets, suppliers and customers, community and special interest groups, and internal participants (directors, executive managers, and other employees). Narrow interpretations of “control and direction” tend to focus on influential shareholders, directors, and executive managers.

### Discussion

Elemental forms of corporations were used since the early Roman Empire to organize towns, colonies, guilds, religious orders, and universities. Their purpose was to facilitate perpetual succession of a property-holding entity, independent of the state or monarch. Corporations acquired significant commercial roles with the advent of

the regulated company around the beginning of the sixteenth century and the development of the joint-stock company shortly thereafter.

Most countries now allow at least two main kinds of limited liability companies, typically distinguished on a size basis or their ability to invite public subscriptions to their shares. An ownership dichotomy is generally captured by labeling companies as “private” or “public” (these are legal terms in some jurisdictions and informal in others), where “public” usually includes all, but is not limited to, corporations listed on stock exchanges. Some differences between private and public corporations also vary considerably across jurisdictions. These differences, and differences in shareholder behavior, are important when looking at countries’ modes and methods of regulating corporate governance. Differences in form’s of modern corporations, while possible reflections of historical, political, and cultural differences, are necessarily the products of regulation.

Characterizing corporations involves at least three aspects of relationships: (1) interrelations of the associated persons, (2) their relations to other persons in society, and (3) their relations to the state. Differences in emphases on these relationships have led to different characterizations of corporate governance regimes in different countries. Generally, however, there are two dominant perspectives or “models” of corporate governance practices: the principal-agent perspective and the pluralist (or multistakeholder) perspective.

The *principal-agent* perspective (also known as the “Anglo-American model”) is typically, but not exclusively, applied in markets characterized by dispersed shareholdings in (ownership of) public corporations that is separated from the management (control) of the corporation. This perspective emphasizes issues associated with the potential **conflicts of interests** of the board of directors and executive management (as agents) in serving the interests of shareholders, who are regarded as the principals in a principal-agent relationship with the board and management (see ► [Agency Theory](#)).

The *pluralist* or *multistakeholder* perspective is also known as the “European model” and is more common in markets characterized by concentrated ownership of public corporations (where there is often a controlling shareholder or group of shareholders, such as a family). It is sometimes referenced merely as a “stakeholder theory” model. Stakeholders are any individual or group who can affect or is affected by the activities of the corporation’s activities. These include shareholders, lenders, employees, customers, suppliers, special interest groups, and the communities in which businesses operate. While European corporate governance practices are often described as according with a pluralist perspective, descriptions of practices often focus on shareholders and employees as the main stakeholders to be considered by directors and managers. There is a tendency to identify the pluralist perspective as ethically superior to the shareholder primacy approach emphasized in the principal-agent perspective and more consistent with a **corporate social responsibility** or **corporate citizenship** orientation. However, the pluralist perspective implicitly invokes (but has not resolved) issues concerning **distributive justice** and corporate decision-makers’ obligations to fairly adjudicate between competing interests and claims.

The principal-agent versus pluralist dichotomy is misleading because there are considerable differences in some corporate governance regulations and practices between countries associated with the Anglo-American model, such as the UK, USA, Canada, and Australia, and considerable variation in corporate governance arrangements across continental Europe.

A less dominant perspective of how corporate governance can be modeled is based on normative concepts of **stewardship**. This is inherently an ethics perspective, whereby a corporation’s executives and managers are stewards responsible for safeguarding and proper effective use of resources entrusted to their care. While stewardship implies agency, the principles of stewardship are not confined to principal-agent perspective of corporate governance. From the principal-agent perspective, the obligations of corporate stewards will

be associated with the interests of shareholders. A pluralist perspective associates stewardship obligations with a broader and more complex set of interests, and thus may tend towards a corporate social responsibility or corporate citizenship perspective.

Corporate governance is also sometimes discussed in terms of *resource dependence theory* (or resource dependency theory). This perspective is internally focused and manager-centric, positing that a board of directors exists as a provider of resources to support executives in their pursuit of organizational goals. This approach is not directly concerned with stakeholders outside the corporation and advocates that most corporate decisions should be made by executives with limited board oversight. However, resource dependence theory can be used in conjunction with either the principal-agent perspective or the pluralist perspective and does not contradict the principles of stewardship.

Ethical concerns in relation to corporate governance practices have been raised since the emergence of joint-stock corporations. This is often illustrated by reference to Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations*, first published in 1776, from which some or all of the following quotation is frequently employed to illustrate early recognition of the principal-agent problem arising from the separation of ownership and control of corporations:

The directors of such companies, however, being the managers rather of other people’s money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master’s honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. [Book V, Chapter 1]

In addition to the **shirking** problem implied in the above quotation, ethical concerns are often raised in the media regarding whether management and, particularly, CEOs are unfairly

(excessively) remunerated. This is often raised in terms of the magnitudes of executive salaries and bonuses, the weak relationship between remuneration levels and corporate performance, and the magnitude of CEO remuneration relative to the average remuneration of other employees. Concerns in this regard appear the strongest in markets where the principal-agent problem prevails because directors and managers in corporations with dispersed shareholdings enjoy greater autonomy, compared to the directors and managers in corporations in which shareholders have sufficiently large holdings to give them control over the board. Controlling shareholders can usually determine board membership and thus appoint executives and influence management decisions.

In addition to the ability of managers to enrich themselves at the corporation's or shareholder's expense, other forms of **expropriation** are also prevalent concerns in corporate governance. For example:

- Managers may use corporate assets for non-productive purposes that provide utility to managers (perquisites or "perks"), such as extravagant offices, luxury motor vehicles, and superfluous travel and entertainment expenditures.
- Managers (and controlling shareholders) may cause the corporation to purchase (sell) assets at an inflated (deflated) prices from (to) a party in which the manager (or controlling shareholder) has a vested interest.
- Managers (and controlling shareholders) may cause the corporation to invest in projects that enrich the manager (or controlling shareholders) or related parties but which are not the best investment options in terms of corporate value.
- Controlling shareholders can use their power to have family members appointed to managerial positions when they are not the best choices for such roles (**nepotism**).

Cooperation between management and large (influential) shareholders, in the absence of controlling shareholders, may lead to

entrenchment of both managers' and the shareholders' influence. Other types of stakeholder concentration or coordination can also matter. For example, environmental interests may be best served where environmentally conscious stakeholders are numerous but sufficiently coordinated to exert influence directly on a corporation's management or on a regulator. Similarly, employees' interests may be more effectively represented through coordinated collective action, although the governance of any labor unions that are involved may also matter in this regard.

Borrowing from the extensive civil governance literature, corporate governance practices can be evaluated on the basis of transparency, accountability, and participation. *Transparency* refers to the availability of information to stakeholders and depends on the clarity of rules, decisions, and outcomes. *Accountability* means that decision-makers are answerable to stakeholders or those from whom decision-makers derive their authority. *Participation* complements accountability; if stakeholders can effectively participate in determining who will be the decision-makers in a corporation (e.g., by nominating and electing directors), they can more effectively hold them accountable for their decisions.

Recent regulatory mechanisms addressing corporate governance concerns emphasize **accountability** and **transparency** through required disclosures. Mandated disclosures to shareholders include financial statements and related disclosures in the annual report. Because the required reports are produced and disseminated by management and the board of directors, all jurisdictions mandate an independent audit of the public corporations' annual financial statements provided to shareholders. Nonetheless, the reliability of corporate disclosures is a persistent matter of concern to investors and regulators. This has resulted in ongoing concerns about the contribution of auditing in safeguarding the integrity of financial reporting. The most substantial regulatory developments directly affecting corporate governance have been precipitated by corporate scandals and large financial failures that eroded confidence in stock markets. This is evident in:

1. Following numerous offerings of shares in highly speculative and dishonest ventures, the *Bubble Act* of 1720 prohibited the public offering of shares unless the company had been formally incorporated by an act of parliament.
2. Regulatory developments in the years following the Wall Street Crash of 1929 (including the formation of the *Securities Exchange Commission* in the USA).
3. Regulatory responses (such as the *Sarbanes-Oxley Act* in the USA) to the particularly large corporate accounting scandals in developed markets during 2000–2003.

The latter include One.Tel in Australia, Swissair in Switzerland, and Enron in the USA in 2001; Adelphia, AOL, Bristol-Myers Squibb, Duke Energy, Freddie Mac, Halliburton, Homestore.com, Kmart, Sunbeam, Tyco, and Worldcom in the USA in 2002; and Parmalat in Italy and Nortel in Canada in 2003. The accounting scandals of this era renewed attention on the independence of auditors. The processes for selecting and remunerating auditors, and their working relationships with officers and employees of the corporation, are threats to auditor independence, which is fundamental to their role in alleviating uncertainties attaching to the corporate financial reports provided by management. Concerns regarding auditor independence receive substantial regulatory attention in many countries and in professional codes or standards concerned with the ethical conduct of auditors.

Few jurisdictions mandate disclosures concerning corporate social responsibilities. The most significant development in this regard is **integrated reporting**, and South Africa is the first country to regulate in this direction. The *International <IR> Framework* produced by the International Integrated Reporting Council defines an integrated report as “a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.” Integrated reporting appears to align corporate accountability with a multistakeholder perspective; the “guiding principles” in the

framework advocates that “an integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders.” However, the framework also states that “the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time.”

In addition to regulatory oversight and shareholder votes, managers and directors also face the discipline of the capital markets and managerial labor markets. The primary mechanisms by which the capital market disciplines decision-making are the availability (rationing) and cost of capital and takeovers (also known as the market for control). The functioning of the capital market mechanisms depends on the relevant regulatory regime, the level of capital market development, the concentration or diversity of current ownership, and the capital needs of the company.

### Corporate Governance Codes

The *G20/OECD Principles of Corporate Governance* (first issued in 1999) is intended to help policy-makers evaluate and improve their legal, regulatory, and institutional frameworks for corporate governance. The principles are also promoted as guidance for stock exchanges, investors, corporations, and others that have a role in the process of developing good corporate governance. The G20/OECD guide identifies six principles that should be achieved by a corporate governance framework, which should:

1. Promote transparent and fair markets and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.
2. Protect and facilitate the exercise of shareholders’ rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
3. Provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

4. Recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
5. Ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.
6. Ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Many countries have “corporate governance codes” that are issued by regulators, stock exchange, industry groups, or independent agencies seeking to establish themselves as “authorities” in a jurisdiction. Compliance with some codes is mandated by law or listing requirements, but many are voluntary. Codes that are mandated for membership of an industry group are essentially voluntary. Many corporations adopt their own individual “code” of practice.

A significant concern is the extent to which voluntary codes of conduct are used merely as communication vehicles by corporations that wish to project particular intentions and standards and the extent to which they are used as management tools to promote particular standards of behavior within corporations. Without reliable mechanisms for supervising and monitoring internal activity, individual voluntary codes are unlikely to have much credibility. Diversity in individual codes may also be an impediment to their effectiveness. Some consistency might be achieved through the adoption of particular international standards. The OECD has sought to facilitate this through its *Guidelines for Multinational Enterprises*. Their coverage includes elements pertaining to labor interests, environmental interests, disclosure practices, and competitive behavior. They provide nonbinding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The OECD claims that the guidelines are the only multilaterally agreed (by OECD members) code of responsible business conduct that governments have committed to promoting. These guidelines are intended to be compatible with a broad range of regulatory systems and so can be applied in any country and to any corporation; consequently, they are very general.

Other organizations have developed more specific standards in particular areas. For example:

- International Organization for Standardization's ISO14000 standards for managing and reporting the corporation's environmental impact and ISO9000 standards for quality assurance in business-to-business dealings.
- Social Accountability International's SA8000 standard, which is aimed at labor conditions. SA8000 is based on international workplace norms in the ILO conventions and the UN's *Universal Declaration of Human Rights* and the *Convention on Rights of the Child*.

### The “Ownership” Debate

A persistent debate in relation to the characterizations of corporations, and identifying or ordering the stakeholders to whom those charged with governance hold some responsibility or obligation, is whether or not shareholders *own* a public corporation. While it is not disputed that shareholders own shares in a corporation and that these shares attach to residual interests (i.e., interests that remain after all other legal claims have been satisfied) in the property of the corporation, this can be divorced from the notion of owning the corporation itself. This ownership debate references the rights and obligations of property ownership, the behavior or attitudes of shareholders, and what it means for a corporation to be a “legal person.” At the extremes, the competing protagonists in this debate assert either (1) that shareholders are the owners of a public corporation by definition or (2) that corporations have no owners. There are other positions concerning who, if anyone, owns a corporation, including propositions that the roles of the founding entrepreneurs or current managers in determining the strategic purpose and objectives of a corporation entail some notion of



ownership. Those arguing that shareholders do not necessarily own a corporation note that owning shares in a corporation does not necessarily give a person the opportunity to make or influence key decisions (but this opportunity may vary with the number shares owned); owning shares does not confer any legal or moral right to use the assets of the corporation for the shareholder's private purposes; shareholders cannot withdraw their notional investment in the corporation and that changing the shareholder of a corporation does not change the legal personhood of the corporation.

## Cross-References

- [Agency Theory](#)
- [Conflict of Interest in Research](#)
- [Corporate Social Responsibility](#)
- [Distributive Justice](#)

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## Corporate Governance and Values-Based Management

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## Synonyms

Corporate social responsibility; Ethics;  
Governance; Sustainability

## Introduction

This entry deals with *corporate governance and values-based management*. These two terms are not synonymous, but both terms have become increasingly prominent in the academic and professional management literatures during recent years.

*Corporate governance* involves the structures, rules, and regulations that determine the ways that corporate enterprises are managed and directed. Corporate governance laws and regulations focus primarily on the responsibilities and obligations of boards of directors and corporate executives toward shareholders (Shah and Napier 2017).

In contrast, *values-based management* is based on the argument that human values are at the core of managing organizations (Jaakson 2010) and that it is the responsibility of managers to identify and support shared values within and outside of the organization. Thus, it can be seen that *values-based management* transcends corporate governance and the traditional focus on the creation of economic value for shareholders. It is important to examine the relationship between corporate governance and values-based management because boards of directors and corporate executives need to be aware of emerging trends in their environments, one of which is a growing pressure from external parties for greater attention to be paid to the values of a broad spectrum of corporate stakeholders.

## Historical Background

The first recorded corporate governance controversy took place in 1609 between the shareholders and directors of the Dutch East India Company, which was also the world's first listed public company (Frentrop 2003). While corporate enterprises in the Netherlands and Great Britain often had as many as 40 directors who were all required to be investors in the company, Shah and Napier (2017) indicate that British joint stock companies (i.e., corporations) were usually managed by a single “governor.” The “court of governors” or “board of directors” as the ruling body for a

corporate enterprise emerged only gradually. By the nineteenth century, limited liability companies (i.e., another word for “corporation”) were typically run by “directors.” The nineteenth century also saw a refinement in the role of boards of directors, often in response to corporate scandals, with a gradual change whereby the director was a typical shareholder to the board of directors as a whole being seen as a “representative of the shareholders.” It should be noted, however, that the concept of a “stakeholder” as an individual or group of individuals who were not shareholders (i.e., such as employees, customers, suppliers, or the general public) did not exist and this concept only saw its emergence in the late twentieth century.

The governance of early US corporations, of which over 20,000 existed by the mid nineteenth century, was similar to that of “republics,” in that there were control mechanisms spelled out in corporate charters which were intended to prevent fraud and usurpation of power by executives or large shareholders. This fear of dominance by corporate executives and large shareholders persisted for many years, and in the 1930s, legal scholars such as Berle and Means became increasingly critical of this dominance which was detrimental to shareholders. At the same time, it is important to note that these scholars did not address the rights of “stakeholders” who were not shareholders, and thus, the emphasis in corporate governance was primarily on the responsibility of boards of directors and corporate executives in relation to shareholders.

Economic expansion after World War II saw the emergence of multinational corporations and the establishment of a managerial class. Management scholars observed that large corporations had dominant control over business affairs with little accountability or monitoring by boards of directors. However, academic research by La Porta and Lopez-de-Silanes (1998), La Porta et al. (1999, 2000) and others concluded, based on multinational studies of corporate governance, that greater investor protection, improved economic development, reduced government regulation, less corruption, and better functioning of labor markets were associated with common law

systems of corporate governance such as those of the United States and Great Britain (La Porta et al. 2000).

## The Role of the Board of Directors

The board of directors is expected to play a principal role in corporate governance. Among other things, the board has responsibility for CEO selection and succession, providing feedback to management on the organization’s strategy, compensating senior executives, monitoring financial performance and risk, and ensuring accountability of the organization to shareholders and regulators. A board of directors typically has several committees (e.g., compensation, nominating, and audit) to perform their work. There are numerous other responsibilities of the board of directors, some of which are summarized below:

- Board members should be informed and act ethically and in good faith, with due diligence and care, in the best interest of the company and the shareholders.
- Review and guide corporate strategy, objective setting, major plans of action, risk policy, capital plans, and annual budgets.
- Oversee major acquisitions and divestitures.
- Select, compensate, monitor and replace key executives, and oversee succession planning.
- Align key executive and board remuneration with the longer-term interests of the company and its shareholders.
- Ensure a formal and transparent board member nomination and election process.
- Ensure the integrity of the corporation’s accounting and financial reporting systems, including their independent audit.
- Ensure appropriate systems of internal control.
- Oversee the process of financial reporting.

## Mechanisms of Corporate Governance

Corporate governance mechanisms involve both external and internal aspects. External monitoring of corporate executives occurs when an

independent third party (e.g., the external auditor) attests to the accuracy of information provided by management to shareholders. Stock analysts and creditors may also perform external monitoring. An ideal monitoring and control system should regulate both motivation and ability while providing incentive alignment toward corporate goals and objectives.

Internal corporate governance monitors activities and takes corrective actions to accomplish organizational goals. Internal corporate governance controls include:

1. *Monitoring by the board of directors:* As mentioned previously, the board of directors has the legal authority to hire, fire, and compensate top management, and in this way the board safeguards the interests of shareholders.
2. *Internal control procedures and internal auditors:* Internal control procedures are policies implemented by a corporation's board of directors, audit committee, and management to provide assurance of achieving objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors test the design and implementation of the entity's internal control procedures and the reliability of financial reporting.
3. *Compensation:* Performance-based compensation is designed to relate management compensation to performance.
4. *Monitoring by major shareholders:* Given their significant investments in the corporation, major stakeholders have the incentives, combined with the power to monitor management.

### **Expansion of the Definition of Corporate Governance**

Beginning in the 1990s, the duties of corporate director began to expand beyond their traditional responsibility to shareholders. For example, the largest public pension plan in the United States,

the California Public Employees' Retirement System (CalPERS), became increasingly involved in institutional shareholder activism which led to the dismissal of board members and corporate executives. In the early 2000s, the bankruptcies and frauds of Enron and WorldCom, as well as lesser corporate scandals, led to the passage of the Sarbanes-Oxley Act of 2002, which imposed many new legal requirements and regulations regarding corporate governance, including regulations enhancing the independence of external auditors.

### **Values-Based Management in Relation to Corporate Governance**

As mentioned previously, *values-based management* is defined as a series of interconnected managerial activities to ensure the acceptance of relevant organization values inside and outside the organization. Values-based management maintains that human values are at the core of managing organizations. The values-based approach to management argues that human values drive the mission, goals, and objectives of organizations and inform leadership, strategy, decision-making, ethics, and social responsibility. In short, human values underlie all aspects of managing organizations, and human organization represents a direct expression of human values.

A well-known psychologist, Milton Rokeach, has postulated that human beings possess two types of values: instrumental (relating to personal conduct) and terminal (relating to desirable end states in life). Examples of instrumental values include being logical, helpful, and self-controlled, whereas terminal values include wisdom, an exciting life, and a sense of accomplishment. These value preferences vary considerably among human beings, and it is believed that they are formed early in a person's life, thus constituting a permanent element of a person's personality. Studies have shown that a person's value preferences are relatively stable through time and not ordinarily subject to change.

The author of this entry studied the value preferences of undergraduate students at a major urban university using the Rokeach Values Survey. The findings of this study were that there appear to be significant differences in values preferences among students studying business administration and students majoring in liberal arts. Significant differences were found on eight (out of thirty-six possible) values: (1) A comfortable life (greater for business students), (2) a world of beauty (less for business students), (3) wisdom (less for business students), (4) ambitious (greater for business students), (5) clean (greater for business students), (6) imaginative (less for business students), (7) family security (greater for business students), and (8) responsible (greater for business students). The findings of this study suggest that business students, even in the early stages of their careers, seem to favor values that are oriented toward economic success. This leads to an important question about the relationship between corporate governance and values-based management, which is who is it that decides what the values of a corporation will be?

Pursuant to the legal system of the United States, it is in fact the board of directors and the executive management of the company that decides what the values of the corporation will be. The board of directors and the executive management may decide to pursue an approach which emphasizes certain values, or they may decide to pursue a primarily economics-based approach to managing the company. However, regardless of the decision made by the board of directors and the executive management, the corporation laws of the United States mandate that the primary responsibility is to the shareholders of the corporation. Thus, if a values-based approach is chosen, the board of directors and the executive management would need to explain two things to the shareholders; first, are the values promulgated by the board of directors and the executive management consonant with the values of the shareholders; and, second, will the values-based approach be beneficial to the shareholders. If the answer to either of these questions is negative,

there might be several results. One might be that the shareholders would simply sell their shares, and thus the company would be deprived of capital for future growth and expansion. Second, there might be shareholder derivative lawsuits to force out the board of directors and the executive management (as was the case with shareholder activists as mentioned above). Neither of these results would be particularly desirable; hence, a values-based approach to management carries with it the risk of alienating shareholders. A well thought-out strategy must therefore be adopted by the board of directors and the executive management in order to communicate to shareholders why a values-based approach would be superior to an economics-based approach to managing the company. If a values-based approach can be shown to achieve greater economic value for shareholders, then there should be a favorable outcome for both shareholders and the other stakeholders of the company.

## Cross-References

- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Environmental Accounting](#)
- [Ethical Dilemmas](#)
- [Sustainability Reporting](#)

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## Corporate Personhood and Corporate Responsibility to Race

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### Synonyms

Corporate Communication; Corporate Personhood; Corporate Social Responsibility (CSR); Diversity; Equity and Inclusion (DEI); Race; Social Justice

### Introduction

The question of what responsibilities corporate persons have to society is addressed in the corporate responsibility to race (CRR) theoretical concept. CRR is defined as “a new form of corporate discourse that uses corporate resources to proactively address racial tensions by illuminating the implications of racial oppression and privilege, giving voice to racial issues and heightening public awareness of racism in order to foster a more just, egalitarian and harmonious society” (Logan 2019, p. 983). This concept was later developed into a theory of corporate communication that maintains CRR “provides a new theoretical avenue to identify, understand, contextualize, theorize, and analyze corporate communications about race” (Logan 2021, p. 7).

### The Emergence of CRR

As a theoretical concept, CRR emerged from empirical observations of how some corporations have communicated about race in recent years. Perhaps the first corporation to proactively communicate about matters of race and equity in a communications campaign was Starbucks in 2015. The coffee company launched the controversial Race Together campaign to encourage

conversations about race and racism in an effort to improve race relations in the USA. Since then several organizations have followed suit. For example, in a 2016 speech to employees AT&T CEO, Randall Stephenson, spoke of the importance of achieving understanding across racial differences. In 2017, P&G introduced “The Talk” advertising campaign. It portrayed difficult conversations generations of parents of black children have had to have with their children in order to prepare them to live in a world where systematic, structural racism is the status quo. In 2019, P&G returned with “The Look” ad campaign. It highlighted the unconscious bias and micro-aggressions people of color face as a part of everyday life. After the 2020 murder of George Floyd by a Minneapolis police officer, more corporations have taken a stand against racism, supporting racial justice and advocating for equity and harmony. Their efforts have been met with praise as well as criticism and draw attention to the changing role of business in society.

### The Purpose of CRR

CRR deepens understanding and sharpens explanations of how corporations engage in racial matters. CRR is based on three interrelated premises including: “(a) Corporations have a responsibility to support racial justice by communicating in ways that improve race relations because (b) corporations are organizational forms that have emerged through processes of racism and racialization, and (c) corporations have directly and indirectly perpetuated – and benefited from – racial discrimination and oppression, which has contributed significantly to racial strife and social instability” (Logan 2021, p. 8). In other words, “because the institution of corporate America has capitalized on racial discrimination and perpetuated racial oppression, the institution as well as the organizations that comprise it have a responsibility to work toward achieving a more racially just and harmonious society” (Logan 2021, p. 8). CRR theory has relevance and application anywhere where racial difference fosters discrimination and where organizational resources can be utilized to counter oppression.

### Theoretical Foundations

CRR aligns with organizational studies perspectives that hold organizations are racialized spaces that have historically participated in processes of racialization and produced privilege and disadvantage along racialized lines (Nkomo 1992). CRR also draws theoretical inspiration from critical race theory (CRT). CRT holds that the law – far from being neutral, objective, and colorblind – has actually functioned to reinforce white racial privilege and power in ways that harm non-white people. CRT also holds that a deeper awareness of history facilitates a richer understanding of contemporary racial problems and that racism is endemic in the US. CRT places race at the center of inquiry and situates race as the primary theoretical lens for analysis (Crenshaw et al. 1995) as does CRR.

### The Corporation's Racialized Roots

CRR exposes what Logan (2019, 2021) characterized as the racialized roots of the corporation by examining the *Santa Clara v. Southern Pacific Railroad* (1886) Supreme Court decision that allowed a business organization to gain the personhood protections of the Fourteenth Amendment. According to legal and historical scholars as well as framers of the Fourteenth Amendment (Magliocca 2013), the amendment was originally intended to guarantee the full personhood and citizenship of human beings that were particularly vulnerable and in need of its protection – formerly enslaved black people. However, following the amendment's ratification it was often used to protect the personhood of corporations, instead of black people. Fourteenth Amendment protections laid the foundation for corporate persons to gain a series of constitutional rights. As corporations grew in wealth and power throughout the nineteenth, twentieth, and twenty-first centuries, they also perpetuated racial division and oppression by exploiting slavery (Biondi 2003), participating in forced labor (Blackmon 2009), and profiting from mass incarceration (Alexander 2012; DuVernay et al. 2016). CRR acknowledges this history while facilitating a focus on how today's corporate persons can leverage their power to support racial equity, justice, and harmony.

### Differentiating CRR

CRR is differentiated from other forms of corporate discourse because of how it engages with race, situates the significance of race, and constitutes the relationship between race and corporate organizations as well as the relationship between business and society. Unlike CRR, typically corporate discourse about race aims to privilege organizational interests over societal needs. For example, although corporate DEI communications have often focused on including racial minorities, a central goal of these efforts was to expand the corporate labor pool, not necessarily to enrich the lives of racial minorities or foster equity in employment, which would have substantially contributed to fostering equity in society. Similarly, marketing discourse with a multicultural bent intends to sell products beyond the mainstream with the objective of growing organizational profits, not necessarily ensuring equal access to products and services or equitable treatment for customers. As well, crisis communications pertaining to race often aim to distance the corporation from allegations of racism, not root out or remove racism from the organization. Traditional public relations discourse advances corporate objectives by helping organizations to build good relationships with stakeholders and publics in order to bolster corporate reputations and images. Bolstering corporate images and reputations ultimately creates conditions conducive to enriching the corporate financial bottom line, but may not contribute to strengthening societal well-being. Although CSR emphasizes how organizations can contribute to society, such contributions are primarily valued in terms of their potential to produce return on investment (ROI) for participating corporations. CRR, on the other hand, primarily emphasizes the needs of society over the financial interests of the corporation, because it recognizes the multitude of corporate functions already dedicated to producing profit.

### CRR Communication Principles

CRR's focus on societal well-being – particularly where matters of race are concerned – is evidenced in its five core communication principles:



1. CRR communications must name a racist act, practice, structure, or system. It is not enough to offer abstract statements that vaguely condemn racism.
2. The complexities with which contemporary forms of racism operate must be highlighted along with the implications of racism in CRR communications.
3. CRR communications should also directly advocate for racial justice, equity, and harmony. This means the corporation should advance a vision for anti-racist action and communication for the organization, its stakeholders and publics.
4. A desire to improve race relations should be present. Thus, CRR communications should not be divisive. While they should admonish racism, they should also invite those blinded by bias to see the world in anti-racist ways.
5. Communications demonstrating CRR should emphasize the needs of society over the economic interests of the corporation because unlike other corporate areas such as sales and marketing that are designed to yield financial rewards, CRR is not focused on ROI. Its payoff is more altruistic – doing good for society’s sake (Logan 2021).

In practice, these principles can be used to guide organizations communicating about matters of race, DEI, and social justice. In theory, they help contextualize corporate racial discourse as well as facilitate the analysis of such communications.

### Forms of CRR

There are many forms of corporate discourse that may fall within CRR’s theoretical scope. For example, CRR may be used to analyze or contextualize public relations campaigns, advertising campaigns, leadership communications, corporate statements, and even corporate values such as Ben & Jerry’s racial justice value. It reads in part, “We invite you to join us on a journey to better understand issues of race in our country, to acknowledge the existence of systemic racism and the implicit biases that all of us carry, and to ultimately commit to . . . join hands, and move forward together” (Ben and Jerry’s [n.d.](#), para. 4).

Corporate policies and practices may also fall within the purview of CRR.

### Implications of CRR

When corporations mobilize their resources to oppose racism, support racial justice, and communicate in ways that aim to improve race relations, they articulate a corporate responsibility to race. Their advocacy amplifies the significance of race in the public sphere and can positively influence individuals and other organizations to make meaningful moves toward righting racial wrongs of the past and healing the wounds of racial discrimination that still plague the present. In other words, CRR aims to contribute to a healthier and more harmonious society. Ultimately, CRR situates corporate personhood as a conduit for corporate racial responsibility while providing a means to conceptualize, theorize, and analyze how today’s corporations engage in matters of race through their words and actions.

### Cross-References

- ▶ [\(Managing\) Diversity](#)
- ▶ [Advertising and the Commodification of Identity Through Skin](#)
- ▶ [Advertising Ethics](#)
- ▶ [Affirmative Action in Business](#)
- ▶ [Business and Society](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Corporations as Moral Entities](#)
- ▶ [Ethical Leadership](#)
- ▶ [Human Dignity and Business Ethics](#)
- ▶ [Human Rights](#)
- ▶ [Indigenous Environmental Justice](#)
- ▶ [Journal of Business Ethics](#)
- ▶ [Racial and Ethnic Diversity in Business](#)
- ▶ [Racism in the Workplace](#)
- ▶ [Social License to Operate](#)
- ▶ [Teaching Business Ethics](#)

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## Corporate Power over Human Rights

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### Synonyms

Business Structures; Corporate Authority; Power and Human Rights

### Introduction

The business and human rights (BHR) movement has developed rapidly since the 1990s, in lockstep with spiralling corporate size, wealth, and influence. BHR attempts to hold corporations to account for human rights abuses. As such it does not address corporate power directly, and it is not

of fundamental importance to BHR whether corporations are growing more powerful in relation to governments, society, or smaller businesses. Rising corporate power, does, however, have marked effects on access to human rights.

Corporations evidently hold the power to abuse human rights and to avoid accountability for these abuses. This is clear from numerous major cases, from the Bhopal gas leak to the collapse of Rana Plaza in Bangladesh, both of which resulted in major fatalities and demonstrated the failures of current practices, regulation, and remedy. Environmental degradation with fatal consequences, modern slavery, and complicity with oppressive regimes are all examples of corporations using their power to further their profits through rights abuse.

But corporate power over human rights goes beyond these direct interactions. With the growth of vast multinational corporations, quasi-monopolistic tech firms, and financialized companies such as private equity and hedge-funds, a new threat to human rights through business has developed. Here, the risk is less of the overt, egregious case of human rights abuse, and more of corporate power systematically denying access to rights to large groups for the purposes of investor profit.

This can occur through a multitude of ways. One important way is large investment firms influencing the price and/restricting the supply of essential items. Investor speculation on food commodity derivatives was designated as a major cause of the global food crisis, beginning in 2007. A major topic today, highlighted by Rory Hearne (2020) and others, is that of “corporate landlords.” Corporate landlords refer to companies – mainly private equity firms – that buy entire apartment blocks to rent them to tenants. Because of the scale at which this occurs it has a major impact on housing prices, greatly restricting the ability of individuals to purchase a home, or to rent affordably. Deleterious effects on access to rights also occur in investor-owned healthcare, prisons, and other essential services.

The issue in each of these cases is one of power. The investment firm has the capacity to make investments – in foodstuffs, housing, hospitals – on such a scale as to affect access to the

relevant right. With some exceptions, such as cases of medical negligence and illegal evictions, the actions of these companies cannot be said to “violate” rights, at least in interpersonal sense. From a human rights theory perspective this presents an interesting problem, as insidious price rises in essential items and retrogressions of access to essential resources in the name of maximizing shareholder value reshape societies, but there is no clear act of human rights violation.

### **Main Text: Analyzing Corporate Power**

For this reason, corporate power is an interesting lens on access to human rights (Mikler 2018). To study the issue more systemically, in an article for the *Business and Human Rights Journal* published in 2021, the author delineated four sites of corporate power over human rights: first, power over individuals; second, power over materialities; third, power over institutions; and fourth, power over knowledge. The framework captures four key ways in which corporations may influence access to rights. Human rights are inherent in individuals and can be transgressed through direct interaction. Human rights, and particularly socioeconomic rights, rest on a material foundation that corporations as economic actors have a significant ability to affect. Human rights are legal standards and are implemented through governance structures that corporations may also influence. Finally, corporations can influence the epistemic framework through which we understand human rights, including the form, scope, and limits of responsibility.

The framework draws on the work of Barnett and Duvall (2005), applying their generalist typology of power to the specific issue of corporations and human rights. They disaggregate power into compulsory, institutional, structural, and productive elements to provide a comprehensive categorization of power in its totality. Business has power over human rights insofar as it can influence, violate, retrogress, reshape, realize, or restrict those rights, and propose a moderated version of the four forms of power identified by Barnett and Duvall to capture the specifics of

corporate power over human rights. The first is the direct, unmediated, or weakly mediated power that corporations can wield over rights-holders. The next three are mediating sites through which corporate power can be used to affect human rights. Human rights are underlain by material foundations, whether land, supply of essential goods, personal wealth, or state funding, and therefore materialism is crucial. They are over-arched by law and institutions that enforce and structure the rights. They are also affected at the meta-level by social norms which constitute knowledge around the right, most importantly the scope, limits, and form of the responsibilities inherent therein. This captures realist, Marxist, institutionalist, and constructivist priorities.

The aim of the framework is to allow categorization of different forms of corporate power. But there was also a normative aim based in a concern that BHR as a field was too narrowly focused on a selection of direct interpersonal violations and/or egregious acts of wrongdoing, to the marginalization of more insidious uses of corporate power. The framework is, as such, designed to open space to discuss a wider range of corporate influences over human rights.

### **Four Locations of Corporate Power**

Power over individuals includes overt compulsory power, and covers the direct interactions that occur between corporations, including managers, and individuals. Power over individuals is the most likely to be directly regulated or prohibited form of power and most work in the BHR field addresses this form. Human rights violations are, paradigmatically, defined by this direct connection, in which the violator actively wrongs an individual, potentially leading to judicial remedy. Power over individuals includes the direct power that employers have over individuals, and the power to influence vulnerable individuals, such as children, through marketing and other means.

Power over materialities relates to the underlying material conditions on which rights rely. Corporations frequently control access to, or shape,

these materialities. This is evident with corporate landlords, privately owned hospitals, prisons, nursing homes, and pharmaceutical companies, global agribusiness, and privatized utilities, such as water. Corporations also have an outsized impact on climate change, and through investments and finance on many other avenues of life (Macchi 2021). Corporations, generally run according to the principle of shareholder primacy, are often incentivized not toward universal access – the basic human rights obligation of states in relation to material rights – but toward constructed scarcity or reduced services. Because human rights materials are, by their nature, essential and rarely conducive to truly competitive markets, profit can be earned through restricting access. In housing this occurs through corporate landlords owning so many properties in a region that they have a controlling influence over prices (Birchall 2021b). In healthcare, it may come from “hidden fees” or reduced levels of care.

Power over institutions relates to how corporations shape institutional priorities and evade accountability. Corporations have been growing in size, wealth, and importance for decades. Particularly since globalization accelerated around the 1970s, corporations have been able to wield their fleet-footed global citizenry to bargain for pro-business policies, including lower taxes and reduced labor rights. This is a structural power stemming from states being territorially bounded and corporations free-moving entities. Corporations engage in politics more directly through lobbying and funding political parties. This is particularly true in the US, where electoral campaigns are routinely funded by donors primarily drawn from business (Fuchs 2007). This can create a delineated area of corporate authority, such as corporations running immigrant detention facilities, but it also ties these corporations to the state. G4S, for example, which runs Manus Island for the Australian government, has numerous contracts with governments around the world. The greater the involvement a firm like G4S has in running detention centers and other governmental functions, the more expert and legitimate its views may appear to those governments. This will shape some big decisions, such as whether violence by a

detainee is treated with confinement and loss of privileges or by providing social care. G4S’s desire for profit may in turn shape its choice of recommendations. Finally, powerful corporations have numerous means to evade accountability, primarily based in the power imbalance between corporation and victim, through the use of Strategic Litigation Against Public Participation (SLAPPs), used to silence critics, and the use of legal waivers to avoid liability.

Finally, corporations have power over knowledge and norms within human rights (O’Kelly 2019). This is epistemic influence over how human rights are understood, the form and scope of business responsibilities, and the role of corporations within global governance. This works along numerous lines, from corporations distancing themselves from certain responsibilities – such as unions – to legitimizing themselves as activist voices through support for certain civil rights causes. It also includes acting as partners through funding and lobbying at global governance institutions such as the UN. Assuming corporations may have specific self-interested priorities dictated by shareholder value, it may follow that corporations engaging in human rights discourse are motivated by a desire to help in ways that improve, or at least do not harm, their profits. Greater corporate involvement in human rights discussions may therefore lead to a redirecting of human rights priority that follows profit-oriented maxims.

The purpose of this framework is both to understand how corporations influence human rights and to help develop the field of BHR beyond the most egregious and overt acts of business wrongdoing. It is hoped that the framework may be useful in developing future BHR-related regulations and laws, such as the BHR treaty that is under discussion (Bernaz 2021), and in improving analysis of the more structural elements of business control of human rights.

## Cross-References

- [Business and Human Rights](#)
- [Capitalism](#)

- ▶ [Commodification of Care](#)
- ▶ [Economic Efficiency and Socioeconomic Well-Being](#)
- ▶ [Future of Work: Values and Ethical Issues](#)
- ▶ [Human Rights](#)
- ▶ [Human Rights and Business Ethics](#)
- ▶ [Human Rights and the Multinational Corporation](#)

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## Corporate Psychopaths

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## Synonyms

Aggressive narcissists; Executive psychopaths; Industrial psychopaths; Machiavellians; Organizational psychopaths; Political psychopaths; Primary psychopaths; Sociopaths; Successful psychopaths

## Definition

Corporate psychopaths are herein defined as unconscionable, ruthless, predatory managers who are driven by self-interest and avarice. However, although encyclopedia definitions are supposed to be definitive, it is important to bear in mind that designations of personalities such as psychopaths, Machiavellians, and narcissists are man-made definitions which are emergent, contested, and have been subject to conceptual drift. They are not naturally occurring genera in the real world like mice and rats whose mammalian similarities and species-specific differences can be examined and reported on.

Furthermore, over time, the names Machiavellian, narcissist, and psychopath have become to some extent just different labels for the same people. For example, McHoskey, Worzel, and Szyarto described, in 1998, a measure of Machiavellianism as being a global measure of psychopathy and especially of primary psychopathy, while Falkenbach, Howe, and Falki reported in 2013 that extreme narcissism is psychopathic in nature. Furthermore, researchers into aspects of one of these nominal groups or the other may not be aware of the existing literature on the other groups and therefore not be familiar with the amount of conceptual and behavioral overlap there is between them. This is even more obfuscated by the differences in terminology used within psychopathy research itself. Thus, this is an area where definitional differences need disambiguating.

Psychopaths have impaired physical connectivity and chemistry in the emotional areas of the brain, and these are associated with an uncaring, callous, and unemotional attitude toward others (Blair et al. 2005). However, several leading psychopathy researchers have concluded that there is compelling support for a distinction between subtypes of psychopathy.

Primary psychopathy closely mirrors Cleckley’s original characterization (Cleckley 1941/1988) of what a psychopath is and they can be regarded as socially dominant extroverts with low anxiety. Many of the characterizations and measures of psychopathy closely correspond

with Cleckley's account, and it is still recognized as the most authoritative account of psychopaths in society.

Primary psychopaths exhibit prototypical traits such as charm and grandiose self-importance. They are more deliberative and display a more calculating approach to life than the impulsive secondary psychopaths do. Secondary psychopaths, on the other hand, are more aggressive, anxious, and more impulsive.

Corporate psychopaths can be defined as those psychopaths – ruthless people with no conscience or empathy – who work in the organizational or corporate sector as opposed to their more violent criminal peers. The term “corporate psychopath” was, in part, a term utilized to differentiate between criminal and noncriminal psychopaths in people's minds. Babiak pioneered the way in this differentiation with his study of what he then called an industrial psychopath (Babiak 1995). Historically psychopathy and criminality were assumed to be almost synonyms because they were so often studied together in the form of criminal psychopaths in prisons, and so it was important to make this distinction. Psychopathy researchers have compellingly argued that the criminal elements often found in psychopathy were correlates or consequences rather than core elements of psychopathy (Cooke and Michie 2001).

Socioeconomically disadvantaged psychopaths appear to follow a criminal career trajectory while those with educational and family background advantages may be more attracted to corporate careers. After some differences in the nomenclature involving terms such as “executive psychopaths,” “industrial psychopaths,” and “organizational psychopaths,” this latter group of psychopaths have come to be called corporate psychopaths.

Corporate psychopaths correspond to definitions and descriptions of primary psychopaths or successful psychopaths, and antisocial, criminal psychopaths correspond to definitions of secondary psychopaths. Corporate psychopaths appear to be suave, successful, and competent, they dress to impress, and this misleading appearance

easily dupes the unwary. Nonetheless, in reality, corporate psychopaths are ruthless, conscience-free managers who are motivated by personal greed. Their desire for money and control straightforwardly triumphs over morality, organizational codes of conduct, human rights, and legal boundaries.

## Description

Corporate psychopaths have been identified as perhaps the most significant threat to ethical corporate behavior around the world. In line with this viewpoint, a senior UK psychiatrist called de Silva has argued that in order to help organizations avoid the adverse effects of having psychopathic people within them, leadership development should include learning the art of managing psychopathic employees.

As careerists with few distracting emotional interests (e.g., toward friends, family), an interest in working in finance and an unethical approach to business and to corporate social responsibility, corporate psychopaths are logically to be found in employment within any large organization. Further, with the increasingly fast movement of personnel and the concomitantly shallow processes involved in recruitment and selection, there is a compelling argument that corporate psychopaths are increasingly appointed to senior positions. They gain promotion and advancement because of their willingness to lie about their qualifications and achievements, and because their cool, unflappable characteristics make them appear rational and trustworthy.

## Who Experiences Corporate Psychopaths?

In general, Boddy's evidence from research in 2008 to 2011 suggests that about 6–11% of employees are currently working with a manager or supervisor who recognizably displays many of the characteristics of a psychopath. Additionally, in general management, about 32% of people



have ever knowingly worked with a corporate psychopath. However, this appears to be higher among HR professionals and auditors. Indications from research are that around 70% of HR directors have come across corporate psychopaths, while recent research reported on by Jeppesen, Leder, and Futter in 2016 establishes that 69% of auditors have ever experienced corporate psychopaths in their client management careers.

### **What Experiences Do Corporate Psychopaths Engender?**

According to writers like Perri and Clarke, fraud has long been theoretically associated with corporate psychopaths, and recent research indicates that of those auditors who have experienced corporate psychopaths in their client management careers, 43% reported that those auditors committed fraud. They are also expected to be involved in other forms of white collar crime. Australian research in 2008 involving a general sample of managers concluded that around 26% of all bullying is accounted for by the 1% of the employee population who are corporate psychopaths. Research in the UK, among a more closely defined sample of managers, found that 35% of all workplace bullying was associated with the presence of psychopathic leaders. Recent UK research suggests that these figures may be underestimates.

### **What Are Some of the Consequences of Working with Corporate Psychopaths?**

#### **Reduced Job Satisfaction**

Psychopathy correlates with reduced job satisfaction to the extent that corporate psychopathy has been found to be the main determinant of reduced job satisfaction in the workplace (Boddy and Taplin 2016). Job satisfaction is destroyed because the toxic environment created by psychopathic workplace leaders undermines any sense of employee enjoyment, commitment, or engagement.

#### **Reputation Declines**

Declines in corporate reputation can be expected when leadership are psychopathic or perceived as psychopathic. Corporate psychopaths through their direct action and via their example to others undermine some of the key drivers of corporate reputation such as good communications, managerial competence, job satisfaction, and corporate social responsibility.

#### **Redundancies**

Employees who work under or alongside corporate psychopaths become disillusioned at best and antagonistic at worst and vote with their feet to leave the organization. Employees intend to leave when faced with psychopathic leaders. Where psychopathic leadership is evident at the departmental level, then the entire staff of the department can leave the organization, while in case of psychopathic leadership at the organizational level, then the entire staff of the whole organization can exit the organization.

#### **Retribution**

Employees retaliate against the organization which subjects them to toxic and destructive psychopathic leadership by engaging in counterproductive work behavior such as sabotage and workplace production deviance. This reduces the productivity of the organization.

### **Psychopaths and Human Rights**

Psychopathy is intimately linked to human rights because the development of human rights has largely emerged in response to the callous, cruel, and inhumane behavior of leaders who displayed pronounced psychopathic traits. For example, the UK's King John was forced to sign Magna Carta after his cruelty and callous indifference to common standards of justice and his use of sexual coercion and torture, even among his peers, the nobility. Further the UN Declaration of Human Rights was made after and in response to the findings from the Nuremberg war trials involving senior Nazi party members. The three top Nazi leaders, Hitler, Hess, and Goering were all

diagnosed as psychopaths in 1933, 1941, and 1946, respectively, with the latter two being put on trial. Indeed, the whole Nazi government of that period has been described as being psychopathic in its cruelty and barbarism.

## Cross-References

- [Enron Scandal](#)
- [Human Rights](#)
- [Machiavelli](#)
- [Machiavellianism](#)
- [Narcissistic Leadership](#)
- [Toxic Leadership](#)

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## Corporate Psychopathy

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## Synonyms

Corporate toxicity; Organizational psychopathy;  
Political psychopathy

## Definition

Corporate psychopathy is the condition whereby a corporation acts in a ruthless, uncaring, self-interested, conscience-free manner with respect to its employees, other people, and to the wider society in which it operates. Corporate psychopathy is marked by a callous lack of care or concern for the feelings of others, an incapacity to maintain enduring relationships, a reckless disregard for others' safety, an incapacity to experience guilt and well as deceitfulness, and repeated lying and conning others for profit together with a failure to conform to social norms with respect to lawful behavior (Bakan 2004; Achbar 2003). The psychopathic corporation acts irresponsibly, harms the environment, damages employees, and places customers and society at risk in its attempts to fulfill its goals of profit maximization. It accepts no responsibility for its actions and has no regrets or empathy.

## Description

This idea that a firm can be psychopathically ruthless, manipulative, remorseless, and self-interested in its actions has been recognized at least since 1985 (Daneke 1985). Drawing from Cleckley's work on psychopaths in society (Cleckley 1941/1988), Daneke refers to the "sociopathic firm" and so is clearly using the word sociopathic as being synonymous with psychopathy. Like Bakan, below, Daneke quoting Edmunds and Letey, recognizes that the firm is a "creature of the state" operating within traditions of jurisprudence and working within a limited, short term, profit-oriented view of its own existence, which means that the potential for corporate psychopathy is widespread (Daneke 1985).

Daneke largely discusses this from a social learning perspective rather than a legal perspective and while Daneke does not overtly report that as the firm is a creature of the state it can be modified by the state, logically it is implied in the discussion.

There are at least two circumstances where a corporation can be psychopathic. Firstly is the case where a (typically western) corporation is psychopathic because of its constitution and legal status. Senior organizational leaders and managers may take an exclusive orientation toward profit orientation at face value and operate as if nothing else matters. This is the case implied by Daneke and more elaborately set out by Joel Bakan in his book and in the documentary that was based on the book (Bakan 2004; Achbar 2003). Bakan further elucidates this viewpoint in a recent interview wherein he states that such a corporation is self-interested to the extent of being pathologically committed to the pursuit of profit and power.

The key point that Bakan makes is that corporations are a product of state regulation. Therefore society, through government and the law-making process, can change the way in which corporations are legally defined so that the element of psychopathy is removed from the genetic makeup of corporations. As a society we have the ability to control, create, and constitute corporations in a manner that corresponds more with how we want them to behave, which can generally be more in line with serving the broader public interest rather than merely the interests of the owners of the corporation.

Objectors to Bakan's thesis argue that it is too extreme a view and that in practical terms there is always a plausible rationale which managers can find for engaging in socially responsible corporate activities (Lee 2005). Lee argues, for example, that law courts are loath to interpret what constitutes sound management practice and a profit maximization policy. In practice, this means that corporate managers have considerable leeway in engaging in things like caring, nonruthless, non-psychopathic behavior such as corporate social responsibility. In other words, responsible management is the decision of individuals within corporations and it is those individuals – albeit operating within the norms of a corporate culture – who decide on corporate actions. Thus, managers have the opportunity to mitigate or avoid

potentially ruthless and psychopathic corporate behavior. However, this view of Lee's assumes that managers have a degree of moral autonomy and sovereignty from authority rather than being rule followers and unfortunately this sort of independence is often not displayed, as the literature on obedience clearly demonstrates.

The second case in which corporate psychopathy can occur is when corporate psychopaths (also known as primary psychopaths, successful psychopaths, executive psychopaths, industrial psychopaths, organizational psychopaths) have taken over the leadership of a corporation or other type of organization. In this case, the corporation's aims are subverted and realigned toward the pathological pursuit of wealth, prestige, honors, and power for the individual corporate psychopaths rather than for the corporation (Boddy 2015). This can involve fraud, subversion of organizational aims, and extensive mismanagement. The long-term well-being of the organization is put at risk in this case as the examples of Enron (see the entry on the Enron Scandal) and the Mirror Group delineate.

The remedy for this second situation is to closely manage, ethically supervise, or just remove the corporate psychopaths before they can undertake too much damage through their immoral and self-interested behavior. However, rather than firms keeping psychopaths from sensitive appointments there is evidence that psychopaths have been deliberately recruited into organizations (e.g., corporate banking and media) rather than excluded. Their presence in corporate banking has been associated with the events leading up to the global financial crisis.

For a further description of what occurs under the leadership and management of corporate psychopaths, see the entry on Corporate Psychopaths.

## Cross-References

- [Corporate Psychopaths](#)
- [Enron Scandal](#)
- [Machiavellianism](#)

- [Narcissistic Leadership](#)
- [Toxic Leadership](#)

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## Corporate Punishment

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## Introduction

“Corporate punishment” is ambiguous and thus requires clarification. By “corporate” is meant legal businesses which satisfy the conditions of what constitute corporations according to law. However, at least for purposes of punishment, there is a dualistic feature to corporate punishment. For not only are there corporate-collective entities but corporate individuals who are also sometimes subject to legal punishment, normatively speaking. This discussion of corporate punishment assumes that whomever/whatever is to be punished must satisfy the conditions both necessary and jointly sufficient for corporate responsibility (liability to punishment). Here it is implied that a theory of corporate punishment (about who or what ought to be punished) requires, among other things, a theory of responsibility (liability to

punishment) because it is the latter which forms the basis for the former. By “punishment,” is meant hard treatment and the denial of certain kinds of rights and freedoms, though not of course due process rights. This is an article on the ethics of corporate punishment and some vitally related issues.

## Is Corporate Punishment Morally Justified?

There are competing approaches to the justification of corporate punishment, ethically speaking. There are negative and positive approaches to corporate punishment. Corporate punishment abolitionism denies that corporations or their respective individuals ought ever to be punished, either because the conditions of responsibility (liability) are never or can never be satisfied so it would be unjustified to punish them or because any system of corporate punishment will be fraught with unfairness. One problem with such an approach is that it rests on a dubious and controversial metaphysic with regard to the question of whether or not corporate collectives and corporate individuals act with sufficient freedom that they might satisfy the conditions of corporate responsibility. If either metaphysical compatibilism or libertarianism is plausible, then the hard deterministic metaphysic underlying corporate punishment abolitionism renders it highly problematic in that considerations of corporate responsibility, proportionate punishment, and desert are completely ignored without adequate justification. It is worth noting, however, that hard determinism is not accepted as being plausible by most philosophers working in moral responsibility theory during the past century (Fischer and Ravizza 1988) or throughout the history of philosophy for that matter. So this path to support corporate punishment abolitionism is highly implausible. That a system of law which seeks to punish responsible corporate individuals and corporations themselves duly found guilty of this or that crime is sometimes unjust is

hardly a sufficiently good reason to reject an imperfect legal system that usually gets justice right in terms of punishing corporate harmful wrongdoing. Abuse does not nullify proper use of a practice.

On the other hand, there are those theories which favor the punishment of those guilty of corporate harmful wrongdoing. These are referred to as “positive” theories of corporate punishment, as opposed to corporate punishment abolitionism which is a negative theory of punishment. Among such positive theories is a classical utilitarian approach according to which punishments ought to be meted out to corporations and their relevant individuals in such a manner that the punishment rehabilitates guilty corporations and corporate individuals and/or deters others such that social utility is maximized. However, one difficulty with this approach is that it ignores what a guilty party deserves in terms of punishment, thereby ignoring considerations of corporate responsibility for the harmful wrongdoing of others. It also fails to comport with considerations of proportionate punishment in light of the harmful wrongdoings corporate collectives and corporate individuals commit. That deterrence of corporate harmful wrongdoing is of course a good thing can never replace desert as the fundamentally primary reason to justify legal punishment of any kind. Rehabilitation of corporate harmful wrongdoers is not in fact a form of punishment at all and so must be rejected as a category error when it comes to matters of corporate punishment. Hard treatment is not rehabilitation as these categories are properly construed and neither is rehabilitation hard treatment. Thus, utilitarian approaches to corporate punishment must be rejected as inadequate.

Another such approach to corporate punishment is the retributivist one wherein corporations and their individuals who are duly found guilty of harmful wrongdoings are punished insofar as they deserve it, that is, to the extent that they are responsible (liable) for punishment in approximate proportion to the amount of harm they cause to others. As secondary justifications of such punishment, deterrence and rehabilitation

might be relevant considerations. But desert is always the necessary and sufficient condition of morally justified corporate punishment. One objection to this retributivist model of corporate punishment is that the idea of desert is problematic, too intuitive, or primitive to serve as a meaningful criterion of punishment. However, when desert is explained in terms of proportionate punishment and responsibility, it becomes less mysterious and more plausible (Corlett 2014). A second concern with corporate punishment retributivism is the difficulty with respect to calculating proportionate punishment. But not only does the problem of proportionate punishment also face the utilitarian model of corporate punishment, it appears as though said difficulty is most problematic for an exact version of retributivism. Yet there seem to be no respectable philosophers or ethicists who hold that corporate punishment must be exacting. For punishment in any sphere of life is more of an art than a science. This makes the problem of proportionate punishment less of a serious one for matters of corporate punishment, whether retributivist or utilitarian.

What is more important than exact corporate proportionate punishment is approximate hard treatment. For a theory of corporate punishment as a general theory of punishment must take the world as it is, not as the manner in which some utopian philosopher thinks it ought to be quite aside from the way the world really is. Institutions, like punishment, cannot rightly be rejected simply because they are imperfect. They must be reformed in order to function as well as possible. But that they are somewhat unjust is no good reason to reject them. Instead, it is a good reason to reform them.

## Methods of Corporate Punishment

However corporate punishment might be grounded in ethics, there are a variety of ways in which corporate punishment might be meted out. One suggestion is the “Hester Prynne Sanction” (French 1984). According to this method, a

corporation found guilty of harmful wrongdoing is to suffer a court-ordered institutionalized form of adverse publicity [sometimes referred to as the “adverse publicity sanction” (Corlett 2014)], the cost of which is borne by the guilty corporation. However, the adverse publicity of corporations guilty of gross forms of wrongdoing would hardly suffice as an adequate punishment for the said corporations, and it also leaves those corporate individuals most responsible for said wrongdoings unpunished (Corlett 2014). Thus, while the adverse publicity sanction (coupled with fines) might do well in punishing some relatively minor or moderate-level corporate untoward events, it does not adequately address gross forms of corporate wrongdoing.

A more holistic retributivist approach to corporate punishment includes not only adverse publicity of the corporate entity guilty of serious harmful wrongdoing but also the seizure of the personal assets of all corporate individuals most directly responsible for the said harmful wrongdoing and the imprisonment of the said individuals in addition to the adverse publicity of the said corporate entity (Corlett 2014). Indeed, what this approach suggests is that all guilty and primarily responsible corporate individuals are to be stripped of their personal assets in proportion to their roles in causing the harmful wrongdoing in order to compensate those damaged by the corporate harmful wrongdoing prior to the corporation itself being fined in order to cover any remaining damages owed to victims. Subsequently, those corporate individuals and corporate entities themselves ought to be adversely publicized, and each guilty party should bear her responsibility in paying for the costs of the adverse publicity. The elimination/revision of corporate limited liability laws in the United States of America is morally required for this approach to have the secondary deterrent effect that would likely obtain throughout the US business communities. In cases of major corporate harmful wrongdoing wherein criminal negligence leads to the deaths of humans and/or nonhumans, capital punishment of those corporate individuals most responsible for the crimes should be considered by the law in some cases. For the negligent, gambling with the lives

of others ought not to come absent a heavy price to pay for such creation of an unreasonable risk of such serious wrongful harm to others (i.e., negligence<sup>1</sup>). Thus, corporate-individual fines of those corporate individuals most directly responsible for the serious corporate harmful wrongdoing coupled with corporate-collective fines may serve as compensation for major corporate harmful wrongdoings, and adverse publicity sanctions may also serve the goal of justice when the harms are so serious that no amount of compensation is likely to adequately compensate those who are wronged.

How is it determined which corporate individuals are most responsible for serious corporate wrongdoings deserving of harsh treatment and compensatory fines? One element of corporate-individual responsibility is the power to effect meaning change (French 1984). To the extent that a corporate individual has significant power to effect meaningful change and is also guilty – in full or in part – of committing, attempting to commit, or omitting to act (as the case may be) a harmful wrongdoing qua member of the corporation, she is liable to harsh treatment and compensatory fines in order to rectify that wrongdoing.

One objection to a retributivist approach to corporate punishment is that it is likely to have a deleteriously deterrent effect on capitalism in general and on corporate capitalism in particular. Few, if any, businesspersons would want to participate in corporate affairs if they can be held personally liable for their harmful wrongdoings – especially for their serious ones that could bankrupt them as individuals and even sentenced to prison or even death as the case may be. This would likely eventuate in the end of capitalism as we know it.

In reply to this concern, it must be pointed out that it appears to assume that capitalism functioning normally entails widespread corporate harmful wrongdoing. But this assumption is dubious, and until it is substantiated, it ought to be abandoned. On the assumption that a sufficient number of businesspersons can and will function

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<sup>1</sup>This definition of “negligence” is found in Feinberg (1970).



reasonably well and are willing to take the risks of capital gain, there is a reason to think that the proposed retributivist system of corporate punishment will, as capitalism purports to do, reward and punish those in the corporate world as it should. And on the assumption, on the other hand, that insufficient numbers of businesspersons will be able to fill the corporate world to make capitalism function well, then perhaps capitalism is a socio-economic system that is at fundamental odds with ethics, properly construed. So either capitalism properly construed can in both principle and in practice function sufficiently ethically to justify retributivism as a model of corporate punishment grounded in respect for responsibility, desert, and proportionate punishment, in which case retributivism can bring justice to rights violations under capitalism or capitalism must be rejected on moral grounds because it cannot possibly satisfy the basic requirements of justice, namely, in providing approximate justice and rectification to those harmed under it. So in a best case scenario for capitalism and corporate punishment, retributivism can serve as the watchdog over corporate harmful wrongdoings. In a sense, then, retributivism is what can in some sense help to “justify” capitalism (assuming that capitalism can be justified at all) as it serves to correct capitalist harms, such as corporate ones, whether those harms be those of the deadly and maiming toxic chemical leak by Union Carbide (now Dow Chemical) in Bhopal, India; the Exxon oil spill environmental disaster in Prince William Sound, Alaska; the British Petroleum oil environmental disaster in the Gulf of Mexico; the massive US-based business, including corporate support for the morally unjust military invasion of Iraq in 2003; etc. Or, as others might want to put it, retributivism might well end up serving to expose the fundamentally unethical nature of even the most morally attractive version of capitalism. Whichever the case, retributivism proves to be the most promising of the approaches to addressing corporate harmful wrongdoings. Deterrence and/or rehabilitation are highly inadequate ways of addressing serious corporate wrongs, and abolitionism is not serious about addressing them in the first place as it cloaks itself

in the moral garb of pacifism, moral cynicism, and/or utilitarian disrespect for compensatory rights and the duty to punish legal offenders.

## Conclusion

Once “corporate” and “punishment” were defined at least in general terms, various general approaches to corporate punishment were explored, however, briefly. Some objections to each approach are explored in terms of some real-world considerations. The matter of corporate punishment requires further exploration in both ethics and business, for ethics must determine the moral boundaries of the corporate world if capitalism is to have a moral foundation at all, yet ethics must be well informed by business as it functions in the real world so that ethics does not lapse into a practice of a relative few academics who in their utopian splendor engage in “talkin’ loud and sayin’ nothin’” worthwhile.<sup>2</sup> In the meantime, if their speculations and dismissiveness of positive attempts to address corporate punishment are taken seriously, there is no answer possible to the myriad of harms wrongfully caused by corporate collectives and some of the respective corporate-individuals. But while business must, if it is to be palatable, be informed by the best ethics has to offer, ethics itself must be informed by the real world of business, including the corporate world, if it is going to offer sound moral discourse concerning matters of business, including corporate punishment.

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<sup>2</sup>This phrase is borrowed from a famous James Brown lyric from the song, “Talkin’ Loud and Sayin’ Nothin’.”

## Corporate Social Responsibility

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### Synonyms

Corporate social performance

### Introduction

There is no universally agreed upon definition of corporate social responsibility. Opinion is largely divided according to whether a corporation's social responsibility is to maximize profits for shareholders (*shareholder primacy*) or whether it extends to serving the interest of any entity that is impacted by (impacts upon) the firm's activities. The competing views of the social responsibility of corporations are referred to as the *shareholder* and *stakeholder* views, respectively. However, more recent developments reflect a convergence of the competing views, where value for shareholders may be best served by taking into consideration the interests of other stakeholders.

### Discussion

The nature and scope of a corporation's social responsibility is underpinned by the relevant traditional corporate governance model. In the Anglo-American (UK-US) tradition, a public corporation is viewed as a fiduciary relationship between shareholders (principal) and managers (agent), which gives rise to the *shareholder* view of a corporation (see "► [Agency Theory](#)"). The relationship is marked, inter alia, by profit-oriented behavior and, traditionally, widely dispersed ownership that separates ownership and control, leaving management as a largely uncontested decision-maker. The *shareholder* view of the firm holds that management's primary

responsibility is to maximize the wealth of shareholders by maximizing the value of the corporation. However, it is important to note that society also gains from profitable corporations, as they, for example, create employment, provide goods and services, and pay corporate taxes.

The traditional Continental European corporate governance model, on the other hand, takes a multiple *stakeholder* view of the firm, which includes the interests of shareholders and other stakeholders, such as employees.

The competing views of a firm gained prominence in the US political and economic landscape in the 1930s with the Berle-Dodd debate and are, in turn, reflected in the competing views of the social responsibility of corporations. In 1932 Dodd argued that "public opinion ... is today making substantial strides in the direction of a view of the business corporation as an economic institution which has a social service as well as a profit-making function" (1148). In the 1960s Frederick (cited in Carroll 1999: 271) maintained "social responsibility ... implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply the narrowly circumscribed interests of private persons and firms." Friedman (1970) on the other hand maintains that "there is one and only one social responsibility of business ... to use its resources and engage in activities designed to increase its profits." The *stakeholder* view, associated with Freeman (1984), holds that corporations should take not only shareholders into consideration but also other stakeholders such as employees, consumers, creditors, and local communities.

A *stakeholder* is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984: 46). Stakeholders include those who are fundamental to the survival of a firm, for example, investors, customers, suppliers, employees, and government, and other entities who are not fundamental to the survival of the firm but have the capacity to adversely impact a firm's reputation, for example, NGOs, the media, and the public at large (Clarkson 1995).

Stakeholders are in that context “persons.” A matter for consideration here is the debate surrounding the stakeholder status of the natural environment (Starik 1995). To that end, in 2017 the New Zealand and Indian governments granted stakeholder (personhood) status to the Whanganui and Ganga and Yamuna Rivers, respectively.

Jensen (2002) highlights the difficulties faced by management in striking a balance between the competing interests of disparate stakeholders and argues the case for “enlightened value maximization” as the key to establishing “the proper relation” between value maximization and stakeholder theory. Enlightened value maximization involves utilizing “much of the structure of stakeholder theory but accepts maximization of the long-run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders, and specifies long-term-value maximization ... as the firm’s objective” (Jensen 2002: 235).

There is no universally agreed upon definition of corporate social responsibility. However, in the ethos of the stakeholder view, as the following definitions suggest, the notion of CSR extends to pursuing social good:

[CSR] refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. (Bowen 1953 cited in Carroll 1999: 270)

Bowen’s reference to CSR meeting the “objectives and values of our society” invokes *social contract theory*. Social contract theory considers that corporations are artificial entities created by society to meet its needs and that an organization’s *license to operate* relies on it acting in a manner that society deems to be socially responsible, which is, in turn, key to an entity establishing its social *legitimacy*. The capacity for society (stakeholders) to impact the social agenda of corporations is demonstrated, for example, in the Shell–Brent Spar incident in 1995. Shell in full consultation with the UK government sought to dispose of the “Brent Spar” oil rig in the North Sea. Greenpeace objected to the plan and utilized the media to bring the issue to the attention of the public at large. Greenpeace was supported

by North European governments, including Germany and the Netherlands. Further, there was a substantial consumer boycott of Shell products, e.g., a 20% drop in sales in Germany. Given the stakeholder backlash, Shell maintained that it was in an “untenable position” and abandoned the plan.

As the Brent Spar incident indicates, acting within the law is not a sufficient condition for a corporation to discharge its social responsibility, instead CSR extends to “concern for the ethical consequences of one’s acts as they might affect the interests of others” (Davis 1967 cited in Carroll 1999: 272). To that end, Carroll (1991: 43) identified the following four principles of corporate responsibilities: “to make a profit, obey the law, be ethical, and be a good corporate citizen.” Good corporate citizenship is often associated with philanthropic activity. The four responsibilities are typically depicted as a pyramid. Criticisms of the model, however, led to it being replaced by a three-domain (economic, legal, and ethical) Venn diagram model (Schwartz and Carroll 2003).

Heal (2004: 12) defines CSR as “taking actions which reduce the extent of externalized costs or avoid distributional conflicts.” The negative externalities to which the author refers are manifestations of market inefficiencies, which accrue where there is a divergence between private and social costs. Social costs are borne by humanity and the environment, not the private entities involved in the market-based activity. In the context of CSR, negative externalities are manifest in the form of the loss of human welfare (e.g., to health, esthetics, and recreation) and the pollution of natural resources (e.g., water, land, and air) and the loss of nonrenewable resources and biodiversity. Sir Nicholas Stern maintained that “climate change is a result of the greatest market failure the world has seen.” The threat to ecosystems goods and services is attributed to the failure of industrial capitalism to value *natural capital*, that is, “the biological world whose resources and ecosystems services make all life possible” (Lovins 2004: 3). The distributional conflicts to which Heal (2004: 10) refers are manifest in the form of, for example, the use of “child labor” and “low wages for

adults” in developing countries. Reducing the “extent of externalized costs” is consistent with the notion of *sustainable value creation*, which questions the traditional shareholder primacy perspective of wealth creation to the extent that it emphasizes short-termism at the expense of the long-run value of the firm. Sustainable value creation calls for “all relevant costs and benefits” – economic, social, and environmental – to be “accounted for, rather than simply externalized” when deciding on a project (Fatemi and Fooladi 2013: 106), due to the development of creative mechanisms for settling up and changes in the capital market.

The threat to ecosystem’s goods and services has given rise to the concept of *sustainability* which recognizes that “we are approaching, and in some cases surpassing, the limits of our planet’s resources and carrying capacity” (United Nations Environment Programme 2013: 6). The major drivers of the imbalance are human population growth and economic development. The threat to natural capital has also led to the notion of a *sustainable system of production*, that is, one that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations 1987). *Sustainable development* is typically associated with living within the limits that society can provide and the equal distribution of resource opportunity (*social justice*) (United Nations 1987). However, sustainable development also extends to the preservation of *social* and *cultural capital* (Lertzman and Vrendenburg 2005: 240).

Following the preceding discussion, CSR-related actions include providing a safe working environment for employees, ensuring product/service quality and safety, abating pollution, conserving biodiversity and natural resources, taking account of gender and minority interests, supporting local communities, and undertaking philanthropy. However, it is important to remember in the light of the events surrounding, for example, the 2008–2009 global financial crisis – marked, allegedly, by obsession with immediate gain, the inappropriate rating and overvaluation of financial instruments, compromised banking practices, and lack of transparency – that the

principle of ethics underpinning “doing good,” whether embodied in law or otherwise, ought also to be embedded in how a firm achieves its economic objectives.

*Corporate social performance* refers to how corporate actions rate against predetermined social criteria, such as the environment, diversity, employee relations, relations with indigenous people, and philanthropy. Formal evaluation of corporate social performance is undertaken by independent organizations using various non-financial social and environmental measures.

Examples of adverse social and environmental incidents include the following:

- **Bento Rodrigues 2015** On 15 November, 2015, the small Brazilian village of Bento Rodrigues was erased when an estimated 40–60 million cubic meters of contaminated copper tailings (mud) burst from a dam operated by Samarco, which is, in turn, owned by Vale SA and BHP Billiton. An estimated 17 people were killed and 16 injured.
- **Volkswagen 2015** In September, 2015, the US Environmental Protection Agency discovered that many Volkswagen cars being sold in the USA had a “defeat device” (software) in the diesel engines that could detect when the vehicles were being tested for emissions levels. The software changed the performance under the test conditions to improve results. Volkswagen conducted a major marketing campaign in the USA promoting its diesel cars as low emission. The car manufacturer has admitted to cheating the emissions tests. The company is potentially facing US regulatory fines and class actions from purchasers who face devaluation of their vehicles.
- **BP Deepwater Horizon 2010** On 20 April, 2010, the BP-operated Deepwater Horizon oil rig exploded, caught fire, and sank in the Gulf of Mexico. Eleven workers were killed and 17 injured. An estimated 40,000–60,000 barrels of oil per day spilled into the Gulf. The well was not declared “dead” until 21 September, 2010.
- **Exxon Valdez 1989** On 24 March, 1989, the oil tanker *Exxon Valdez* struck a reef in Alaska’s

Prince William Sound, tearing open the hull and releasing 11 million gallons of oil into the pristine environment.

- **Bhopal gas tragedy 1984** On 3 December, 1984, methyl isocyanate gas leaked from a plant owned, managed, and operated by Union Carbide India Ltd, in the Indian city of Bhopal. According to official statistics, between 15,000 and 20,000 people died and several thousand suffered disabilities, many of them permanent.

Friedman's (*shareholder primacy*) view of the social responsibility of business implies that business and society are not interdependent. The *business case* for CSR (Porter and Kramer 2006), however, seeks to overcome that tension. It calls for the integration of business and society, such that businesses invest in CSR activities that benefit society and enhance shareholder value (win–win scenario). The process of integrating business and society calls for prioritizing social issues and looking *inside out* and *outside in*, in mapping the bilateral social impact–social influence relationship.

Forces contributing to a shift in social expectations of corporate social responsibility from a shareholder to a stakeholder view include the following. First, the liberalization of governments, including the deregulation and the privatization of government assets, has led to business taking on responsibilities for activities previously the preserve of governments. Second, globalization, along with liberalization, has vested substantial wealth and international influence in the hands of multinational companies. To that end, the “social responsibilities of business men need to be commensurate with their social power” (Davis, cited in Carroll 1999: 271). On the matter of the social responsibilities of multinational companies, Kolstad (2007: 142) takes issue with the premise of the shareholder view of the firm concerning the “division of moral labour in which firms are assigned the task of maximizing profits, while the state is assigned the task of redistributing income and correcting market failures” in circumstances where the state is neither capable or willing to “perform the tasks assigned to it.” In that case, Kolstad maintains that other agents,

including firms, have “secondary responsibilities” to ensure the tasks are carried out. Third, the growth in socially responsible investment (SRI) in the capital market. Socially responsible investors take environmental, social, and governance (ESG) considerations into account when making their investment decisions. The approaches utilized by socially responsible investors to influence investment decisions involve *screening*, *advocacy*, *community investing*, and *social venture capital*.

## Cross-References

- ▶ [Agency Theory](#)
- ▶ [Capitalism](#)
- ▶ [Corporate Governance](#)
- ▶ [Corporate Psychopathy](#)
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- ▶ [Resource Extraction and Indigenous Community Consent](#)
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## Corporate Social Responsibility and Domestic Violence

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### Introduction

This entry begins with a brief description of two phenomena of twenty-first-century societies: the persistent problem of domestic violence and the dissolving boundaries between home and work. The entry then discusses the challenges these two phenomena present for ethical reasoning about corporate social responsibility in relation to employees affected by domestic violence. A number of ethical frameworks for understanding these challenges are discussed. The final section of this entry focusses upon six specific

questions for businesses to ask when addressing the impacts of domestic violence in the workplace: (i) the question of leave entitlements for workers affected by domestic violence, (ii) the challenge of dealing with privacy concerns, (iii) dealing with workplace safety issues raised by domestic violence, (iv) whether and how to establish a workplace support network for affected workers, (v) whether and how to provide counselling and referral services, and (vi) how to manage the enterprise relationship with wider society in relation to domestic violence.

### The Twenty-First Century: A Persistent Problem of Domestic Violence and Dissolving Boundaries Between Work and Home

The term “domestic violence” (also known as “intimate partner violence”) is defined here to include: “any incident or pattern of incidents of controlling, coercive or threatening behaviour, violence or abuse between those aged 16 or over who are, or have been, intimate partners or are family members. This includes: psychological, physical, sexual, financial and emotional abuse. It also includes ‘honour’-based violence and forced marriage” (NICE 2014: 1).

The cost of domestic violence, including the costs of lost productivity and of legal, health, and other social services, has been estimated at up to 2% of global GDP (The Economist 2018). The total cost to the US economy of the almost 5 million domestic violence cases recorded per year is about \$460 billion p.a. (Lomborg and Williams 2018). Domestic violence costs the UK an estimated £15.7 billion in 2008 (Walby 2004; NICE 2014: 3–4; ILO 2011). In Canada, a Department of Justice study estimated that domestic violence cost employers \$78 million in 2009 (Department of Justice 2016).

In Australia, New Zealand, and Canada, growing awareness of the persistent prevalence of domestic violence has prompted Royal Commissions and taskforce inquiries (Queensland Taskforce 2015; Victorian Royal Commission into Family Violence 2016; Andrews 2015), and legislative initiatives to incorporate domestic



violence leave entitlements into workplace standards. Yet overall throughout the Western world, funding cuts to social services mean that fewer victims of violence have access to support, while rates of domestic violence continue to rise or remain persistent (Leins 2015; CDC Survey 2015; Bureau of Justice statistics 2013; Murray and Theobald 2014).

Domestic violence impacts on the workplace in a number of ways. First there are the costs of lost time and productivity of employees who are dealing with the impacts of domestic violence. Second, there are the impacts on fellow workers when a violent partner follows the affected worker into the workplace, creating a safety incident, or when the affected employee arrives at work injured, distressed, and/or fearful – even seeking to use the workplace as a refuge after hours (Murray and Powell 2007, 2008; Wathen et al. 2014).

Other issues arise when it is the violent partner who is an employee. Such employees can bring violence into the workplace. They can use workplace time and resources to facilitate stalking and/or abusive activities. They are more likely to be absent or underperforming (Murray and Powell 2007, 2008; Walden and McFerran 2014; Trade Union Council 2014; Wathen et al. 2014).

The changing nature of the modern workplace means that the impacts of domestic violence can no longer be ignored. The workplace and the domestic environment can no longer be treated as discrete or separate environments (Ericson 2013; Woods 2012; *Workplaces Respond*). As the proportion of women in the workforce increases across the developed world, policy-makers and businesses are increasingly forced to recognize that their employees have obligations as parents, carers, and partners (Skinner and Pocock 2014). Family-friendly policies are altering workplace practices and even the workplace physical environment (such as when creche, day-care, and/or baby-care facilities are provided) everywhere (Albrecht 2003; Wajcman 2002; Skinner and Pocock 2014). Domestic violence is an unfortunate aspect of family life for many employees, and failure to address its impacts in workplace policies discriminates against those affected.

Just as the workplace is altering to incorporate domestic concerns, so also the domestic environment is adjusting to workplace demands (Pearson and Seyfang 2002; Ericson 2013; Bardoel 2012). Daily family routines are tailored around workplace needs, especially disruptive when shift-work is involved. Telecommuting turns the home into a workplace, and the physical space is altered accordingly (Ericson 2013; Woods 2012; Bardoel 2012). While telecommuting provides greater flexibility, it also means that the home is no longer a place free from workplace demands (Woods 2012; Ericson 2013; Bardoel 2012).

Modern communications technology can both facilitate domestic violence and be used to address it (Woods 2012). Abusers can use GPS and mobile phone technology to stalk their victim(s). Email and texting service can become transmitters of abusive messages (DVRCV website; Hand et al. 2015; Woods 2012). Yet modern technology can also be used to help victims seek help and decrease isolation (Woods 2012). Evidence collected via mobile technology can be used to bring abusers and stalkers to account. Communications technology can provide security for victims through emergency signaling (NNEDV 2014; Finn 2000).

### **The Expanding Scope of Corporate Social Responsibility: Ethical Reasoning About Corporate Responsibility in Relation to Domestic Violence**

As Scherer and Palazzo (2011) have noted, “under the conditions of globalization, the strict division of labour between private business and nation-state governance does not hold any more” (2011: 899). In recognition of this changing environment, “many business firms have started to assume social and political responsibilities that go beyond legal requirements” (Scherer and Palazzo 2011: 899–900). Employee welfare has at the forefront of this expanded area of corporate responsibility (Jenkins et al. 2002; Compa 2008; Flanagan and Gould 2003; Yu 2008; US Dept. of State Archive 2001–2009). The International

Labour Organisation (ILO) and Social Accountability International have led the shift toward international recognition of corporate responsibilities for employee welfare (SA8000 2014; Compa 2008). The OECD and the UN Human Rights Commission have led the move toward universal recognition that transnational businesses have a duty to respect human rights more generally (Ruggie 2008, 2010; UNHCR 2011). Individual companies have developed their own voluntary codes of conduct in relation to employee welfare (Compa 2008; Flanagan and Gould 2003; Pearson and Seyfang 2002). The question arises, however, of exactly how far the responsibilities of business for employee welfare should extend into what has traditionally been seen as the private sphere of domestic life.

Questions arising in relation to business responsibility for employee welfare have been discussed from a number of different philosophical perspectives. Sison and Fontrodona (2012), for example, draw upon three schools of thought to develop a conception of the common good applicable to the relationship between the corporation and its employees. From Aristotle, they borrow a general conception of the common good defined in terms of *eudemonia* – a shared human flourishing. From Aquinas, they adapt a conception of the common good to extend it beyond the broader social *polis*, to include the transnational corporation. From Catholic Social Thought (CST), Sison and Fontrodona (2012) borrow a multilevel way of thinking about the need for all social actors, including business organizations, to contribute to the common good. For Sison and Fontrodona (2012), combining these three perspectives highlight a view of the corporation as both able and liable to participate in working toward the common good of wider society. Yet this view has little to say about the extent to which the firm, as a shared enterprise, might be responsible for the flourishing of individual employees *outside* of the workplace. It is a perspective which, by emphasizing the common or shared nature of the corporate endeavor, tends to lose sight of the individual within it.

A social contract view (Rawls 1971, 2001) of corporate responsibility in relation to employee

welfare goes further toward addressing the needs and rights of individuals within the corporation and society. According to Bishop (2008), a social contract viewpoint respects corporate autonomy and the right of companies to pursue private purposes, but also places upon corporation concomitant responsibilities:

to respect the freedom and human rights of all people, and not to interfere with government programs that [provide] ... education ... and ... a safety-net that prevents destitution [as well as other] ... rights and responsibilities ... established by ... legitimate democratic processes. (2008: 191)

Examples of corporate responsibilities “established by legitimate democratic processes” include minimum wage legislation, occupation health and safety standards, and minimum award conditions and entitlements. Awards and Enterprise Bargaining Agreements (EBAs) exist in many jurisdictions as a primary forum for negotiating the relationship between the workplace and the domestic sphere. In an increasing number of jurisdictions, these entitlements now include, in addition to parental, carers’, and other leave entitlements, employee access to domestic violence leave (Schneiders 2012; UNSW Gendered Violence Research Network website). A social contract perspective, however, justifies and explains such provisions as essentially voluntary, with each side able to enter the pact in pursuit of self-interest.

Another perspective known as stakeholder theory combines both Aristotelian notions of the common good and social contract theory. According to Freeman (2008), stakeholder theory is based on the notion that “Businesses and executives are responsible for the effects of their actions. They are responsible precisely to those groups and individuals that they can affect or be affected by” (2008: 164). Freeman is critical of the tendency for corporate social responsibility discourse to fail at any attempt to define the boundaries of business’s responsibility for problems which are essentially social in nature. His answer is to draw the boundaries as far as “stakeholders” and no further (2008: n. 9).

Feminist theories provide another set of perspectives that (like Freeman) view employees not

as units of production, but as “whole, fully integrated human beings, with names, faces, families, and pasts ...” (Freeman 2008: 163). What the many different bodies of feminist thought share in common is an ethical criterion that places emphasis on the concrete reality of people’s lives (Ashcroft 2000, 2001; Phillips 2006; Wajcman 2002). A feminist lens thus becomes one through which the true impacts of domestic violence in the workplace can perhaps be most clearly understood. In particular, a feminist lens ensures that policy-makers do not lose sight of the fact that “Domestic violence is a gendered issue. ... the rate of domestic and family violence perpetrated against women is significantly higher than it is against men” (Queensland Task Force 2015: para. 2.3; see also Bureau of Justice Statistics 2013) and elsewhere in the Western world. Moreover, feminist reasoning, by paying close attention to social relations, serves to strengthen the foundations of modern democracy in a way that abstract notions of *eudemonia*, or individualistic notions of the social contract, cannot.

In the close attention it pays to the importance of social relations, feminist theory shares many of the same concerns as those shared by CSR scholars (Bishop 2008; Scherer and Palazzo 2011; Flanagan and Gould 2003; Compa 2008). As Albrecht explains:

Modern, democratic societies depend upon families to pass on traditions of meaning and value, to revalue these traditions in new generations, and to model and teach this generational process of becoming acting moral agents. Democratic societies depend upon ordinary citizens, as nature moral agents, to do the work of maintaining democratic communities and institutions. Ultimately, it is the purpose of both the products and processes of business to serve these foundations of individual and social wellbeing. (2003: 180)

Related to this is the way feminist scholars have exposed power relations within social structures. This is useful in creating awareness of the biases built into existing processes of negotiating, drafting, and implementing policies aimed at addressing domestic violence and its impacts (Phillips 2006; Wajcman 2002; Ashcroft 2000, 2001).

## Dealing with the Impacts of Domestic Violence in the Workplace: Issues for Business to Consider

Responding to domestic violence challenges by incorporating new practices and altering existing practices within the workplace involves risks and challenges for managers (Yuan et al. 2011). Diplomacy is required when consulting with stakeholders about change; and managerial skills must be called upon to ensure coordination across all relevant functions (Yuan et al. 2011; [Workplaces Respond website](#); Swanberg et al. 2005). No single set of “best practice” guidelines will apply to all workplace settings. But some questions are generally applicable to nearly all modern Western workplaces (ALRC 2012; Queensland Taskforce 2015; Phillips 2006; Wathen et al. 2014; Murray and Powell 2008). The first of these is the question of tailored leave entitlements for workers affected by domestic violence.

Australia, Canada, New Zealand, and the Philippines are among the countries where formal legislated entitlements to domestic violence leave for employees can be found. Each jurisdiction has its own combination of paid and unpaid leave entitlements, and there are important variations in levels of awareness, access, and enforcement (ALRC 2012; ILO 2011; TUC 2014). Even in these nations, it is business which must take the lead in providing genuine access to supported leave for employees affected by domestic violence. Supported leave means more than an entitlement to remain absent from work without penalty. It means that affected employees have access to financial entitlements and support services while they remain affected by a violent domestic situation. Affected employees need the ability to tailor, in consultation with the employer, the manner in which they access different entitlements and services according to their individual circumstances. For employers unable to provide immediate access to paid leave entitlements, an expanded definition of existing “special,” “family,” “flexible,” or other leave entitlements can be used as a first step.

Both parties bear rights and responsibilities in relation to the duty to consult. The affected

employee owes a responsibility to make their needs clear to the employer in so far as it affects existing workplace arrangements and to keep the employer informed as relevant circumstances change. The employer is responsible for ensuring that the employee has access to culturally appropriate consultation and other services, and a duty to protect the affected employee's right to privacy.

The right to privacy is one of the basic rights outlined in the *International Covenant on Civil and Political Rights* 1966 (Article 17). The employer's undertaking to keep employee personal information confidential is essential to the employee's dignity and security. The employee's undertaking to keep the employer informed of workplace-related circumstances is essential to the preservation of workplace routines and workplace security. An effective enterprise agreement consultation clause retains the balance between these demands.

For employee perpetrators of violence, privacy is also an essential part of facilitating disclosure and providing support in appropriate cases. Employee perpetrators assessed as being able to benefit from attending counselling/treatment are most likely to benefit if they are able to remain in the workplace. Guarantees of confidentiality are an important part of making this possible.

Integrating privacy as a routinized part of workplace practices may require investment in additional record keeping/communications infrastructure and human resources and forms an essential aspect of workplace safety. Where needed, managers need to be able to efficiently arrange new office premises, phone number, and/or email address, or even altered workhours, for employees affected by domestic violence. All employees need awareness training so that if an abusive partner seeks entry to the workplace (physically or virtually), the situation can be dealt with and so that staff are able to assist and refer affected colleagues where necessary.

In larger organizations especially, workplace safety is enhanced if a network of trained support staff is established throughout the workforce. A choice of contact points for affected employees is particularly important for culturally diverse workplaces. It also provides for a larger number

of referral points able to refer affected staff to appropriate external support services – medical, legal, migration, housing, and other social services.

In the case of employee perpetrators, the challenge for HR is to balance a zero-tolerance approach to domestic violence with a safe and supportive environment for rehabilitation and treatment where that is possible. Case-by-case assessments are desirable but costly. Clear guidelines setting out the obligations of perpetrator employee assessed as willing and able to benefit from counselling and/or treatment are essential, along with HR staff trained in their implementation.

"Positioning" refers to adding independent, peripheral CSR routines that may not exert much influence internally; but serve to facilitate linkages between an organization and the community within which it is located. When positioning strategies serve to generate working relationships between the firm and community service providers, this can evolve into what Yuan et al. refer to as "thickening" – making use of externally sourced services to enhance the effectiveness of workplace policy implementation (2011: 83).

A public commitment to opposing domestic violence is an important part of "positioning." It stands as a symbol and a message to both employees and the wider community of what the company stands for. As such, it needs to come from, and be endorsed by, the highest level of organizational authority. There must be a commitment to developing a supportive workplace in which victims of domestic violence can come forward for help and support (see, e.g., Brimbank City Council 2014; NAB Domestic Violence Policy 2011; City of Sydney 2011; Loddon Shire Council 2014).

A strong organizational statement condemning abusive behavior is an equally necessary part of addressing the impacts of domestic violence in the workplace. Such a statement provides a firm foundation for penalizing the misuse of workplace resources by perpetrators and for directing relevant employees to specific counselling and, where needed, treatment services.

A public commitment to addressing the causes and impacts of domestic violence also facilitates the sharing of experience and expertise with relevant community organizations, including unions, employer organizations, and local service providers. This requires investment of resources – an investment in the building of relationships of reciprocity and trust (Ashcroft 2001; D’Enbeau and Buzzanell 2013; Pearson and Seyfang 2002).

This entry has drawn upon major streams of ethical theory – Aristotelean ethics, social contract theory, and feminist thought – to explore the limits of corporate social responsibility in relation to domestic violence and its impacts. As with other aspects of corporate social responsibility, these limits will vary from organization to organization and from setting to setting. What is important is that the organization and its leaders be open to addressing the needs of domestic violence victims – for time away from work, for workplace flexibility (both temporal and physical), for protection of privacy rights, and for safety at work. Each of these needs can be realized most effectively when a workplace support network exists for affected employees to tap into, when counseling and referral points within the workplace have sound relations with relevant services outside of the workplace, and when there is a public commitment by the organization to act as a responsible member of society in combatting domestic violence.

## Cross-References

- [Business and Society](#)
- [Catholic Social Thought](#)
- [Gender-Based Violence Against Women and Girls](#)
- [Human Dignity and Business Ethics](#)
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The Employment Standards Code Amendment Act (Leave for Victims of Domestic Violence, Leave for Serious Injury or Illness and Extension of Compassionate Care Leave) 15 March 2016. Manitoba

The Fair and Family-friendly Workplaces Act, Alberta, June 2017. Effective 1 January 2018

The Saskatchewan Employment (Support for Survivors of Domestic Violence) Amendment Act 2018. No. 609

### New Zealand

Domestic Violence – Victims’ Protection Act 2018. No. 21

### Philippines

Anti-Violence Against Women and Their Children Act 2004

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## Corporate Social Responsibility and Engineering Ethics

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## Synonyms

Engineering Ethics and Corporate Responsibility

## Introduction

Despite obviously overlapping interests in promoting good behavior and public benefit, discussions of engineering ethics and corporate social responsibility (CSR) are seldom related. This entry argues the need to bridge the gap by briefly describing developments in the two fields and then suggesting role ethics as potentially able to combine their separate strengths to reduce their separate weaknesses. To what extent might CSR be a viable mediating contributor to engineering ethics and/or engineering ethics serve as a practical influence on CSR?

## Corporate Social Responsibility

Definitions of corporate social responsibility vary by industry, region, and historical era, and debates about the societal obligations of businesses are as old as businesses themselves. A key moment in the evolution of CSR was a turn in the 1960s and 1970s, when corporations broadened their focus on philanthropy and began to include pressing public issues such as urban decay, racial discrimination, and environmental pollution, and when stakeholder theory rose in prominence. By the twenty-first century, CSR and its related concepts, such as sustainability, sustainable community development, creating shared value, and conscious capitalism, were firmly ensconced in business schools, in business strategy networks, and corporate publications and outreach. Social scientists and activists generated rich empirical critiques of the actual practice of CSR by particular companies, leading many to consider the term greenwash. Various reporting mechanisms, international voluntary standards, and the ESG (environment – social – governance) movement have attempted to standardize how corporations collect and share information about their performance, but the focus of CSR activities and judgments of success largely rest with corporations themselves. The lack of definitional clarity leads some critics to claim that “the use of the term CSR

has become so broad as to allow for people to interpret and adopt it for many different purposes” and for businesses to “appropriate the meaning of ethics” (Blowfield and Frynas 2005: 512).

For the purposes of this review, the entry considers CSR to be an umbrella term to refer to policies and programs that seek to reconcile the pursuit of profit with the well-being of environments and people impacted by business. It focuses on “new” CSR programs and practices that adapt core business practices to mitigate harm and create social and environmental benefits, not “old” CSR activities that are chiefly philanthropic in nature (Auld et al. 2008). Distinguishing these two forms of CSR is crucial for multiple reasons, as one of the authors analyzed in depth elsewhere (Smith 2021). First, new CSR emphasizes and intervenes in the structural conditions that create poverty, environmental injustices, and other harms, while old CSR is grounded in the kind of personal or institutional heroism that does not challenge structures of power. Second, new CSR opens up space for engineers to promote broader societal goals *as engineers* or *as managers* through their professional decision-making, such as where they locate a manufacturing plant or which water remediation techniques they recommend for a contaminated site. Old CSR, in contrast, may involve engineers in opportunities to volunteer or raise money for community organizations, but not chiefly in their capacities as engineers and/or managers.

What both social science critiques of actually existing CSR activities and theories of “new CSR” have in common is that they draw attention to politics and macroethics. Scholarship and practice in this area consider how the harms and benefits of business come to be, are unevenly distributed, and may be potentially reconfigured. For example, how does a planning engineer’s decision to use the block cave mining technique rather than the room-and-pillar method necessarily implicate the number of workers required for a mine, the conditions of their labor, the effects of a population influx on a housing shortage in a rural community, and the visual disturbances of

subsidence for people with place attachments to the mountain where the mine would be located (Smith 2021: 85–88)? Which potential injustices do dominant standards for assessing company performance make legible? What kinds of data are reported under these standards, by whom, and for whom? Making visible the inherent political dimensions of engineering and engineered systems addresses some of the weaknesses of traditional engineering ethics.

## Engineering Ethics and Its Discontents

Engineering ethics as an academic and professionally relevant academic discourse emerged in the 1970s, about the same time as bioethics. As an outgrowth of medical ethics under the influence of advancing medical technologies, bioethics focuses on practices of a profession with significant autonomy. The majority of physicians, like lawyers, are self-employed. The situation with engineers and engineering ethics is different; the majority of engineers are employees of profit-seeking corporations in which they exercise at most tightly constrained managerial responsibilities. As engineer historian Edwin Layton described the situation: “Engineering is a scientific profession, yet the test of the engineer’s work lies not in the laboratory, but in the marketplace” (Layton 1971: 1).

In the United States, organizations such as the American Society of Civil Engineers (ASCE), the American Society of Mechanical Engineers (ASME), and the Institute of Electrical and Electronic Engineers (IEEE) tried to address this dilemma of working as professionals in the context of corporate employment by developing codes of professional conduct. These codes – and there are many, since each society has its own – typically call on engineers to recognize professional obligations to employers (e.g., protect confidentiality), profession (e.g., avoiding conflict of interest), and public (protecting public safety, health, and welfare). Although early on some form of company loyalty had been given pride of place, by the late 1980s, the protection of public safety, health, and welfare was generally

accepted as paramount. Recently some codes have added sustainability as a duty.

In 2000, ABET (incorporated as the Accreditation Board for Engineering and Technology, Inc.) began to require that engineering curricula include some measure of engineering ethics education, which in practice focused on teaching these codes. But real-world enactment remains extremely problematic and subject to business imperatives. First, it’s not at all clear that engineering ethics education has much impact. Second, when seeking to protect public welfare, corporations can reasonably argue that preserving jobs by shaving safety requirements is the greater public good. Safety itself is a shifting good, with some members of the public demanding more, others not so much. Third, who should enforce compliance and how? The absence of a unified engineering voice (there is no overarching organization like the American Medical Association) and the low percentages of professional licensure among engineers (less than one in five working engineers are professionally licensed, whereas all physicians must be licensed to practice medicine) are further complicating factors. Fourth, as one of us has argued, “ethics is not enough” to address the dilemmas faced by engineers as they create and maintain the world in which we all live; what is required is a political theory of engineering to shift focus from personal heroism to the “particular place of engineering in human affairs and the political order” (Mitcham 2016: 71).

One might have thought that business ethics, which emerged as an academic discourse about a decade later than engineering ethics, could help address the dilemmas that engineers often face in the corporate context where most of them work. In passing, it is worth noting that after a surge of interest in the 1980s and 1990s, philosophical interest has been “gradually retreating from the field” (Moriarty 2021). The reality is that business managers, who constitute the large mass of business personnel, are subject to the same marketplace forces as engineers, except even more so. As studies of the managerial revolution in capitalism point out, there is no ethics code for managers other than successfully negotiating diverse pressures. Engineers are regularly enrolled into this

class. As mechanical engineer Roger Boisjoly was told in 1986 when he opposed the *Challenger* launch as unsafe, “Take off your engineer’s hat and put on your management hat.” Insofar as individualistic professional ethics is at the mercy of corporate policies, ethics is subordinate to politics. Given that most ethical issues encountered by engineers are often related to the tensions (and sometimes conflicts) resulting from the diverse roles they navigate on the daily basis, we suggest that engineering ethics education can benefit from taking seriously the practical experiences and moral expectations associated with these roles.

## Role Ethics

Human beings all take on diverse roles in their lives. So do engineers. These different roles do not simply describe the various relationships they have with others but also provide normative guidance on how to live these roles well. The role of engineer does not only *describe* relationships with clients but also *prescribes* particular moral obligations that are indispensable for living these roles well. As engineers work at the intersection of technical work and marketplace, it is very common that engineers often assume roles that more central to their professional training, such as those included in professional codes of ethics (e.g., obligations to properly use certain rules of skill for the engineering profession). Meanwhile engineers also live in some other roles spanning organizational and cultural boundaries within and beyond their corporations such as employee, contractor, and manager (Robison 2016). Many of these boundary spanning roles are related to what James Trevelyan calls “technical coordination” that refers to “the coordination of technical work of other people by gaining their willing cooperation” (Trevelyan 2007: 191).

It is also worth noting that roles (including those assumed by engineers) are often relational. As noted by philosopher Roger T. Ames (2011), responsibility would not exist if there were only one person in the world. Engineers’ roles reside in their relationships with people they serve. Any discussion of engineering responsibility will

become less valuable if we do not specify the particular relationships engineers have with others. These different relationships and roles can serve as sources of moral inspirations for engineers. In other words, appropriate moral judgment can be derived from critically and creatively imagining the moral obligations that are required by these relationships and roles. According to Confucian ethics, critically and reflectively participating in these relationships on a regular basis can lead to the cultivation of various virtues (Cottine 2020). For engineers, it is possible to imagine that their interactions with underserved communities may lead to the cultivation of care whereas interactions with employers may contribute to the development of loyalty. Consider, to get rid of ‘we’ formation one particular role occupied by many engineers: manager.

Although engineers are known for their technical expertise, and engineering education focuses primarily on preparing students to carry out technical functions, there is an implicit career expectation that many engineers will obtain positions as managers of projects and people. In interviews that Jessica Smith and Nicole Smith conducted with around 60 practicing engineers in the mining and oil and gas industries, the majority of the professional titles used by interviewees explicitly signaled managerial responsibilities and included *project manager*, *engineering manager*, *plant manager*, *construction manager*, *development manager*, *asset manager*, *environmental regulatory manager*, *social manager*, and *technical services manager*. A mining engineer who has worked in industry for nearly 20 years described this trajectory:

When I first started working [at the mine]. . . over time, and as I gained experience, you know as an engineer and at the mine site and with the [local] culture, I started to have more and more responsibilities, until I became one of the more senior people on site. I was able to make more informed decisions about things and to technically help the CSR group in things like preparing the communities so they could understand the new project that we were staring to work on. For example, a new pit that we were going to open—we had to prepare models and graphics showing what it was going to look like during the mining and what we were going to do after the mining.

This engineer illustrates how engineers' career trajectories place them in positions where their responsibilities to communities are key to their work. A role ethics perspective shows that in their daily tasks, engineers' multiple roles mean that they must navigate potential tensions between their obligations to corporate mandates, in their position as managers and employees, and to the safety, health, and welfare of the public, as members of the engineering profession (Smith et al. 2021). These tensions make visible the inherent political ethics of engineering or the "particular place of engineering in human affairs and the political order" (Mitcham 2016: 71).

Another mining engineer who had worked his way into executive roles highlighted this by pointing to the power of community disapproval to stop entire mining projects, stating, "If you look at the research, most mining projects now that are stalled are stalled because of social reasons. We're talking mega projects, multi-billion dollar projects. You can throw all the money in the world at them, but they're stalled." He argued that mining engineers and geologists need to appreciate that corporate social responsibility has "gone from being an afterthought, just like health and safety and the environment was years ago, to kind of being, it has to be front-loaded." Imagining himself talking with novice engineers and scientists, he said:

It's not just "getting it." You guys have got to live and breathe this. You've got to be globally aware, not just very good at the maps or the engineering stuff. If you can't do this, you're not going to rise up the ranks in the mining industry or be in a company that's going to be successful. . . Even as a CEO, a lot of shareholders will want to talk about these issues. You've got to meet prime ministers and government officials." (Smith 2021: 47)

These perspectives point to how engineers, especially those climbing the ranks to management, must have the ability to understand stakeholder concerns, from members of the public to government officials and shareholders. To return to the Confucian role ethics framework, this engineer illustrates how regularly participating in relationships can cultivate various virtues. Through his long-term engagement with the communities

surrounding mine operations, he learned to view mining operations through their eyes and ensure good social and environmental performance. Through his engagement with political and business elites, he learned to position mining in relation to wider debates and see how its political, economic, and cultural significance varied by stakeholder group.

Beyond the ability of role ethics to promote fruitful interactions between engineering ethics and CSR is the fact that reliance on engineering ethics codes is largely an American phenomenon. Outside the United States, it is likely that role ethics can serve as a better foundation for promoting engineering responsibility than ethics alone.

## Conclusion

Critical studies of CSR draw attention to the inherent politics of engineering, which can otherwise be obscured in mainstream approaches to engineering ethics that focus on individual behavior. In turn, a role ethics approach to engineering ethics enriches critical studies of CSR by elucidating some sources of the tensions experienced by corporate employees. Engineers inhabit multiple roles – members of a profession, employees of a company, members of a community, etc. – that generate competing accountabilities (Smith 2021).

Through living diverse roles, engineers function as a mediator between the corporate (or organizational) context and the public sphere. Corporate values are enabled and enacted through engineers' everyday practice that serves public interests in communities. Moral imagination and creativity are not cultivated in hypothetical ethics scenarios or philosophical thought experiments but through engineers' diligent efforts to navigate corporate priorities, public interests, and personal commitments. Therefore, CSR connects engineers' professional identity with corporate values and public welfare. A socially responsible corporation is only effective if their employees, including engineers, are capable of practicing CSR values in the community. The relationship of corporate values and engineers' personal values is



critical for both the sustainability of the corporation and engineers' professional development. In summary, a meaningful CSR suggests that engineering ethics should focus on helping engineers develop critical agency in their ethical engagement with the people they serve. Such an engagement allows corporations to further test and refine their CSR values through the everyday practice of engineers in communities.

## Cross-References

- [Evolution of Corporate Social Responsibility: A Historical Overview](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Precautionary Principle and Resource Extraction](#)
- [Resource Extraction and Indigenous Community Consent](#)
- [Resource Extraction, Ethics, and Social Capital](#)
- [Social License to Operate](#)

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## Corporate Social Responsibility Assurance

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## Synonyms

Assurance; Corporate social responsibility; Social audit; Sustainability; Sustainability assurance

## Introduction

The International Auditing and Assurance Standards Board (IAASB) defines assurance as the engagement “in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria)” (IAASB 2015, p. 13).

Corporate social responsibility (CSR) assurance in particular refers to assurance engagements where providers express a conclusion to intended users about the information provided in corporate social responsibility reports against chosen criteria. CSR assurance is also referred to as social and environmental assurance, social and environmental auditing, corporate responsibility (CR) assurance, sustainability assurance, and social auditing.



## Theories

A number of theories have been suggested to explain the demand and value of CSR assurance in recent years, including stakeholder theory, legitimacy theory, and signaling theory.

### Stakeholder Theory

Stakeholder theory has provided strong explanatory power in the CSR reporting and assurance literature (Gray et al. 1995). According to this view, a firm's continued existence requires the support of various stakeholders, and an organization's activities must be adjusted to gain the approval of these stakeholders. CSR disclosure and the adoption of voluntary assurance are then not motivated simply by consideration of shareholders' interests but are instead considered to stimulate effective dialogue between the organization and its various stakeholders. Through such disclosure, organizations seek to address the concerns of the stakeholders upon which they depend for their continued existence. Furthermore, Kolk and Perego (2010) document how companies located in countries with stakeholder-oriented legal system and higher pressure toward corporate sustainability due to public policy are more likely to issue sustainability reports and have these reports assured.

### Legitimacy Theory

Legitimacy theory extends stakeholder theory but focuses specifically on the social acceptance required to ensure a company's existence and survival. Deegan (2002, p. 289) defines CSR assurance as "a process that enables an organization to assess its performance in relation to society's requirements and expectations." Accordingly, CSR assurance can be considered a managerial device that directs various social pressures away from an organization, or a strategy undertaken for accountability purposes, verifying the organization's various social impacts. Deegan uses the international sportswear company Nike to demonstrate how CSR assurance, in this case implemented with the assistance of the Global

Alliance for Workers and Communities, can be an effective approach to respond to community suspicion and concerns about labor practices.

### Signaling Theory

Signaling theory claims that one party voluntarily discloses information to another in order to reduce information asymmetry between them (Spence 2002). Managers have incentives to voluntarily disclose both good news (in order to enhance corporate image and financial returns) and bad news (in order to avoid or reduce reputational costs, litigation, and other unfavorable consequences) (Skinner 1994). Applying this to CSR assurance, Moroney et al. (2012) found that disclosure quality scores for assured companies are significantly higher than unassured companies and suggest that companies use CSR assurance to signal their commitment to CSR disclosure. Li and Li (2012) found that firms that engaged an independent third party for CSR assurance experienced higher abnormal returns, suggesting that companies intend to inform the stock market about the high quality of their CSR reporting and that market investors react positively to such a signal. However, support for the theory is mixed, with Li et al. (2013), for example, demonstrating how some Chinese companies that experienced negative social or environmental events chose not to assure their CSR reports in order to avoid the negative signaling effects to the public.

## Standards and Criteria

A number of different standards and guidelines have been developed that inform the practice of CSR assurance.

### Global Reporting Initiative

The Global Reporting Initiative (GRI) implemented the first sustainability reporting guidelines (G1) in 2000, revised to G2 in 2002, G3 in 2006, and G4 in 2013. The most recent GRI Sustainability Reporting Standards (GRI Standards) will supersede G4 for all CSR reports published on

or after 1 July 2018. According to a KPMG (2015) survey of CSR reporting, the use of GRI guidelines is universal but appears to be declining among the largest companies.

The GRI guidelines focus both on how to report and what to report. Part One of the G4 guidelines addresses reporting principles and standard disclosures. Reporting principles refer to the criteria for CSR reporting, whereas standard disclosures are the GRI “questions” to be addressed within the CSR report itself. Part Two of the guidelines provides detailed advice and reporting recommendations.

Regarding assurance, the GRI guidelines recommend but do not actually require the use of external assurance, although companies are expected to state their policy and practice on external assurance as part of their CSR report. Although GRI guidelines are not themselves an assurance standard (as the focus is on CSR reporting), assurance providers often make reference to GRI guidelines when providing CSR assurance for an entity whose report is prepared in accordance with these guidelines.

The GRI guidelines are available at <https://www.globalreporting.org/standards>.

### **AA1000AS and ISAE3000**

Two international standards that have been used in CSR assurance are the *AA1000 Assurance Standard* (AA1000AS) launched by Accountability (2008) and the *International Standard on Assurance Engagements* (ISAE3000) issued by the IAASB (2013). Together with the GRI guidelines, these standards provide an international framework on CSR assurance and are either individually or collectively referenced by assurance providers (Kolk and Perego 2010).

AA1000AS focuses on what is material to the organization and its stakeholders and puts stakeholders at the core of the assurance engagement. The standard identifies materiality, inclusivity, and responsiveness as core principles and provides for two optional types of assurance engagement. The “Type 1” assurance engagement envisages assurance regarding the core principles,

but without any verification of the reliability of the information – no conclusion regarding the reliability of the underlying data is made in the assurance report. The “Type 2” assurance engagement, however, provides assurance regarding both the principles and the performance information; verification of data is essential in a Type 2 assurance engagement, and the assurance provider’s report does include a statement regarding information reliability. For both types of engagement, assurance can be provided at either a “high” or “moderate” level (and a single engagement could provide a high level of assurance for certain matters and moderate assurance for others). The high level of assurance provides greater confidence and relies on wider and more in-depth evidence gathering. Furthermore, AA1000AS requires observations and/or recommendations to be included in any assurance report and suggests that assurance providers go beyond the “pure” assurance engagement and provide professional consultation regarding CSR activities and disclosure (Zhang and Liao 2015).

Although ISAE3000 addresses external assurance for nonfinancial reports, it is not specifically designed for CSR assurance engagements, and by comparison with AA1000AS, ISAE3000 tends to focus on assurance procedures and technical criteria. ISAE3000 does not, for example, provide a specific requirement regarding the level of assurance. This may, however, be appropriate, given the complexity of sustainability reports that combine quantitative and qualitative information, such that any assurance process is difficult to formalize. Accordingly, a CSR assurance engagement based on ISAE3000 tends not to provide a high level assurance on CSR reports (Manetti and Becatti 2009).

Although both AA1000AS and ISAE3000 mention the competence and independence of assurance providers, AA1000AS adopts a more open view regarding who provides assurance services, while emphasizing that “sustainability assurance is a distinct discipline and is best served by a distinct set of competencies (acknowledging that it draws from other disciplines)”

(AccountAbility 2009, p. 11). ISAE3000, however, is focused more on professional accounting firms as assurance providers but nevertheless recognizes that auditors may lack professional competence in conducting CSR assurance and may therefore require experts to address aspects that are particularly complex or subjective (Manetti and Becatti 2009). Engagements adopting ISAE3000 are expected to follow the planning, risk assessment, and assurance evidence collection and evaluation procedures that have been proved effective by the professional accounting profession in auditing and assurance services. AA1000AS, by comparison, does not address risk assessment and assurance procedures and evidence.

AA1000AS is available at <http://www.accountability.org/standards/>. ISAE3000 could be downloaded at <http://www.ifac.org/publications-resources/international-standard-assurance-engagements-isae-3000-revised-assurance-enga>.

## The CSR Assurance Market

The last decade has seen an increase in global consciousness regarding climate change and consequently a significant increase in public awareness of firms' responsibilities regarding environmental and social issues (Simnett et al. 2009). This is reflected by an increasing number of firms actively disclosing CSR information to the public, either in annual reports or as stand-alone CSR reports (KPMG 2013, 2015). With this increase in CSR reporting, demand for CSR assurance services has increased, with more firms voluntarily purchasing CSR assurance to enhance the credibility of their reports (Simnett et al. 2009). According to KPMG (2015), CSR assurance is now firmly established as standard practice among the world's biggest companies, where almost two thirds have their CSR information assured. Obtaining external assurance on the CSR report can demonstrate a commitment to providing stakeholders with high-quality information, and the assurance process can also assist companies in embedding sound CSR reporting

practices and driving internal performance improvements (Cohen and Simnett 2015).

On the supply side, the CSR assurance market is shared by accounting firms and other service providers, including certification bodies and specialist consultancies. Although major accounting firms dominate the market for assurance among Global Fortune 250 and the largest 100 companies across 45 countries, the use of other providers has increased among large companies (KPMG 2015). Following the differences between AA1000AS and ISAE3000 described above, it has been argued that international accounting firms tend to be more conservative and technical in using ISAE3000, whereas other international certification bodies are more likely to adopt AA1000AS in order to provide more flexible certification services (which then allows for more relevant consultation) (Zhang and Liao 2015). This is also suggested by the Federation of European Accountants' discussion paper on *Providing Assurance on Sustainability Reports*, which identifies various certification criteria adopted internationally but employs ISAE3000 as the underlying assurance standard for discussion. However, there are also some examples of assurance providers that use ISAE3000 in addition to AA1000AS and the GRI guidelines.

## Cross-References

- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility Reporting Frameworks](#)
- [Ethics Audit](#)
- [Sustainability Reporting](#)

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## Corporate Social Responsibility in Business Groups

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## Introduction

Business groups (BGs) are a collection of legally independent firms, operating in multiple and often unrelated industries, connected via equity stakes, interlocking directorates, informal ties, and others (Khanna and Yafeh 2007; Ararat et al. 2017; Colpan and Hikino 2010). BGs play a dominating role in many emerging economies. While past literature assumed that business groups could only exist in the absence of well-functioning markets as a functional substitute (Leff 1978), this assumption is challenged by the prevalence of BGs not only in less developed but also in mature economies (see Colpan and Hikino 2018). In spite of the growing attention BGs have received in the last few decades, past work in the management literature has focused on certain aspects of BGs such as the reasons for their existence and persistence, their diversification conduct, and pyramidal structures. Somewhat surprisingly, their strategies and practices that fall under the notion of “corporate social responsibility” (CSR) and their responsibilities for the wider public good have remained an understudied phenomenon.

Group firms can be different from stand-alone firms in a CSR perspective. CSR strategies in business groups may be motivated by group-wide strategies and considerations, for instance, because the effect of reputational benefits (and

This entry draws extensively on Ararat et al. (2018).

risks) can be group-wide. In this entry, we highlight some of the main findings from our literature review of the corporate social responsibility of business groups in emerging economies where business groups remain a dominant organizational form of big business. Our findings can be gathered under four headings: the role of CSR in BGs and BG-affiliated firms; the relation between CSR and the governance of the BG – most notably the influence of ownership; the specific nature of philanthropy as a core expression of CSR in BGs; the corporate (ir-)responsibility related with market power; and the relations with the state and government.

### CSR and the Public Good in a BG Context

First, most research has shown that business groups, especially in emerging economies, provide significant levels of financial, organizational, and technological investment in the wider public good of those economies in which they operate. Given their size and power, business groups seem to be well situated to address social needs and institutional voids. They not only often substitute the missing products and services in areas where they are most needed, but they also offer products and services that effectively substitute and emulate what would be considered welfare state provisions in liberal, developed democracies. BGs are also pivotal to the functioning of markets, the organization of the economy as one of the building blocks of the political economy. These aspects require a much broader and richer understanding of CSR that goes significantly beyond the scope of standard CSR practices. A differentiating role of business groups is that they effectively use CSR activities to justify their dominant presence in the economy and to establish trust and acceptance of their status within society. The work by Shah (2014) that look at the Tata Group in India and Hoque et al. (2014) that analyze the Volvo Group in Sweden for instance come up with similar findings that the extensive CSR strategies of these groups have benefited the overall groups and also the group affiliated firms to gain trust

among their stakeholders, which at the same time helped to limit potential regulatory interventions on these firms.

### CSR and Corporate Governance

Second, the corporate governance issue in business groups from a CSR perspective is related to their governance arrangements and the means of exercising coordination and control. This includes the presence of controlling shareholders often in the form of powerful families and their family-specific goals, and complex control mechanism in business groups that sometimes expropriate minority shareholders (Almeida and Wolfenzon 2006; Djankov et al. 2008). Such expropriation may come via different means. For instance, diversion of profits from affiliated companies to charitable foundations whose income consists of donations by the business group affiliated firms can enhance the reputation and the credibility of the controlling shareholder at the expense of minority investors (Kim et al. 2017; Bae et al. 2012). Choi et al. (2018) show that although overall group affiliation is associated with higher overall CSR, the opportunistic rent-seeking behavior by controlling shareholders decreases the resources available for CSR in group firms. Similarly, Ray and Chaudhuri (2018) show that business group-affiliated firms adopt environmental and social sustainability strategies more often than independent firms. The authors suggest that this is because groups focus more on building and maintaining group-level identity and are less sensitive to short-term financial performance. Furthermore, business groups see themselves as having social roles in filling institutional voids. They also are in a more favorable position (compared to independent firms) in having more resources as they benefit from the diverse group resources. Terlaak et al. (2018) then argue that the positive effects of reputational gains of CSR appear attractive to large business groups as they enhance the public perception of not only the business group but also of its controlling family positively as well.



## Philanthropy in BGs

Third, philanthropy as well as the provision of social goods is a main form of CSR of business groups in emerging economies. Cuervo-Cazurra (2018) conceptualizes the evolution of CSR investments by business groups that are in different stages of economic development. He argues that the level of CSR investments is higher and focused more broadly on the social dimensions of CSR through philanthropic investments in underdeveloped economies. The CSR in such economies tend to focus on infrastructure deficiencies, social needs – and thus in general – philanthropy. However, with the maturing of economies and the strengthening of institutions, CSR investments evolve to a richer environmental and economic responsibility, albeit at a lower level. Griffin and Youm (2018) suggest that business groups that have strong visibility in emerging markets engage in CSR activities to gain social legitimacy. The paper shows that the core focus of CSR for many Korean chaebols is philanthropic or charitable contributions. Oh et al. (2018) then examine the relationship between philanthropy and related party transactions between publicly listed firms within a group. The paper finds out that the level of corporate philanthropy declines substantially when a firm has increased monitoring by outsiders, suggesting that business groups' CSR practices may not be homogeneous and depend on the strength of corporate governance.

## The Dark Side of the Role BGs in Society

Last, but not the least, business groups can play a rather ambiguous role in emerging markets. Given their large size and economic power, business groups often get involved in political rent-seeking (Krueger 1974; Schneider 2010), which means they use their resources to invest in political connections, rather than productive assets. Business groups can also employ CSR in superficial and socially detrimental ways, which we refer as the dark side of CSR. Choi et al. (2013), for instance, find that CSR practices can be used improperly to disguise poor earnings quality and therefore to hide opportunistic management behavior.

Pattnaik et al. (2018) then argue that while business groups provide the necessary goods and services and fill the gaps in their respective economies in emerging markets, at the same time their size and control of markets results in disadvantages for smaller, independent businesses due to the entry barriers that they create for those firms. Su and Tan (2018) then suggest that many large and diversified business groups do effectively bypass some market transaction costs and overcome institutional constraints by establishing offshore companies in tax havens. This however often leads to “the opportunity to evade taxes and disguise unethical or illegal conduct – such as political donations and bribery” (Ararat et al. 2018).

## Conclusion

In this desperately brief entry, we aimed to provide the contemporary scholarly debate on the corporate social responsibility of business groups. In closing we suggest that, first, the examining of BGs as a corporate organization in conducting CSR can contribute to a better understanding of the nature of the firm. A best example to this is the Indian Companies Act that mandated firms to spend 2% of their net profits to CSR. The intention of the Act is to use the resources of largest businesses (BGs being the dominant actors) to deliver social goods rather than simply tax companies that may flow into inefficient and poorly governed public sector. Second, examining BGs provide opportunities to uncover unique perspectives in understanding CSR. As we have argued above BGs conduct CSR mostly through their engagement in philanthropy and charity, but they also employ CSR strategies in socially detrimental ways. Finally, the emerging economy context represents a specific context that strongly affects the nature of CSR and wider prosocial activities of BGs. We conclude that the role of BGs in providing public good and their choice of CSR strategies are shaped in a multidimensional space of organizational structure, ownership typology, and level of economic development, contingent upon the power dynamics between the state and the business groups. Our findings suggest that the nature



of CSR changes with the development of markets, which results in a shift in focus from broader social aspects for public good toward more specific economic and environmental aspects of CSR.

## Cross-References

- ▶ [AI and Corporate Responsibility](#)
- ▶ [Corporations as Moral Entities](#)
- ▶ [SRI's Normative and Ethics-Based Rationales](#)

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## Corporate Social Responsibility in Japanese Corporations

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## Synonyms

Business ethics and Japan

## Introduction

The expanding globalization of markets has revealed – economically, socially, and environmentally – a number of negative aspects across the world. Those corporations that have significant influence on the global economy have been required to demonstrate social responsibility. The CSR discussion originated and developed in European and Anglo-American contexts, based on the principles and structures of the markets, industries, businesses, and societies present in

those regions over the preceding few decades. Despite this, CSR has prevailed globally, also taking root in non-Western countries and regions, meaning that the development of CSR is at different stages across the world (Fukukawa 2009; Higgins and Debroux 2009; Davidson et al. 2018). Japanese companies have also been influenced by this global movement and have translated CSR into the Japanese context (Suzuki et al. 2010; Tanimoto 2016).

There are various discussions about how CSR is recognized and how it functions in the contexts of different countries. Since the 2000s, there have been a growing number of studies, from Asia and other non-Western regions, offering alternative perspectives on CSR. What is important in these studies is the institutional explanation of how CSR has been transposed and is working in various countries, rather than simply a focus on cultural differences in CSR.

## CSR Definition

It is useful to try and reconfirm a definition of CSR here. The diverse nature of CSR makes a clear and specific definition challenging, while the scope and meaning of CSR is dependent on the country and the time period. Nevertheless, the common essence of CSR can be said to be the nature of management itself, as well as the organizational processes of that management.

CSR, in its narrowest sense, can be defined as the incorporation of social fairness, ethics and considerations for the environment, human rights, and other aspects into the processes of corporate activity, while simultaneously attempting to take into account all relevant stakeholders, including shareholders, employees, consumers/customers, the environment, and the community. In a broader sense, it also includes philanthropic activities and social businesses addressing social issues with innovative ideas.

For a long time, most business people in Japan understood CSR as being related to employment security, compliance, or philanthropy. Recently, however, they have increasingly come to recognize CSR as a core business activity, one that should be incorporated into management

processes. This recognition mostly postdates the so-called second CSR-boom, which will be outlined later.

So, how have Japanese corporations responded to the global CSR movements and how have they transposed to them? The institutionalization of CSR has progressed rapidly since the mid-2000s and today Japan has one of the world's highest ratios of companies which publish CSR reports. But how do Japanese corporations strategically embed CSR into their organization?

## Background

There were two CSR booms in Japan. The first CSR boom was in the 1970s, driven by the movement in the USA at the time. Following the rapid economic growth Japan experienced after World War II, its working people have faced fundamental questions of introspection: What is affluence? What is the purpose of a corporation? Japan imported the concept of CSR from the business and academic sectors in USA. At the time, many CSR-related books were translated into Japanese. The discussion, however, was focused entirely on the philosophical arguments for CSR, rather than its practical implementation. In practice, CSR was not incorporated into business practice at all. After the oil crisis, however, the entire discussion disappeared in around 1980.

The second CSR boom was in the middle of the 2000s, prompted by global movements. The internal and external factors that pushed Japanese corporations to engage in that second CSR boom were as follows (Davidson et al. 2018).

1. External: criticism from the global market. Japanese corporations were subject to severe criticism regarding their neglect of human rights and environmental management in their overseas supply chains.
2. External: global movements in CSR and sustainable development. Alongside the initiation of global CSR discussions, many CSR standards and codes of conduct emerged internationally and took on leverage against Japanese corporations.

3. Internal: structural market changes. Since the collapse of the bubble economy in the early 1990s, mutual shareholding between corporations in the same business group changed drastically. At the same time, foreign shareholding (by institutional investors) grew rapidly and became more influential in the Japanese market.
4. Internal: peer pressure. Japanese corporations are, by nature, always concerned about what other companies are doing. Most of them passively adopted CSR, prompted by leading companies being the first to introduce it.

So while Japanese corporations hesitated, at first, to respond to CSR, in time they did come to recognize it a material management issue, leveraged by these factors.

In the early stages, there were differences across industries in how they adopted CSR. Tanimoto and Suzuki (2005) have shown that the institutionalization of CSR was positively associated with foreign ownership share, overseas sales share, and environment-related sectors. There was a remarkable difference in CSR adoption between global companies working in industries, such as manufacturing, and domestic companies, working in industries such as construction.

### Rapid CSR Institutionalization in Japanese Corporations

Traditionally, Japanese companies have a habit of following the style set by leading companies: Do as the leading companies do, keep up with leading competitors. A very typical institutional isomorphism occurs in relation to CSR in Japan. Institutional factors such as government authority, the maturity of civil society organizations, investor actions, and consumer behavior are different from those seen in other countries. Economic, social, and political determinants impact the forms in which corporations take on CSR, as well as how the concept of CSR is introduced into organizations (Brammer et al. 2012).

Here we can review the organizational fields in Japan which created the process of mimetic

isomorphism with relevant stakeholders in the early period of the second CSR boom in the 2000s.

- Industry: the Keidanren (Japanese Business Federation) understood that CSR is a voluntary initiative and avoided any mandatory approach to CSR (Tanimoto 2012b). They insisted that CSR should not be regulated by the government nor set in law. (Incidentally, the Keidanren still do not take a positive stance on CSR matters, instead simply following the latest international trends.)
- National government: The Government of Japan did not consider CSR to be a material policy issue and did not react positively in the face of the negative attitudes displayed by business associations. (Today, their policy remains fundamentally unchanged.)
- Labor unions: the primary focus of labor unions remained on negotiating better employment conditions with employers, and thus, they paid little attention to managerial concerns such as corporate governance and CSR. (Today, they take a proactive stance after engaging with the ISO 26000 meetings.)
- Civil society organizations (CSOs): CSOs monitor and survey the activities of business and government and carry out advocacy campaigns. However, the CSO movement in Japan was immature, meaning that Japanese corporations faced no strong domestic pressure from CSOs and felt no need to engage with them. (Today, the CSO movement has been growing gradually over the past decade.)
- Media: The CSR boom represented a big business opportunity for newspapers, publishers, and consulting companies, in such areas as publishing introductory books, creating CSR rankings, and awarding prizes in CSR. (Today, they are similarly busy with the SDGs boom.)
- Academia: Initially there were very few academic researchers in this field in Japan, which is indicative of the low interest of the business sector in CSR. (Even now the number of researchers remains low.)

Many Japanese companies carry out an isomorphic application of CSR. However, said CSR

management system does not automatically work in the company's organization by just relying on perfunctory compliance with CSR guidelines. Some companies keep their CSR activities to the minimum levels required, while others incorporate CSR strategically into their organizations in order to gain a reputation for responsibility in the market. There is a significant difference between the mimetic adoption of CSR and the implementation of strategic CSR management (Tanimoto 2016).

### The Toshiba Case

A typical case of the negative impact of the mimetic isomorphism of CSR management system can be found in the Toshiba Corporation, formerly a leading electronics company. Toshiba was found to have engineered a \$1.2 billion accounting scandal, about which they had been systematically lying since around 2008. The fraud was brought to light by whistleblowing in 2015. Ironically, in 2007, Toshiba had been ranked top in Japan in both CSR and corporate governance ratings. In reality, neither of those oversight systems had actually functioned within its organization. The result was the total loss of any credibility on the market and near collapse as a company.

It was pointed out by the third-party committee for the Toshiba accounting fraud that there were problems with Toshiba's corporate culture: the absolute power of the boss (unchecked power), the profit-first approach (short-termism), and the sectionalism (inward-looking). These same organizational factors were what had prevented the incorporation of CSR into Toshiba's organization. What this demonstrates is that there has long been a gap between "presumed CSR performance" and "actual performance" in management systems. While CSR management systems may have been established, that did not mean that CSR had automatically been embedded into management processes and strategies.

### Is Japan Stakeholder-capitalism?

The Japanese corporate system has been characterized as a "stakeholder model," rather than a

"shareholder model." Traditionally, it has been structured by relational trading between companies, a main bank, subcontracting companies, and long-term relationships between the company and its employees. Some European sociologists understand the Japanese corporate system to work on the basis of a "stakeholder-oriented model." However, close attention should be paid so such a uni-dimensional view. Since the end of World War II, Japanese corporations have tended to forge close relationships with "core stakeholders," namely, major corporate shareholders (with almost no foreigners), permanent employees (mostly male, Japanese, without disabilities), primary subcontractors (first tier), and the national government. A corporation has formed a closed network, together with its core stakeholders, in the market, in which they share values and a common goal for economic development. In this way, corporations have built stable, lasting, and closed relationships with core stakeholders.

On the other hand, "peripheral stakeholders," namely, minor individual shareholders, non-regular workers (female, foreign, with disabilities), and second or lower tier subcontractors, have been excluded from the system. Can this really be described as a "stakeholder-oriented model"? Certainly, it is not a model based on any notion of CSR.

This system has been one of the great strengths of the Japanese economy since the end of World War II. Despite this, it is now anachronistic and is causing problems of social irresponsibility. In particular, Japanese corporations have demonstrated a lack of consideration for gender equality, human rights, and the Fairtrade movement. Today, the system has become something of a weakness for Japanese corporations, as the business environment undergoes rapid change in the age of sustainability.

### "Sanpo-yoshi" as Japan's Original CSR?

While CSR may have developed internationally, each country has its own original ideas and discussions about CSR. Some business people in Japan have pointed to "sanpo-yoshi" as Japan's very

own, original idea of CSR. “Sanpo-yoshi” is an old Japanese merchant’s principle, dating from the seventeenth to the nineteenth century; it translates as “good for three parties,” in other words the seller, the buyer, and society. “Sanpo,” broken down, refers to the *urite* (seller), the *kaite* (buyer), and *seken* (=society), while *yoshi* means “good” (Tanimoto 2012a). It should be noted that the term *seken* does not necessarily have entirely the same meaning as “society” in English. *Seken* in Japanese indicates a relatively closed community, rather than an open society. Moreover, the “sanpo-yoshi” principle focuses on three parties only, while the current concept of stakeholders is more broad-ranging.

In practice, however, subsequent to the modernization of Japan, the “sanpo-yoshi” principle was not generally adopted by the business community as a managerial philosophy, and “sanpo-yoshi” holds little theoretical relevance to CSR.

Relationships between business and society differ greatly according to country and region. It can be argued that the non-Western world has quite different views on CSR to those held by the Western world. Japanese companies have their own unique relationship with stakeholders, ones which have changed over time. At the same time, however, common criteria for and standards on CSR have been set for multinational corporations operating in global markets. As such, Japanese corporations are required to reconsider and rebuild the relationships they hold with stakeholders.

## Challenges for Japanese Corporations

Since the mid-2000s, the Japanese business community has paid increasing attention to CSR and many companies have been proactive in introducing CSR-related systems. Since the sustainable development goals (SDGs) boom, starting in 2015, quite a few companies have renamed their CSR departments as their “sustainability management department.” They are also striving to respond to strong pressures from ESG investment by foreign institutional investors. However, the concept of sustainability does not easily take root in every company’s management system.

For most companies, it is easier to promote what they do in terms of SDGs than to build up a truly responsible management system that could be third-party certified positively evaluated by rating bodies. Nevertheless, Japanese corporations are now ostensibly required to build resilient and sustainable management frameworks to secure responsible competitiveness and create value in the market in the age of VUCA (volatility, uncertainty, complexity, and ambiguity) scenarios, especially those arising from the COVID-19 pandemic of 2020 onwards. Still, Japanese corporations continue to lag when it comes to sustainability. Indeed, over the last couple of decades, Japan has been slipping down in the rankings as a leader of innovation. According to the IMD World Competitiveness Ranking 2020, Japan ranks 34th globally, having dropped below other developed countries.

There are several challenges ahead for Japanese corporations.

1. First and foremost, business leaders must redefine the purpose of business, articulate how companies can integrate sustainability into their management processes and daily undertaking, and also create economic and social value through social/sustainable innovation for all stakeholders, rather than just for shareholders. Rather than simply advocating an emphasis on CSR or SDGs, these companies need to actually integrate social and environmental concerns into their business strategies.
2. Companies need to engage constructively with relevant stakeholders both at home and abroad. Rather than a “talk and listen” style, companies should seek to engage in dialogues that can generate innovative ideas through collaboration with stakeholders.
3. Companies need to participate positively in international CSR and nonfinancial disclosure initiatives, in order to work with stakeholders to develop and implement standards and codes of conduct. They need to take a leading role in the international discussion on sustainability issues, rather than simply raising their antennae in order to be alerted of and be able to follow new trends.

4. Universities and companies need to foster a new generation of sustainability leaders equipped with sustainability mindsets. These new leaders will be expected to embody the following four qualities: visionary, empowering, collaborative, and innovative. Business schools need to work on integrating CSR and sustainability into their courses and the curriculum in order to catch up on this new trend of sustainability education (Tanimoto 2022).
5. Japan's national government needs to develop policies for promoting green and circular economies through the effective leveraging of advanced environmental technologies, in particular those developed by the materials and the manufacturing industries.

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## Cross-References

- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility: A Bibliometric Research](#)
- [Corporate Social Responsibility Assurance](#)
- [Corporate Social Responsibility Reporting Frameworks](#)
- [Corporations as Moral Entities](#)
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## Corporate Social Responsibility Reporting Frameworks

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## Synonyms

Environmental, social, and governance reporting;  
Sustainability reporting; Triple bottom line reporting

## Introduction

Recent decades have seen considerable attention paid to how corporations discharge their social responsibilities, as well as to the way in which this is reported. Various approaches have evolved over the years, and in 2015, Tschopp and Huefner (p. 566) noted that “There are hundreds of



domestic CSR reporting guidelines, principles, regulations, and standards, and several other global initiatives, such as Organization for Economic Cooperation and Development (OECD) Guidelines, International Labour Organization (ILO) Conventions, and International Organization for Standardization (ISO) Standards.” They further identified, based on prior literature and CorporateRegister.com (ostensibly the world’s largest online directory of CSR reports), that the most widely recognized CSR reporting frameworks were the Global Reporting Initiative (GRI), AccountAbility’s AA1000 Series, and the United Nations (UN) Global Compact’s Communication on Progress (COP).

More recently, however, Rupley et al. (2017) single out the creation of the Sustainability Accounting Standards Board (SASB) and the emergence of integrated reporting (IR) as the latest changes in the continual evolution in sustainability reporting. Interestingly CorporateRegister.com had been updated as of January 2018 to reflect only two frameworks, those of the GRI and the International Integrated Reporting Committee (IIRC).

Stent and Dowler (2015) document how the establishment of the IIRC in 2010 had its roots in initiatives sponsored by the Prince of Wales, which were intended to improve sustainability reporting. The IIRC has subsequently developed as a global coalition of leading entities who believe that IR is the next step in the evolution in corporate reporting. Of the various approaches to reporting on corporate social responsibility, integrated reporting is now arguably the most comprehensive, influential, and recent of initiatives to provide a coherent reporting framework. The IR Framework itself was released in December 2013 by the IIRC, as a principle-based, overarching framework that seeks to complement rather than to replace existing corporate reporting frameworks. This is clear from the requirement that an IR’s content elements should include a summary of any significant frameworks, which are used to inform how material matters are measured and reported (IIRC 2013, 4.47). The remainder of this entry describes the IR Framework itself, as a useful overall framework for CSR reporting, as

well as several organizations listed on the IIRC website as IIRC partners, which provide some additional and more specific CSR reporting frameworks.

## The IR Framework

It is important to note that IR is defined as “A process founded on integrated thinking. . .” (IIRC 2013, p. 33). The IIRC, in describing its long-term vision and aims, places considerable emphasis in the opening page of the IR Framework, on the importance of concepts such as “integrated thinking,” “integrated reporting,” and “connectivity of information.” This can be strongly contrasted with the more traditional “. . . numerous, disconnected, and static communications” of the past and is perhaps the major point of difference between past sustainability reporting initiatives/frameworks and IR (IIRC 2013, p. 2).

The table below provides a brief overview of the IR Framework’s main requirements. In essence, they are concerned with communicating certain fundamental concepts to users in accordance with a number of guiding principles. The “content elements” seek to ensure that important questions about the fundamental concepts are addressed in the report to assist users in assessing the entity’s ability to create value.

| Fundamental concepts                                                                                                                                                                                                                                                                                                                                                             | Guiding principles                                                                                                                                                                                   | Content elements                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Consideration of six “capitals” used/affected <ul style="list-style-type: none"> <li>• <i>Financial</i></li> <li>• <i>Manufactured</i></li> <li>• <i>Intellectual</i></li> <li>• <i>Human</i></li> <li>• <i>Social and relationship</i></li> <li>• <i>Natural</i></li> </ul> 2. Communicating how interaction with the “capitals” leads to <i>creation of value</i> over time | 1. Strategic focus and future orientation<br>2. Connectivity of information<br>3. Stakeholder relationships<br>4. Materiality<br>5. Conciseness and completeness<br>6. Reliability and comparability | 1. Organizational overview and external environment<br>2. Governance<br>3. Business model<br>4. Risks and opportunities<br>5. Strategy and resource allocation<br>6. Performance<br>7. Outlook<br>8. Basis of presentation |

Adapted from Stent and Dowler (2015)

This table also assists in providing further context for the additional and more specific frameworks identified below. Traditionally, corporate reporting has emphasized consideration of *financial* capital, where, for example, the *International Financial Reporting Standards (IFRS)* are commonly used as the significant framework to inform how material matters are measured and reported. The IFRS Foundation is listed on the IIRC website as an IIRC partner (IIRC 2017) and is the body which oversees the setting of IFRS through its International Accounting Standards Board (IASB). CSR, however, is traditionally concerned more with other capitals, such as *natural* capital which has to do with the environment and resources like air, water, and land.

### Global Reporting Initiative (GRI)

The IIRC's description of the GRI as an IIRC partner (IIRC 2017) emphasizes the importance of the G4 Sustainability Reporting Guidelines as a starting point for ensuring robust sustainability metrics. The GRI claims that it provides the world's most widely used standards on sustainability reporting, dealing with climate change, human rights, and other areas. The latest GRI Standards were launched in October 2016 but are based on the G4 Guidelines, a fourth-generation set of guidelines released in 2013 and evolved since the inception of the GRI in 1997. There are 36 standards arranged in sections 100 to 400 (GRI 2017):

- The first three standards, GRI 101–103, are described as universal standards.
- The next six, GRI 201–206, are categorized as economic standards and include standards on anti-corruption and anti-competitive behavior.
- The following eight standards, GRI 301–308, are categorized as environmental standards and include standards on materials, energy, water, biodiversity, emissions, effluents, and waste.
- The remaining standards, GRI 401–419, are categorized as social standards and range

from employment to child labor to human rights.

Application of the GRI Standards requires compliance with ten “reporting principles,” four of which are concerned with report content and six which are concerned with report quality. There are two options allowed for preparation of reports in accordance with the GRI Standards:

- Core – a report with the minimum information required to understand the organization, its material matters and impacts, and how these are managed
- Comprehensive – more extensive reporting

### Carbon Disclosure Project (CDP)

The CDP runs a global disclosure system that enables corporations and other entities to measure and manage their environmental impacts, in particular greenhouse gas emissions (CDP 2017). The organization is listed on the IIRC website as an IIRC partner (IIRC 2017) with emphasis on the role that both organizations have to play in driving corporate reporting disclosures, which can assist toward preventing dangerous climate change and protecting natural capital.

### Sustainability Accounting Standards Board (SASB)

The SASB describes itself as an independent standards setter for 79 industries. The standards are described as being designed to help companies satisfy regulatory obligations under US securities laws. Incorporated in 2011, the SASB developed these standards in response to research conducted at Harvard University on the materiality of sustainability information and associated industry-level performance indicators. The standards are described as provisional, pending a review and intended finalization during the first quarter of 2018. They are categorized in terms of 11 major

sectors within the Sustainability Industry Classification System (SASB 2017).

## World Business Council for Sustainable Development (WBCSD)

The WBCSD is an organization comprised of over 200 leading businesses, representing a combined revenue in excess of US\$8.5 trillion and 19 million employees, as well as a global network of almost 70 national business councils (WBCSD 2017). The organization aims to assist members with sustainability projects, including access to tools and expertise. Perhaps most relevant in terms of CSR reporting frameworks is what is referred to as a system for “redefining value.” Under the latter heading, the organization indicates that it is developing frameworks and resources to “...advance nonfinancial capital measurement, valuation, and reporting.” The WBCSD also provides access to various resources, for example, a “tool” described as “The GHG Protocol: A corporate reporting and accounting standard (revised edition)” (WBCSD 2017).

## Conclusion

Tschopp and Nastanski’s (2014) research on the harmonization and convergence of CSR reporting standards concluded that the GRI appears to offer the most likely way forward. They note, however, that this is likely to be a long and arduous process and that the services provided by other organizations would still be needed. The IIRC’s approach and steps taken to date appear to provide promising indications of an evolutionary path toward such harmonization and convergence.

## Cross-References

- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility Assurance](#)

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## Corporate Social Responsibility: A Bibliometric Research

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## Synonyms

Bibliometrics; Contextualization; Corporate Social Responsibility; Globalization

## Introduction

Providing a global and objective image of the main lines of research, which has addressed the study of Corporate Social Responsibility, from its

origins to the present, represents an ambitious challenge quite difficult to carry out if the applied methodological approach is not appropriately implemented. In this sense, it has been followed an approach parallel to that outlined by the seminal project headed by Diderot and d'Alembert during the eighteenth century when elaborating the first of all encyclopedias (Diderot and d'Alembert 1751). With an undeniable pedagogical and internationalist vocation, this magnificent work was characterized by reducing to its minimum expression all the phenomena included in each entry.

A bibliometric analysis has been the tool implemented chosen to synthesize the last 50 years of research focused on the field of Corporate Social Responsibility to give a generic answer to the main questions: what? who? how? when?, and where? which define this research. From this analysis, it can be concluded that this term is a polymorphic concept, entirely dependent on the evolution of everything that society, at any given moment, considers as "Social Responsibility." Nowadays, the scenario initially described by Bowen (1953) in "Social Responsibilities of the Businessman" has given way to thousands of publications (verbatim) in which social aspects are increasingly diverse, as are the different topics, countries, and contexts with which it has been gradually related in the most recent lines of research. In fact, the study of Corporate Social Responsibility and Business Ethics is linked to the axiological evolution of societies, so that certain issues, which in other times and circumstances were not linked to Corporate Social Responsibility, are now in full force.

Among many others, it is important to mention the reconsideration of leadership in the business world (Michalos 1981; Poff 2010), the inclusion of the Green Economy (Poff 1994), or the gender dimension of Corporate Social Responsibility (Valls Martínez et al. 2020). There is no doubt that the geopolitical changes, which have taken place over the last few decades, with the emergence of new interlocutors on the world economic scene such as the BRIC countries and, above all, the impact of globalization, have meant that Corporate Social Responsibility has opened up to

increasingly heterogeneous lines of research. Similarly, globalization has led to the expansion of scientific knowledge all disciplines so that, according to Waltman, Tijssen & van Eck (2011), the average collaboration distance per publication has increased fivefold, from 334 km in 1980 to 1,553 km in 2009, describing a cumulative growth rate of over 5% per year. Obviously, this fact has been noted in this area of knowledge, by generating a close contact between researchers from different areas, countries, and cultures.

In summary, the analysis derived from the application of bibliometric techniques allows the analysis of the intertemporal evolution of Corporate Social Responsibility according to the different linked areas, making it possible for the researcher to obtain a joint comparison of the different predominant points of view in this research. Such a contextualization is far from a simple "literature review" since it is able to bring together any aspect related to this research over a period of time: from the type of work or collaboration between authors, as well as their productivity, indicating, among other aspects, that will be considered next, which countries or publications are at the forefront of Corporate Social Responsibility research.

### **Fifty Years of Research on Corporate Social Responsibility: A Bibliometric Summary**

For the elaboration of this research, a detailed bibliometric analysis of all works indexed in the SCOPUS database during the period 1970–2020 has been carried out. The term "Corporate Social Responsibility" has been expressly mentioned in the title. The following approach is congruent with the bibliometric analysis previously carried out in other areas of knowledge (see, i.e., Cuccurullo et al. 2013, 2016, 2017).

The year 1970 has been chosen as the starting date of the analyzed period. The choice of this year is not arbitrary because of its significance on the conceptualization of the current Corporate Social Responsibility. It must be underlined the transcendental contributions of M. Friedman

(1970) which would derive in the first explanatory theory of Corporate Social Responsibility, viz., the stakeholder theory, taking into account that, according to the existing literature, this event would suppose the popularization of the term and the awareness of its relevance to the scientific community.

Table 1 represents the “core” of this research. In total, 9,576 papers have been collected, among which articles and book chapters predominate (7,893 papers). The depth of this analysis is evident due to the large number of references contained in the selected works (more than 330,000). Likewise, the majority of these works are signed by more than a single author (more than 85%), by specifying the nine authors whose literary productivity has been greater throughout the period considered (measured by the number of works produced). The boom of researches focused on Corporate Social Responsibility can be summarized by observing that the number of publications increases according to an average

cumulative growth rate of 3.27%, that is, this number is doubling each 21.53 years.

Table 2 exhibits those journals with the greatest number of published works, which have been aimed at analyzing Corporate Social Responsibility as well as the most common keywords. Concerning the former, it is worth highlighting the essential role played by the “Journal of Business Ethics” in disseminating the knowledge related to this research. The first six publications include a large number of manuscripts: Journal of Business Ethics, Corporate Social Responsibility and Environmental Management, Social Responsibility Journal, Sustainability, Journal of Cleaner Production and Journal of Business Research. The large number of keywords indicates that this research has been progressively diversified: Obviously, the most repeated concept is Corporate Social Responsibility per se, associated with multiple topics (e.g., Ethics, Governance, Legitimacy, Mining or Communication), theories (e.g., Stakeholder Theory or Institutional Theory), and

**Corporate Social Responsibility: A Bibliometric Research, Table 1** Stylized facts of the research

| MAIN INFORMATION ABOUT DATA         |           | AUTHORS                              |        |
|-------------------------------------|-----------|--------------------------------------|--------|
| Timespan                            | 1970–2020 | Number of authors                    | 12,557 |
| Sources (journals, books, etc)      | 2,370     | Author appearances                   | 22,281 |
| Documents                           | 9,576     | Authors of single-authored documents | 1,693  |
| Average years from publication      | 6.14      | Authors of multi-authored documents  | 10,864 |
| Average citations per doc.          | 25.71     | AUTHORS COLLABORATION                |        |
| Average citations per year per doc. | 2.906     | Single-authored documents            | 2.722  |
| References                          | 333,083   | Documents per author                 | 0.763  |
| DOCUMENT TYPES                      |           | Authors per document                 | 1.310  |
| Abstract reports                    | 3         | Co-authors per document              | 2.330  |
| Articles                            | 6,895     | Collaboration index                  | 1.590  |
| Articles in press                   | 6         | Annual percentage growth rate (%)    | 3.271  |
| Books                               | 164       | MOST PRODUCTIVE AUTHORS              |        |
| Book chapters                       | 1,088     | LINDGREEN, A. (39)                   |        |
| Conference papers                   | 747       | MOON, J. (38)                        |        |
| Editorials                          | 90        | LEE, S. (35)                         |        |
| Errata                              | 34        | JONES, P. (27)                       |        |
| Letters                             | 11        | COMFORT, D. (26)                     |        |
| Notes                               | 66        | JAMALI, D. (25)                      |        |
| Retracted                           | 4         | HILLIER, D. (24)                     |        |
| Reviews                             | 449       | GARCÍA-SÁNCHEZ, I. M. (23)           |        |
| Short surveys                       | 19        | SWAEN, V. (23)                       |        |

**Corporate Social Responsibility: A Bibliometric Research, Table 2** Main journals and keywords related to Corporate Social Responsibility

| JOURNALS |                                                                                |          |         |                                                                        |          |
|----------|--------------------------------------------------------------------------------|----------|---------|------------------------------------------------------------------------|----------|
| Ranking  | Sources                                                                        | Articles | Ranking | Sources                                                                | Articles |
| 1        | JOURNAL OF BUSINESS ETHICS                                                     | 592      | 21      | CORPORATE GOVERNANCE (BINGLEY)                                         | 35       |
| 2        | CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL MANAGEMENT                   | 298      | 22      | INTERNATIONAL JOURNAL OF LAW AND MANAGEMENT                            | 33       |
| 3        | SOCIAL RESPONSIBILITY JOURNAL                                                  | 254      | 23      | CORPORATE REPUTATION REVIEW                                            | 32       |
| 4        | SUSTAINABILITY (SWITZERLAND)                                                   | 218      | 24      | JOURNAL OF APPLIED BUSINESS RESEARCH                                   | 31       |
| 5        | JOURNAL OF CLEANER PRODUCTION                                                  | 123      | 25      | QUALITY – ACCESS TO SUCCESS                                            | 31       |
| 6        | JOURNAL OF BUSINESS RESEARCH                                                   | 83       | 26      | ACTUAL PROBLEMS OF ECONOMICS                                           | 30       |
| 7        | BUSINESS AND SOCIETY                                                           | 74       | 27      | ESPACIOS                                                               | 30       |
| 8        | BUSINESS ETHICS                                                                | 68       | 28      | RESOURCES POLICY                                                       | 30       |
| 9        | THE HANDBOOK OF COMMUNICATION AND CORPORATE SOCIAL RESPONSIBILITY              | 54       | 29      | BUSINESS AND SOCIETY REVIEW                                            | 29       |
| 10       | CORPORATE OWNERSHIP AND CONTROL                                                | 52       | 30      | STRATEGIC MANAGEMENT JOURNAL                                           | 29       |
| 11       | PUBLIC RELATIONS REVIEW                                                        | 50       | 31      | ADVANCED MATERIALS RESEARCH                                            | 28       |
| 12       | INTERNATIONAL JOURNAL OF HOSPITALITY MANAGEMENT                                | 48       | 32      | CORPORATE COMMUNICATIONS                                               | 28       |
| 13       | CORPORATE SOCIAL RESPONSIBILITY: CONCEPTS METHODOLOGIES TOOLS AND APPLICATIONS | 44       | 33      | INTERNATIONAL JOURNAL OF BUSINESS GOVERNANCE AND ETHICS                | 28       |
| 14       | DEVELOPMENTS IN CORPORATE GOVERNANCE AND RESPONSIBILITY                        | 38       | 34      | JOURNAL OF BANKING AND FINANCE                                         | 27       |
| 15       | CRITICAL STUDIES ON CORPORATE RESPONSIBILITY GOVERNANCE AND SUSTAINABILITY     | 37       | 35      | STRATEGIC DIRECTION                                                    | 27       |
| 16       | AMFITEATRU ECONOMIC                                                            | 36       | 36      | ACTA UNIVERSITATIS AGRICULTURAE ET SILVICULTURAE MENDELIANAE BRUNENSIS | 26       |
| 17       | BUSINESS STRATEGY AND THE ENVIRONMENT                                          | 36       | 37      | BUSINESS ETHICS QUARTERLY                                              | 25       |
| 18       | INTERNATIONAL JOURNAL OF INNOVATION CREATIVITY AND CHANGE                      | 36       | 38      | INDUSTRIAL AND ORGANIZATIONAL PSYCHOLOGY                               | 25       |

(continued)



**Corporate Social Responsibility: A Bibliometric Research, Table 2** (continued)

| JOURNALS |                                 |          |         |                                               |          |
|----------|---------------------------------|----------|---------|-----------------------------------------------|----------|
| Ranking  | Sources                         | Articles | Ranking | Sources                                       | Articles |
| 19       | MANAGEMENT DECISION             | 36       | 39      | CORPORATE GOVERNANCE: AN INTERNATIONAL REVIEW | 23       |
| 20       | CORPORATE GOVERNANCE            | 35       | 40      | EMERGING MARKETS FINANCE AND TRADE            | 23       |
| KEYWORDS |                                 |          |         |                                               |          |
| Rank     | Author Keywords                 | Articles | Rank    | Author Keywords                               | Articles |
| 1        | CORPORATE SOCIAL RESPONSIBILITY | 7,459    | 21      | DEVELOPING COUNTRIES                          | 77       |
| 2        | SUSTAINABILITY                  | 354      | 22      | GOVERNANCE                                    | 75       |
| 3        | SOCIAL RESPONSIBILITY           | 338      | 23      | MALAYSIA                                      | 73       |
| 4        | CORPORATE GOVERNANCE            | 329      | 24      | INDIA                                         | 70       |
| 5        | SUSTAINABLE DEVELOPMENT         | 269      | 25      | STAKEHOLDER ENGAGEMENT                        | 70       |
| 6        | STAKEHOLDERS                    | 255      | 26      | FIRM VALUE                                    | 65       |
| 7        | FINANCIAL PERFORMANCE           | 174      | 27      | CORPORATE IMAGE                               | 64       |
| 8        | CHINA                           | 168      | 28      | COMMUNICATION                                 | 63       |
| 9        | STAKEHOLDER THEORY              | 151      | 29      | LEGITIMACY                                    | 62       |
| 10       | ETHICS                          | 144      | 30      | TRUST                                         | 62       |
| 11       | BUSINESS ETHICS                 | 119      | 31      | INNOVATION                                    | 61       |
| 12       | CORPORATE REPUTATION            | 113      | 32      | SMES                                          | 61       |
| 13       | DISCLOSURE                      | 105      | 33      | STRATEGY                                      | 59       |
| 14       | CORPORATE SOCIAL PERFORMANCE    | 89       | 34      | MINING                                        | 56       |
| 15       | ENVIRONMENT                     | 88       | 35      | CSR REPORTING                                 | 55       |
| 16       | CONTENT ANALYSIS                | 86       | 36      | GLOBALIZATION                                 | 55       |
| 17       | FIRM PERFORMANCE                | 81       | 37      | REPUTATION                                    | 52       |
| 18       | INSTITUTIONAL THEORY            | 79       | 38      | HUMAN RIGHTS                                  | 51       |
| 19       | STAKEHOLDER                     | 79       | 39      | NIGERIA                                       | 51       |
| 20       | PERFORMANCE                     | 78       | 40      | CORPORATE RESPONSIBILITY                      | 50       |

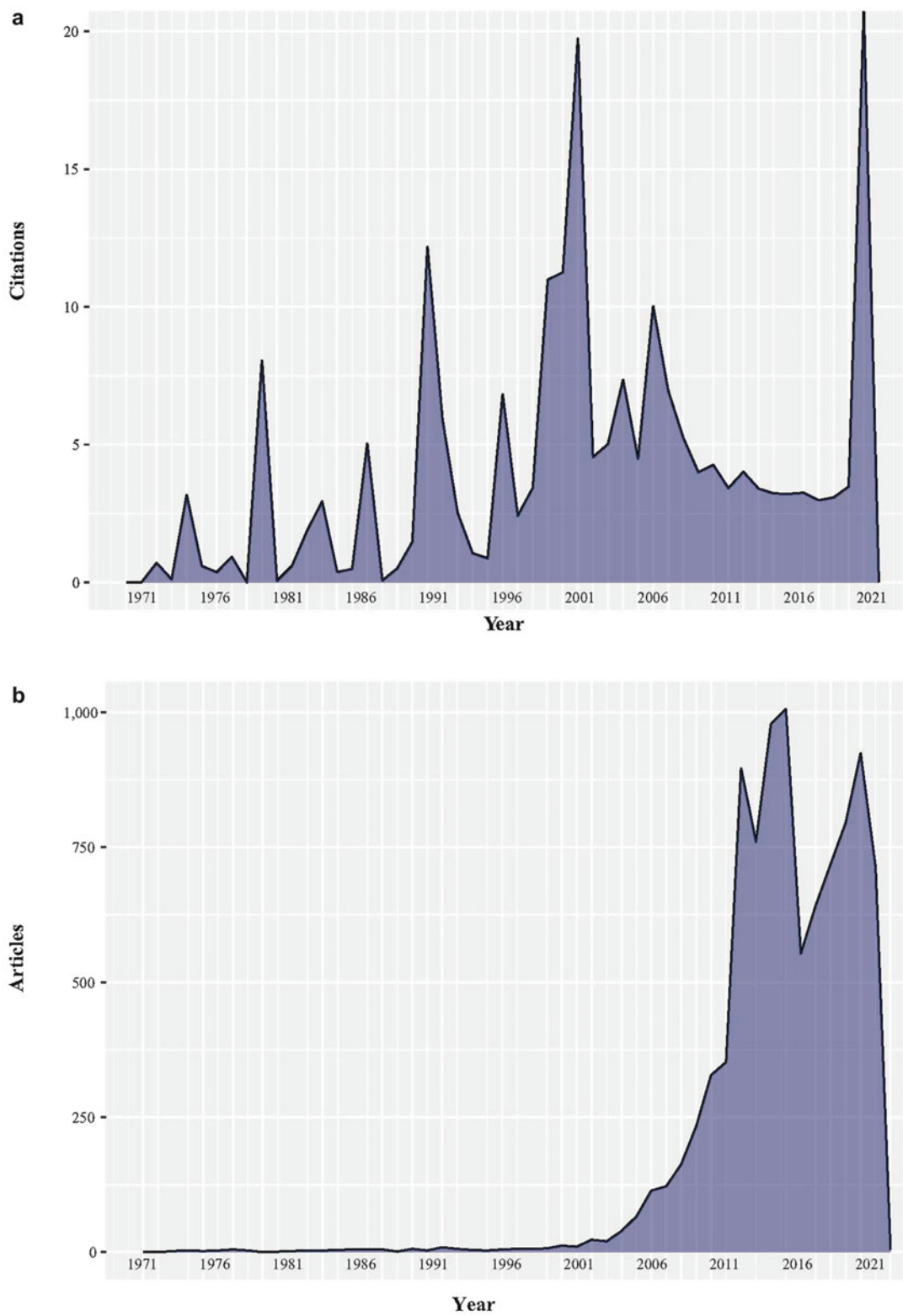
areas or countries (e.g., China, Malaysia, Nigeria, or India).

On the other hand, Fig. 1 shows the number of citations per author, measured in average values (a), forming a series of maximum “peaks” during the years 1974, 1980, 1990, 2000, and 2019. Next, it can also be observed that the beginning of the third millennium supposed an exponential growth of the annual scientific production (b). Finally, subfigure (c) outlines the scientific production related to Corporate Social Responsibility, concentrated according to the countries of origin of

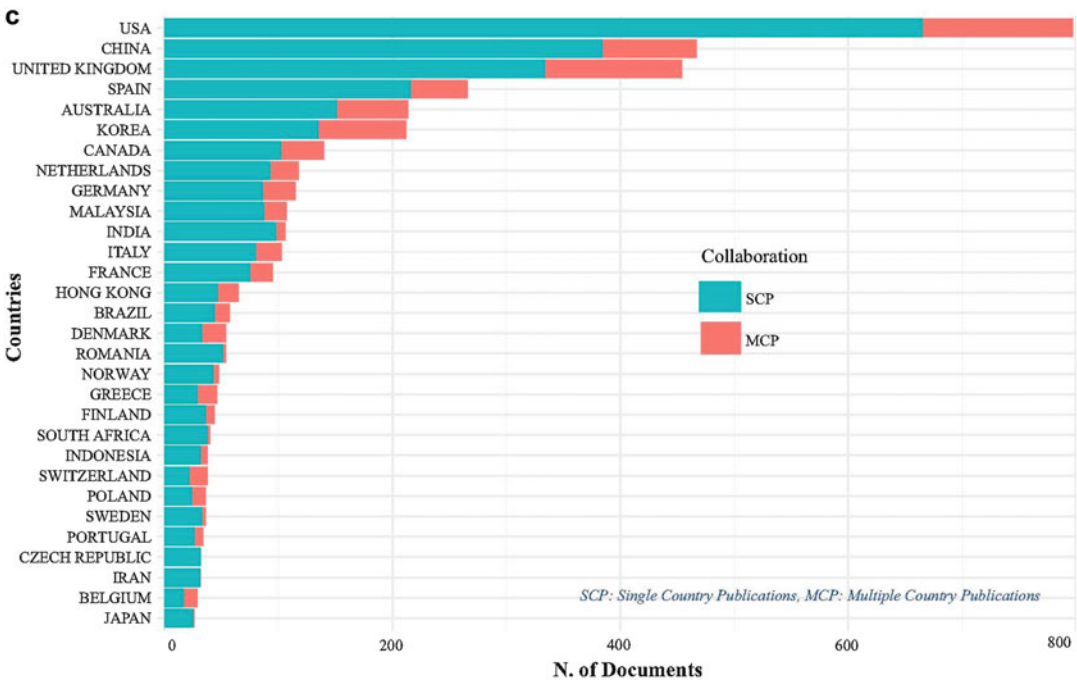
the main author, by distinguishing whether each manuscript has been produced in the same country or, on the contrary, has been the result of a collaborative network of authors from different nations.

## Conclusions

The evolution of society’s mentality, as well as the geopolitical changes, which have taken place over the last 25 years, have led to a diversification of Corporate Social Responsibility from multiple



**Corporate Social Responsibility: A Bibliometric Research, Fig. 1** Main figures of the research. (a) Average articles citations per year. (b) Annual scientific production. (c) Most productive countries



Corporate Social Responsibility: A Bibliometric Research, Fig. 1 (continued)

points of view since the “social” component of the term has incorporated some previously unthinkable elements, essentially sustainability, the desired parity between men and women, respect for diversity and minorities, and environmental awareness. It is essential to highlight that Corporate Social Responsibility has not changed, but rather the mentality of an already fully globalized society and, consequently, its public opinion.

Therefore, faced the task of quantifying and describing in detail the different lines of research, which have covered the study of this discipline, bibliometrics is a particularly suitable tool to offer a “helicopter view” of the entire literature. Bibliometrics is, by no means, intended to be a mere instrument of designing a literature review: Its scope allows the researcher in this area to have a practically unlimited source of information, which facilitates the contextualization of any study. Moreover, Bibliometrics also serves as a frame of reference or an element of inspiration, objectives from which this entry in the Encyclopedia has been expressly elaborated.

## Cross-References

- ▶ [Corporate Social Responsibility](#)
- ▶ [Economics, Ethics, and the Environment](#)
- ▶ [Environmental Ethics and Sustainability](#)
- ▶ [Ethical Citizenship and Business Ethics](#)
- ▶ [Social Responsibility and Business: The Milton Friedman Position](#)
- ▶ [Women on Corporate Boards and Sustainable Development](#)

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## Corporate Sustainability and Climate Change

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### Synonyms

Climate governance; Corporate social responsibility (CSR); Global warming; Just transitions; Systems interconnectedness

### Introduction

Climate change can impact companies' operations and access to resources ranging from energy to raw materials and labor. It can affect their ability to deliver goods and services according to contracts or where there is a market. The systems-orientation to sustainability leads to new

expectations on companies to do their part for the holistic sustainability of environment, societies, and the economy. Governmental commitments and social expectations lead to new requirements on energy use and sources as well as new economic opportunities through innovation and investment. Moreover, the ideal of an equitable, fair, and just transition challenges companies to ensure they reduce potential harmful societal impacts resulting from involvement in climate change mitigation and adaptation.

Scientifically, climate change is a huge and complex topic of global consequence that cuts across many disciplines. While natural scientist have played a major role in researching, exploring, and documenting the process and its causes, social and other scientists also have a role in explaining impacts on societies, the economy and human livelihoods, and proposing measures for organizations and individuals to help mitigate the process as well as its societal impacts (IPCC 2018; Rockström et al. 2009). From a business and professional ethics oriented social science perspective, a transition to a low-carbon or “green” economy plays an important role in this regard. The current entry adopts a social science approach to the issue of corporate sustainability and climate change.

From a perspective of business and professional ethics, there is a close connection between corporate sustainability and climate change as well as climate change mitigation. This connection means that companies and their managers must act with consideration of the consequences that their actions have for climate change and the success of the transition to which governments have committed. However, this is not just about reducing CO<sub>2</sub> emissions. Because of the interdependence of systems, companies also need to consider the implications of their contributions to cutting carbon-based energy or their support for research and innovation in this regard. Companies should also pay attention to the social implications of the steps that they take for those purposes in line with the idea of a just transition that does not disproportionately push the burdens of the transition on to certain groups or individuals. Aspects of moral responsibility can be useful

for managers to navigate this complex interconnection. From a business ethics perspective, a strict corporate sustainability approach to avoid contributing to global warming or other aspects of climate change that will disrupt the interconnected systems can be complemented by a more conventional corporate social responsibility (CSR) approach in which the company takes action informed by moral views of doing good and not causing harm.

The main text of the entry first explains the concept of corporate sustainability and how it differs from CSR. Next it provides a very brief overview of climate change causes and effects and of global climate change governance. It proceeds to challenges and opportunities for businesses from a corporate sustainability perspective, with a particular focus on climate change mitigation and adaptation related to temperature reduction and related governmental policy. Finally, it discusses expectations and challenges for companies in regards to the ideal of equitable, fair, and just transitions and explains how companies may benefit from guidance from the management approach of a human rights risk-based due diligence in order to ensure that actions driven by corporate sustainability are balanced in regard to impacts on local host communities of low-carbon energy and transition minerals mining. The concluding section sums up.

### Corporate Sustainability

The term “corporate sustainability” is often used synonymously with “corporate social responsibility” (CSR). However, the two terms have different origins, and at their core address corporate impacts on society from two different scientific perspectives. The notion of corporate sustainability has evolved with a point of departure in natural science and systems perspectives on business in society (Bansal and Song 2017). Taking its cue from natural science studies on sustainability and sustainable development, “corporate sustainability” at a fundamental level seeks to understand connections and interdependencies of economics, society and the environment. As a result of the interconnection and interdependence of systems that make up the world, impacts on one part of the

overall system also have effects on the others: if the environment suffers due to global warming, society and the economy will suffer as well. The systems perspective to (corporate) sustainability entails that the economy and/or economy-driven actions of corporate managers are not seen in isolation but rather as related to an overall ecology that also includes, at least, the environment and society at large.

Natural science studies in the 1980s highlighted limits that a healthy global environment poses to societal and economic growth. In the report “Our Common Future,” the expert World Commission on Environment and Development (“Brundtland Commission”) set up by the United Nations (UN) defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (UN 1987). It argued that economic activities must be constrained within the limits of natural resources. Due to the interdependence of systems, an overuse of natural resources would hurt the economic system as well as general societal resources. More recently, the systems’ perspective and its implications for the economy and wider society have drawn renewed attention with the publication of research on “planetary boundaries” (Rockström et al. 2009).

At its root, CSR differs by taking its cue from moral theory and ideas on business ethics and considering the morality of managers and their moral responsibility to society and the environment (Bansal and Song 2017). This concept goes back to debates in the 1950s (if not before) on the moral responsibilities of managers and implications for how socially responsible managers and firms can make profits.

During the 1990s and 2000, a confluence occurred of the notions of corporate sustainability and CSR, leading to overlaps and imprecision which is not conducive to scientific studies. For the purpose of stringency, Bansal and Song (2017) argue that academic debate on corporate sustainability should retain a systems perspective to the firm and society, whereas CSR studies should focus on the morality perspective to provide a normative theory of the firm. One does not

exclude the other. As demonstrated in here, CSR perspectives complement corporate sustainability, for example, in regards to solutions to global warming as an aspect of climate change.

### Climate Change: A Very Brief Overview

Climate change increases the occurrence and threat of floods, natural fires, drought, pest invasions, salination affecting soil or fresh water sources, changes to weather phenomena like storms and hurricanes making them stronger and more vicious, just to mention some of the effects on the environment.

Global warming is a key aspect in the climate change that the world is currently witnessing with long-term rise in temperatures globally. While some changes in temperature occur naturally over long spans of time, the significant rise in temperatures that the world has experienced in recent decades is caused by increased concentrations of greenhouse gases in the atmosphere due to human activity (IPCC 2018; Rockström et al. 2009). Causes include the burning of fossil fuels (oil, gas, coal), deforestation and clearing of trees and bushes for farming or industry, agriculture (including livestock like sheep and cattle that produce methane, a powerful greenhouse gas), farming of soil which can release stored greenhouse gases, and use of fertilizers that release greenhouse gases.

Accordingly, global warming causes ecosystems to be stressed. Following the systems logic, this affects the social and economic systems as well. As a result of the environmental stress, living conditions for humans and other living beings are stressed as well. Housing, grain, and livestock may be lost to floods, fire, storms, or pests; diseases and maternal and infant death may increase with lack of access to clean water; and resources need to be devoted to survival rather than social and economic development, including business activities and development. Climate change may lead to displacement and migration that cause human suffering and can disrupt access to labor. In order to limit these effects, scientists in the Intergovernmental Panel on Climate Change have recommended rapid and far-reaching

transitions in land, energy, industry, buildings, transport, and cities (IPCC 2018).

Climate change affects cold polar areas in the Arctic and Antarctica even more strongly than nonpolar areas. In a vicious circle, once global warming reaches certain levels, areas under permafrost begin thawing, thereby releasing methane and other greenhouse gases that have been stored in the frozen ground; and ice thaws, thereby giving way to land or sea that is darker and attracts and stores heat from the sun rather than, as ice, reflecting it away.

For companies committed to social responsibility, it is worth noting that in addition to the environmental and economic implications, climate change impacts the enjoyment of several human rights, including water, food, health, and housing.

### Global Climate Change Governance: The Paris Agreement and Agenda 2030

Adopted in 2015 under a process organized by the UN since the 1990s, the *Paris Agreement on Climate Change* demonstrated commitment by most of the world's governments to address the challenge of climate change. Parties to the Paris Agreement commit to strengthening the global response to climate change by limiting global warming and strengthen countries' efforts to deal with the impacts of climate change. Adopted in the same year under another UN process, the text of *Agenda 2030* set out the 17 Sustainable Development Goals (SDGs). SDG 13 is a commitment to urgent action to combat climate change and its impacts, and SDG 17 a commitment to strengthen the means of implementation, including by global partnership for sustainable development. Like the Paris Agreement, Agenda 2030 is adopted by governments but both texts recognize a role for the private sector in addressing the challenge of climate change and related societal impacts. This role includes conducting business in a manner that does not further climate change, for example, by cutting down greenhouse gas emissions; contributing to innovation, research, and investments towards a low-carbon economy; and paying attention to the ideals of climate justice and an equitable, just, and fair transition, for example, by



identifying and managing the risks of harmful social or environmental impacts that can be unintended effects of climate change mitigation efforts.

### **Climate Change: Challenges and Opportunities for Business**

Climate change presents challenges to companies and entire sectors in several significant ways. On the practice side, climate change may affect the way that companies do business by making processes more difficult, or restricting access to raw materials. Climate change may cause floods that ruin transport roads, fields, or production facilities in low-lying areas. On the political and regulatory side, governmental commitments to reduce greenhouse gases can affect costs and access to energy and lead to requirements on companies to adapt or reduce energy use and change energy sources. On the market side, governmental commitments to the Paris Agreement mean that companies in fossil fuel sectors, such as coal, oil, and gas, can expect considerable reduction in demand in response to changed energy forms.

Climate change also presents opportunities to business. Global warming thaws ice in sea corridors in the Arctic, making sea transport available for longer parts of the year and thereby cutting transportation time. The turn to low-carbon energy creates new business opportunities for companies involved in innovation, development, construction, and/or siting of low-carbon energy production facilities, such as wind, solar and hydro-power, batteries for energy storage, and the multiple suppliers of minerals, other materials and man-power required to build, run, and maintain the facilities.

Under the Paris Agreement, governments commit to holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C. The IPCC (2018) has observed that keeping average global warming at 1.5 °C requires a reduction of greenhouse gas emissions to 45% below their 2010 levels by 2030 and reaching “net zero” emissions by 2050. Net zero means that all remaining greenhouse gas emissions must be offset through

reforestation, carbon capture, and storage or other such means.

Governments are adopting policy response to deliver on their commitments under the Paris Agreement and Agenda 2030. Several of these public policy initiatives have implications for companies.

Businesses may engage in climate change mitigation (processes for reducing greenhouse gas emissions) on their own account, or as responses to public policies or to stakeholder expectations or pressure. Mitigation typically requires novel techniques or equipment and/or change of practices. This can function as an investment for a company by contributing to the urgent lowering of greenhouse gases, preparing the company for potential stricter governmental requirements, and/or responding to or preempting stakeholder expectations.

Companies may contribute through the design and construction of climate change adaptation initiatives, for example, dykes or dams to prevent flooding, protecting and ensuring access to drinking water, or buildings that are able to resist higher water levels. From a corporate sustainability perspective, companies may approach collaboration in such activities as an investment. If driven by a moral commitment to help host governments and local communities meet climate change effects rather than with a view to the company's own economic interest, the activity could be CSR informed by sustainability.

Companies may also consider joining local initiatives for fossil-free energy. Such a step based in corporate sustainability can help them cut their fossil-based energy usage, but also help build energy resilience for the local community and help the community reduce their own fossil-fuel energy consumption.

From a corporate sustainability perspective, companies can lower their carbon energy usage and adapt other practices to decrease energy use. Renewable energy production causes less greenhouse gas emission than fossil fuel usage, but the production, transport, and setting-up of the equipment (such as wind mills or solar power panels) require energy. So far, much of this energy is at least partly dependent on fossil fuel. Until all

energy production is at least greenhouse gas neutral in terms of equipment and production, cutting energy requirements through the supply chain can be considered corporate sustainability.

When considering its actions based on a strategy of corporate sustainability, a company may also consider the vulnerability of the communities in which it operates or is involved through its business relations. Studies show that groups or individuals who are already vulnerable are also susceptible to higher negative impacts from climate change (IHRB 2020). For example, this can apply to those who belong to minorities. As the discussion below on just transitions shows, even in the Arctic parts of the Nordic countries that enjoy mature democracies, strong institutions, and the rule of law, Indigenous Sámi people may be at particular risk of harmful effects on their livelihoods and traditions as a result of a turn to low-carbon energy production and mining of minerals for energy storage.

### Just Transitions and the Role of Business

The notion of “just transitions” embodies the idea that the transition to a low-carbon economy must be equitable, fair, and just in not disproportionately pushing burdens on to particular groups, communities, etc. This alludes to a systems perspective in recognizing the interconnectedness across systems that results from impacts and responses. Climate change mitigation involves actions that pose dilemmas or require balancing between differing and conflicting interests (Hulme 2009; Hoffmann 2011). To take a common example, climate change mitigation has spurred projects in many countries to shift to low-carbon energy sources, such as wind, solar, and hydro energy. In occupying land or affecting water sources, such activities are known to impact the rights to land, property, or livestock grazing of those who own, live on or otherwise depend on the area for their livelihoods. A similar case can be made for mines for minerals required for wind or solar energy technologies and storage. Protests and court cases in multiple countries testify to discontent. Moreover, vulnerable groups such as indigenous peoples are often particularly at risk of such harmful impacts resulting from the

transition. In parts of Europe and the United States, the transition poses challenges to employment of those previously working in fossil-fuel production.

In the Global South as well as in the Arctic High North, several incidents related to wind farm siting demonstrate that companies seen to be involved in harmful impacts on local communities can suffer loss of social license to operate and loss of business opportunities (e.g., Buhmann et al. [forthcoming](#)). In such contexts, companies with a corporate sustainability commitment can benefit from appreciating the systemic interconnectedness as an explanation for the effects. As a foundation for commitments to addressing the dilemmas, they may also be guided by the moral ideas informing CSR. However, even the systems view of corporate sustainability or the moral guidance of CSR may not provide sufficiently detailed indications for a company on how to balance economic involvement in the urgent transition and undesired and unintended harmful impacts on affected local communities. In this regard, companies may seek more detailed guidance from the concept of risk-based due diligence. Risk-based due diligence is a process for companies to identifying and managing harmful impacts (OECD 2011). In the corporate responsibility context, its management implications are spelled out in the UN Guiding Principles on Business and Human Rights (UN 2011) → *The UN Guiding Principles and Transnational business governance*, which are explicitly referenced by the implementation provisions of Agenda 2030. Meaningful engagement with affected stakeholders (including rights-holders, that is, whose human rights are at risk due to the economic activity) forms an integrated part of risk-based due diligence. The aim is to identify risks from the perspective of those affected and to involve them in planning and checking the effectiveness of preventative and mitigation measures. Focused on risks caused by the company (directly or through its business relations) to society rather than risks to the company itself, risk-based due diligence represents a pragmatic but principled approach to business in society, strongly integrated in the reality of business interaction with

the social system as well as environmental impacts. In a just transition context, due diligence can help a company identify and manage harmful impacts on affected stakeholders and work with those stakeholders to reach solutions that are acceptable to all.

## Conclusion

Climate change is a pressing challenge to sustainable development. Corporate sustainability assumes that companies take a systems perspective to their impacts on society, inspired by natural science views on the interconnectedness the ecosystem and its environmental, social, and economic elements. CSR differs by taking its cue from moral views on the role of the firm. The urgency of reducing greenhouse gases has led to governmental commitments under the Paris Agreement and Agenda 2030, and company commitments. Companies are required or expected to shift to low-carbon energy and to become involved in activities to ensure climate change mitigation, adaptation and resilience, and consideration of vulnerable groups most at risk. The idea of a just transition assumes that such actions are undertaken in a manner that balances the urgent need for climate change action with the needs and rights of those who are or can be at risk of harmful impacts from such responses. To operationalize the systems oriented ideals of corporate sustainability and the moral ideals of CSR in this context, the approach of risk-based due diligence and its emphasis on meaningful engagement with affected stakeholders can prove useful.

## Cross-References

- ▶ Arctic Security
- ▶ Corporate Social Responsibility
- ▶ Environmental Change in the Arctic
- ▶ Ethical Climate and Ethical Culture
- ▶ Financial Sector Sustainability Regulations and Guidelines
- ▶ Indigenous Environmental Justice

- ▶ Indigenous Land Management: Responsibility-Based Ethics
- ▶ Investor Response to the Climate Change Challenge
- ▶ Precautionary Principle and Resource Extraction
- ▶ UN Guiding Principles and Transnational Business Governance

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## Corporations and Duties to the Global Poor

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### Synonyms

Charity; Multinationals; Poverty relief; The third world

### Introduction

In a world characterized by intense global poverty, do active corporate efforts to help the global poor constitute discretionary acts of charity, to be praised but not to be thought of as mandatory? Or, conversely, are such efforts a matter of binding moral duty? The traditional position among business ethicists – and still, perhaps, the dominant one – is that there is no such duty, except perhaps in exceptional circumstances such as rescue cases (see Dunfee 2006). In recent years, however, several authors have made the case that corporations have quite wide-ranging positive duties to the global poor. This entry outlines the contours of the various arguments given in favor of the latter position, before highlighting two theoretical challenges which arise if we are to embrace this position – first, the issue of determining what sorts of actions count as adequately fulfilling positive duties to the global poor, and second, the question of what limits there are, if any, to the demandingness of corporations’ positive duties.

Before this, it is worth clarifying a few terms as they are used in this entry: duties, positive duties, and the global poor. We can treat “duties” (or,

synonymously for present purposes, “obligations,” or “responsibilities”) as follows: Duties to X are very strong reasons to X, of a sort which typically override all other reasons not to X (The exception being where there is a conflicting and more stringent duty to Y). Where agents fail to fulfill their duties, they are answerable for this – they must justify not doing so, and they are on the hook for blame if they fail. On this rendering of a duty, what Thomas Donaldson calls “maximal duties” – whose fulfillment would be “praiseworthy” but “mandatory” (1989, 62) – would not count for present purposes.

Positive duties can be contrasted with negative duties, where the former involve taking active steps to protect or help certain actors or morally important goals. Negative duties, by contrast, require agents to refrain from certain actions, such as harming others. In practice, the distinction between the two can be blurry, but for present purposes it is a helpful binary to bring out the issue at stake – whether corporations are morally required to go out of their way to help the global poor. (Nobody denies that corporations have at least some negative duties to the global poor – they have duties not to pollute nearby rivers, dump toxic waste unsafely, undermine political accountability by paying bribes to officials, and so on.)

Finally, by “the global poor” here, I refer to those agents who are so badly off that some of their basic needs – those needs that all humans typically need fulfilled in order to live a decent, relatively healthy life – go chronically and systematically unmet as a result of a lack of income and wealth. Various proxies are available to help specify who constitutes a member of the global poor – there are various internationally recognized poverty lines, there are multidimensional studies of poverty, and there is the human development index – but there is probably no great value in trying to be too wedded to any one metric to determine who, fundamentally, suffers from an intensive needs shortfall of the relevant sort. One important basic observation, borne out by all these various indicators, is that global poverty is concentrated overwhelmingly in certain areas – most notably in Sub-Saharan Africa, but to lesser

extents in places like South Asia and small island nation-states. Over and above definitional questions, to talk of duties owed to “the global poor” here is to set up a contrast. What this entry is not interested in is what duties are owed to specific stakeholders, poor or otherwise, who are already directly tied in with a corporation’s operations. Instead, we are interested here in whether a corporation has duties to the global poor simply on the basis of the latter’s poverty. Why, though, would corporations with no direct ties to the global poor nonetheless owe the global poor a suite of positive duties? Three arguments have been given which are worth outlining, which we can label the “authority,” “capability,” and “dependence” accounts, respectively.

### The Authority View

Florian Wettstein’s work represents perhaps the most extensive defense of corporation’s positive duties in the literature (including but not limited to those owed to the global poor). Wettstein has given several distinct arguments for the existence of various positive corporate duties. At root of all these, however, is a diagnosis of a change in global political economy over recent decades, and a concomitant recognition of the now central determining role that corporations, particularly multinational corporations, play in the global order and the global allocation of goods (see Wettstein 2009, 2012). The primary focus here is on corporations as rule-makers and shapers. While no individual corporation plays the role of global rule-shaper, corporations can and do coordinate and collaborate with one another on various issues. That this is a live possibility for corporations, combined with the fact that they collectively play such a central organizing role in the global economy, entails that corporations can be taken to be quasi-governmental institutions. Those who occupy governmental positions (or, in this case, quasi-governmental ones) are fairly saddled with ethical demands on what they exercise their governmental powers for. Corporations, then, inherit positive duties within the global economy on the

basis of the authoritative role they play within the global economy. To the extent that the global poor are deeply enmeshed in, and deeply affected by, the vagaries of the global economy, this gives them claims upon how corporations fulfill their quasi-governmental functions within this system.

### Capability

Recently, Brian Berkey (2021) has put forward a more streamlined argument for corporate positive duties to the global poor, one that does not rely on any deep or contentious interpretation of the role that corporations play in the global economy. In fact, Berkey gives several arguments for the existence of positive corporate responsibilities to the global poor. He notes, for instance, that corporations are beneficiaries of structural injustice that the global poor suffer from, and beneficiaries of such injustice typically have responsibilities to benefit those who are disadvantaged by the relevant injustice. He also argues that some corporate decisions, such as where to relocate a new production site, are distributive decisions, and so should be judged accordingly – and many distributive theories speak in favor of prioritizing the worst-off. While ordinary common sense might tell us that corporations have no duty to move to a poor country when locating closer to home is viable, Berkey compares favoring unemployed workers in the developed world over those among the global poor to giving a certain life-saving medicine to someone suffering from moderate back pain, rather than to someone who will die without it. But the argument most central to Berkey’s case is what we might call the capability argument: Some corporations are extraordinarily well resourced, and hence capable of rectifying some of the global deprivation the global poor suffer from. Insofar as we often attribute duties to those most capable of bearing them, Berkey argues this combination of facts alone constitutes a powerful and intuitively compelling argument for why corporations owe duties to the global poor.



## Dependence

More recently still, Tadhg Ó Laoghaire has developed a dependence-based account of why corporations have duties to the global poor. On Ó Laoghaire's account, one agent depends upon another to the extent that the latter "plays a role in how the former will or has the best chance to meet their own needs" (2022). That dependence generates duties where the needs at stake are core needs, he argues, is a central and basic part of our moral thinking – it accounts for why we have duties of rescue, why we attribute demanding duties to parents toward their children, and much more besides. And, because integration into corporate value chains constitutes perhaps the most promising route to poor countries' development, the global poor can be said to depend in this way upon corporations; hence they have claims against corporations. The dependence-based account can be seen to inherit elements from each of the previous two accounts. Like the authority account, it highlights the role that corporations play in the global economy and attributes positive duties to them on the basis of their role. Whereas Wettstein highlights the role of corporations as rule-makers in the global economy, Ó Laoghaire instead highlights their role as gatekeepers of economic opportunities, particularly export opportunities of the sort needed by developing and least-developed countries to further their own development. It is not their role as governance institutions that matters, on this account, but their integrality to the future prospects of the global poor. Similarly, the dependence account emphasizes the capabilities that corporations have to improve the condition of the global poor as part of the reason why duties are owed but notes that these capabilities only ground onerous duties because corporations' activities are central determinants of whether or not the global poor can improve their condition. In a world where domestic corporations were wealthy and powerful, but the international economy was not integrated and global value chains did not cross the globe, the moral claims of the global poor upon corporations in other jurisdictions would be considerably weaker than they are in a world like our own.

## How to Fulfill Duties to the Global Poor

These three accounts of what grounds corporate duties need not be seen as mutually exclusive – they could each ground corporate duties to the global poor, in which case we might say that such duties are overdetermined. But the three accounts may lend themselves – though not, perhaps, in any deterministic way – to different accounts of what, precisely, corporations owe to the global poor. In his own work, for instance, Wettstein often focuses on what he, following Young (2011), calls the political duties of corporations (whether to the global poor or otherwise) – communicative responsibilities intended to contribute to collective action targeted at rectifying injustices. By contrast, the capability approach lends itself most obviously to calls for corporations to distribute some of their resources to the global poor, while the dependence approach lends itself most readily to calls for corporations to play a more enabling role in poor countries' development – whether through political action or more directly through, e.g., relocating their operations.

It is important to distinguish this issue – what form of action corporations owe the global poor – from the thornier issue of how to determine which instances of corporate action count as fulfilling a duty to the global poor. The challenge with answering the second question relates to the difficulties of identifying who constitutes the global poor in the first place. To see the issue, it is worth turning to Berkey's work. In the paper where he argues that there are positive duties owed to the global poor, he gets the reader to imagine the following scenario:

*New Production Site: Company M, a successful US-based MNC that manufactures clothing, is deciding where to locate a new production site that will employ one thousand people. Although there are thousands of locations around the world that would work well, the company has narrowed the options to: (1) town X, in the US; (2) town Y, in China; and (3) town Z, in Bangladesh. In all three of these locations, there would be more than enough people who would be eager to take the jobs, and all of them would genuinely benefit from being hired and paid locally prevailing wages to work in locally prevailing conditions (e.g. hours, safety). These would be sweatshop conditions in Z, as well as in Y, although the conditions in Y, including wages, would be somewhat better.*



Berkey gives a numerical value to represent the level of well-being to prospective workers in each area, with X having a considerably higher level than Y, and Y having a marginally higher level than Z. He also argues that, in light of these levels of welfare, M would have a duty to locate to town Y or to town Z, given the existence of positive duties to the global poor. But note that this is not the only conclusion, or even necessarily the most plausible conclusion, that we might draw; we might also think that M has a duty to locate in town Z specifically, insofar as this is the worst-off among the regions in which the site appears to be viable. From this, we can see that there are (at least) two approaches to thinking about duties owed to the global poor. On the one hand, “the global poor” constitute a set of agents whose standard of living is below a certain threshold, and improving the lot of any one of them constitutes at least a *pro tanto* contribution to fulfilling one’s duties to the global poor. On this rendering, M locating in either Y or Z might equally constitute means of fulfilling duties to the global poor. On the other hand, “duties to the global poor” is better thought of as a designator to identify duties owed on the basis of some agents’ severe deprivation. Proper responsiveness to the source of such duties speaks in favor of prioritizing the very worst-off agents – in which case M would have to move to Z specifically, rather than X or Y. In general, little extensive work has been done on how corporations ought to determine the precise contours of their duties to the global poor, and when we ought to judge that they have done enough and acted with a defensible set of priorities. Hashing out the philosophical strengths and weaknesses of each of these positions – and identifying further potential positions – will be one of the key tasks of future research.

### Duties, Limits, and the Role of the Corporation

An implication of granting that there are duties owed to the global poor is that corporations may be on the hook for considerably more claims than we are accustomed to acknowledging. Indeed, we might wish to deny that duties to the global poor

exist precisely because of this implication – if corporations owe duties to the global poor on the basis of the latter’s deprivation, after all, this presents the possibility that moral duties would eat into a corporation’s moral permission to seek any sort of profit at all. This thought seems to motivate – sometimes implicitly – several cases where authors have denied the existence of extensive corporate duties to the global poor. In some cases, it is treated as more or less self-evident that corporations cannot possibly be on the hook for such a demanding and expansive set of duties (e.g., Dunfee 2006; Wood 2012). In other cases, the implication is rejected because, among other things, it is seen to conflict with corporations’ primary responsibilities, which are to render economic activity more efficient and contribute to the welfare of the societies in which they are already located (e.g., Donaldson 1989).

The demandingness of positive duties raises tricky issues for all sides of the debate. For those who argue that there are corporate duties owed to the global poor, they need to be able to specify when it is that corporations can withhold their resources from further fulfillment of this duty – corporations presumably cannot be expected to run themselves into the ground, after all. Ó Laoghaire gives one response to this worry, where he argues that corporations are entitled to prioritize meeting the core needs of their current stakeholders before being bound to further the needs of the global poor – hence what places a limit on the dependence-based duties to the global poor is the dependence-based duties of the corporation’s already-existing relationships. In the case of those who reject the existence of positive duties owed to the global poor, the challenge is how to reconcile this with other intuitively compelling moral judgments. One such judgment is that, in rescue cases, there are indeed positive duties owed to those in grave need – if a child is drowning in a nearby lake, we have a duty to save them, irrespective of any prior connection between us. But it is not clear why intensive needs short-falls in many parts of the world do not generate the same demanding duties simply because the short-falls are systemic and have become normalized. While intensive poverty might be common in parts of Sub-Saharan Africa, after all, each individual case of someone who dies of poverty-

related causes remains a tragic instance of a preventable death. The other issue for those who wish to deny the existence of positive duties to the global poor is to establish a compelling enough reason against furthering the needs of the global poor when we have a choice over what to do with our resources. While many appeal to the specialized role of the corporation as an economic efficiency-enhancing entity within societies, why corporate managers should attach more moral weight to fulfilling this function in, say, a well-functioning developed state than to furthering the basic needs of the global poor is far from obvious. Giving a coherent theory of the role responsibilities that agents have, after all, is not sufficient to show that they should always play that role even when the opportunity cost of doing so is high as it is in an unequal world like our own.

## Cross-References

- [Corporate Power over Human Rights](#)
- [Distributive Justice](#)
- [Human Rights and the Multinational Corporation](#)
- [Normative Ethics](#)
- [Political Philosophy and Business Ethics](#)

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## Corporations and the Division of the Advantages of Social Cooperation

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## Introduction

The modern corporation stands in a peculiar situation, which springs from the fact that it transgresses the usual dichotomies through which the modern economic world is typically interpreted, such as that between public and private (Ciepley 2013). The capital of a corporation can be spread through private shareholders, which seems to place it in the private sphere. But the corporation also influences public life significantly and in particular what John Rawls saw as the division of the advantages of social cooperation. In this sense, corporations fulfill the criterion for becoming what Rawls saw as the major institutions that shape the basic structure of society. In fact, given the intricate relationship between rights and obligations that characterize the scheme of human relations under modern corporations, which is the central economic unit of global capitalism, the corporation can be more adequately conceived of as a commons (Deakin 2012) where the existing scheme of rights and obligations leads to a given division of the advantages of social cooperation (Lawson 2012). This stands in contrast to a contractarian approach where the scheme of human relations is conceived of in terms of a contract between individuals, akin to what takes place in market exchange.

## Markets and Commons

Market exchange has been regarded as a fundamental activity for subjective preferences to be revealed in prices, drawing upon Paul Samuelson's (1947) revealed preference theory. For this reason, the market is regarded as the key organizing mechanism in economics, and influential analyses have explained the emergence of firms through a study of their contribution to the reduction of the costs of using the price mechanism, that is, via transaction costs in markets (Coase 1937). Given the centrality of revealed preferences when studying human well-being, economic analysis of the environment (whenever we do not have market exchange of private goods so that human preferences can be expressed) engages in valuation exercises that try to overcome the absence of markets, through other means of finding revealed preference aimed at replicating market prices (Pearce 2002).

While the market has typically been seen as the key coordinating mechanism of economic activity within global capitalism, it would be difficult to understand the various organizations operating in global capitalism drawing solely on the idea of market exchange. Market exchange presupposes absolute rights of use, fruition, and disposal of various resources. The market logic stands in contrast to the logic behind a commons (Ostrom 1990, 2005). In the commons, individuals in a community have certain rights of access, withdrawal, management, exclusion, and possibly alienation (Ostrom 1990, 2005). That is, individuals can access the commons, take resources from it, exclude others, and possibly alienate those rights by transferring them to another individual. But none of these rights is absolute, and these rights exist within a form of organization that relies on certain design principles that enable a sustainable use of the commons.

The notion of the commons has been used essentially when considering the sustainable management of natural resources. It may seem somewhat utopian to argue for a replacement of the market logic with the commons' logic within global capitalism. However, the logic of the commons is already present within global capitalism.

This is so because the rights and obligations connected to the use, fruition, and disposal of various resources in global capitalism are in reality more akin to the case of a commons, rather than to a case where absolute rights of use, fruition, and disposal exist, as in a market logic.

This springs from various central aspects of global capitalism, such as the status of the corporation as a legal person (which means that neither the shareholders nor any stakeholder possesses absolute rights over the assets of the corporation), the collective nature of many capabilities within an industry (which depends on collective knowledge spread across various private companies, universities, and public entities), and the fact that the world's ecosystems provide various services that can scarcely fit within a market logic, despite many attempts to subject them to a subjective valuation that mimics the market mechanism.

Thus, the need to focus on the logic of a commons rather than on the market logic is not radically at odds with the nature of the capitalist process. It is not so much a matter of switching to an entirely different logic, but rather of achieving a more balanced configuration of rights and obligations concerning the use and fruition of common resources. One thing the financial crisis has shown, with the enormous amounts of money used to bail out corporations, is that global capitalism does not function through a market logic, but rather through a logic where common resources are used according to political and institutional power and influence (Lawson 2012; Martins 2018a, b). So seeing global capitalism through a purely market logic is essentially an illusory procedure, which is inappropriate for analyzing corporations and industries within global capitalism.

## Corporations and Commons

The idea of a commons is typically associated with the organizational setting of the Middle Ages. In medieval feudalism, rights over the land were divided into the lord's dominium directum and the serf's dominium utile. The power of the lord over the land was not an

absolute power, but only the power to demand various forms of rent and services from the serf. The serf, however, had the right to cultivate the land, and the lord did not have a discretionary power for evicting the serf from the land. In addition to the lord's lands, the serf typically had the right to work on common lands and use it for various purposes. But neither the serf nor the lord had an absolute and discretionary right over any lands, common, or other.

This stands in contrast to Roman law from the classical period when there was an absolute right over property (*plena in re potestas*), expressed in the right of use, fruition, and disposal (*ius utendi, ius fruendi, ius abutendi*). The medieval scheme was abolished after the 1789 French Revolution, which led again to the institution of absolute property rights, so that those who work the land are no longer subject to various obligations toward the feudal lord. For this to be so, those who work the land must have absolute property rights, rather than being subject to various obligations to feudal lords.

The French Revolution led to the emergence of a liberal political philosophy based on the idea of a social contract between individuals, who presumably would all be property owners. This contractarian ideal is still influential in contributions such as the political philosophy of John Rawls (1971). And it blends in well with neoclassical economics, with its emphasis on market exchange between individuals who contract with each other across several transactions and in a context where even corporations can be seen as the result of contracts, as in principal-agent contractual theory.

But, in global capitalism, social relations can scarcely be conceived of in the contractarian terms presupposed in a market logic. As Alfred Chandler (1977) explained, a central characteristic of modern capitalism is the emergence of a managerial hierarchy which is trained to engage in administrative coordination, enabling the continuing activity of multiunit firms, and which lives beyond the individuals who occupy specific positions in the firm's hierarchy. Relations of status inevitably emerge between individuals in a corporation hierarchy (Searle 2010; Lawson 2012,

2015; Martins 2018a), in contrast with what is presupposed in the contractarian approach inspired in the French Revolution, which was aimed at replacing status with free contract.

In fact, status and power are pervasive in human societies. As the social ontologies developed by John Searle (2010) and Tony Lawson (2012) highlight, the regularities of many collective practices lead to expectations as to their continuity, so that human coordination can take place. Once it is expected that certain collective practices *should* be continued, rights and obligations emerge, attached to the status (Searle 2010) or social position (Lawson 2012) of the individuals engaged in those collective practices.

In this context, Lawson (2012) developed a social ontology in which human communities are best conceived of as *organizations in process*, in which individuals slot into social positions attached to rights and obligations. This leads, in turn, to a given distribution of power in an organization depending on the specific rights and obligations attached to social positions (Lawson 2012) and status (Searle 2010). Even market exchange presupposes rights and obligations associated with the social position or status of buyer and seller. But in the corporate hierarchies of global capitalism, the role of status and power becomes clearer. Human organizations can, at best, try to achieve a more equitable distribution of status and power, rather than simply abolishing status and power altogether, as the French revolutionaries attempted to, quickly leading to a reign of terror through which status and power was reestablished with a different configuration vis-à-vis the one that prevailed in the ancien régime.

The rise to prominence of modern corporations raises important questions concerning the nature of rights and obligations and the possibility of explaining social relations in terms of a social contract. As Simon Deakin (2012) noted, modern corporations cannot be seen as a nexus of contracts between individuals for several reasons. A very important one is that corporations have a legal personality, which is a legal mechanism that provides stability and continuity to the activities of the corporation (Deakin 2012: 353–354). For

this reason, the assets of the corporation are owned by the corporation (as a legal person), rather than by the shareholders. Moreover, company law views directors as agents of the company (as a legal person) rather than of the shareholders, as in principal-agent contractual theory (Deakin 2012: 360). The fact that the corporation is regulated by multiple legislations, such as insolvency law, employment law, tort law, competition law, tax law, and the law of the corporation as a legal person, among others, means also that there is no single legal vision of the rights and obligations of the corporation or of its various stakeholders (Deakin 2012: 365).

This leads to a complex situation in which no shareholder or stakeholder has absolute property rights of use, fruition, and disposal over the assets of the corporation. Rather, employees will have certain rights of use over the assets of the corporation, according to employment law and the internal regulations of the corporations, while shareholders will have certain rights to receive dividends or sell their shares. The situation is more similar to the medieval case because there are no absolute property rights over the assets of the corporation, neither for the employees who use them and have a right to do so according to employment law (analogously to the medieval peasant who had the right to work on the land) nor for the shareholders who simply receive dividends but who (like the medieval lord) cannot arbitrarily dispose of the assets of the corporation nor fire the worker without due regard to employment law.

Deakin (2012) argues that the corporation can be best seen as a commons, where various individuals have property rights of access, withdrawal, management, exclusion, and alienation. The last of these rights, which is simply the right to alienate all the other rights, for example, by transferring them to someone else, is not regarded as essential to a commons and can raise problems if interpreted as a right of free disposal by any single individual. But it certainly applies to the case of corporations, where shares can be sold. Deakin (2012) draws upon Elinor Ostrom's (1990, 2005) design principles for managing the commons when developing an analogous set of

principles for managing corporations. And the analogy does not stop when considering a given corporation in isolation. Rather, the coexistence of several corporations within a given industry, together with the context set by government and academia, also leads to the need of understanding industry as a whole as a commons (Pisano and Shih 2009), as we shall now argue.

## Industrial Commons

The legal mechanism through which legal personality is granted provides stability and continuity to corporations. This stability and continuity enable the routinization of transactions between units within a multiunit firm, leading to a form of economic organization where activities are internalized within the firm (Chandler 1977). It is for this reason that Chandler (1977) argued that the visible hand of management has been much more important than the invisible hand of the market in shaping modern capitalism. The administration of flows from one unit to another within a multiunit firm enables a more effective scheduling of activities and use of existing capacity, competences, and capabilities (Chandler 1977, 1990, 1992). As Chandler (1977, 1990, 1992) noted, the advantages that emerge with economies of scale and economies of scope can be obtained only if the flow of materials and services can be kept stable so as to ensure that the capabilities of the various units of multiunit firms are being as fully used as possible. Of course, doing so requires success in integrating various units and systems.

The advantages of integrating various capabilities exist not only at the level of the corporation but also at the level of the industry as a whole. The idea that it is difficult to replicate existing capabilities has led many to insist on the need to focus on core competencies (Prahalad and Hamel 1990) while outsourcing noncore activities with low value added (Pisano and Shih 2009). But this has made it difficult to achieve integration at an industry level. Pisano and Shih (2009) argued that it is not only the firm's own capabilities but also the capabilities of other companies that serve its industry that constitute what they call the



*industrial commons*. Suppliers of advanced materials, tools, production equipment, and components all contribute to the formation of the collective capabilities of the industrial commons.

These collective capabilities are seen as a commons because they are part of a collective foundation for innovation that is managed by various public and private organizations, such as the government, business, and academia (Pisano and Shih 2009). The outsourcing of activities within an industry leads to the fragmentation and disintegration of those collective capabilities, which cannot be easily recovered through a subsequent reintegration of the supply chain through market exchange and the price mechanism. In fact, supply chains integrated through market exchange and the price mechanism are often controlled by key players with greater market power, who focus on extracting value across the supply chain (forcing lower prices on suppliers and/or higher prices on customers), rather than on building collectively an industrial commons in articulation with government and academia.

Distance also plays a role, as knowledge is often tacit and disseminated informally through face-to-face interactions (and transferred to other companies only when individuals who possess such knowledge switch to other companies), which means that innovation is generated in territorial contexts where an industrial commons is strong and where the government plays a role in articulating political intervention aimed at fostering the collective capabilities of the local industrial commons. Furthermore, innovation often springs from unexpected outcomes achieved through those collective capabilities, and it may well happen that key innovations come from a capability that was already outsourced and can no longer be replicated.

The analysis of Pisano and Shih (2009), when advancing the idea of an industrial commons, is centered on the American case and is concerned essentially with restoring American competitiveness, as the title of their article shows. But the idea of an industrial commons can be applied at a global level too, within a global industrial policy.

In any case, the idea of an industrial commons certainly highlights again the interconnected nature of technological development at the industry level. It is not just the corporation that can be best seen as a commons but also the industry in which corporations operate, which includes also public entities and academia. This means again that the logic underlying the management of a commons appears at different levels when studying capitalism, such as the level of the corporation and the level of the industry including the role of business, academia, and government.

## Concluding Remarks

Once we recognize that global capitalism is actually more akin to a global commons in which various other commons are embedded (e.g., at an industry level or at the corporation level) rather than to a global market in which various markets are embedded, it becomes easier to understand how organizations can meet the contemporary economic, social, and environmental challenges, through a reconfiguration of rights and obligations concerning the use of the commons. Since the communal nature of the problems facing global capitalism appears so clearly when addressing environmental problems, those who insist on a market logic have a tendency to react overwhelmingly negatively to any discussion aimed at a reconfiguration of rights and obligations connected to environmental problems. In fact, public and private entities connected to the scientific analysis and practical monitoring of environmental problems are sometimes perceived by key agents of global capitalism as intruders into the purely contractual market logic according to which the economic, social, and political world should function.

The truth, however, is that global capitalism does not function according to a market logic where isolated individuals engage in contracts, but rather according to the logic closer to that usually connected to a commons. As John Searle (2010) notes, the very use of language already



presupposes a deontology of rights and obligations, so the idea of isolated and self-sufficient individuals who must decide on a social contract before rights and obligations arise is a merely fictional device. The division of the advantages of social cooperation can benefit from a perspective where the starting point is a community concerned with establishing a sustainable balance of rights and obligations for organizing the commons, rather than a set of isolated and self-sufficient individuals who must reach a social contract on how to divide the advantages of any possible social cooperation.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Capitalism](#)
- [Global Corruption](#)
- [Justice](#)

**Acknowledgments** For most helpful comments on a similar text which contained some of the ideas presented here on the corporation as a commons, I am most thankful to Jan Zalasiewicz. The usual disclaimer applies.

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## Corporations as Moral Entities

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## Synonyms

Corporate moral agency (CMA); Corporate moral responsibility (CMR)

## Definition

The corporation as a moral entity refers to the idea that corporations in themselves are moral agents and can be ascribed moral blame or praise, at a distinct level from their constitutive members. The discussion in business ethics is part of the larger individualist-collectivist debate over the moral status of collectives, bearing multidisciplinary implications, from an ontological debate within

theoretical philosophy to liability discourse in the legal field, as well as an economic and political debate. It refers not only to whether corporations are moral agents in a given situation, but rather to a more fundamental issue, concerning whether corporations are capable of being and acting as moral agents. With no decisive argument for or against corporate capacity to display moral agency, the issue is still under debate today, as scholars invoke various criteria which could determine what possessing moral agency requires. Depending on the answer to this question, moral responsibility may be ascribed to corporations *per se* or not.

## Description

Several lines of arguments may be delineated on each side assessing whether moral agency should only be ascribed to the individual members of corporations or corporations *per se* could be an adequate recipient of moral blame. As arguments for or against corporate moral agency in general mirror one another, we present them in the form of argument-counterargument.

## Ontological Status of Corporations

One line of argumentation starts by analyzing the status of corporations and ends up holding that this status is either fitted or not for moral agency ascriptions. On the one hand, proponents of ontological individualism argue that we lack the metaphysical support for considering corporations as agents who are able to act. The actions of the corporation are nothing more than the actions of individual members, rendering the concept of corporate morality null and void: while individuals are real, the corporation as such does not exist, it is nothing more than the sum of individuals composing it (Velasquez 2003), and it is merely an abstract collective noun or even a fiction or metaphor, simply a way of speaking. In reply, ontological collectivism advances a form of realism toward corporations (French 1984), arguing that corporations display discontinuous mentalities from their members, with their own will, which determines that a new entity emerges, one that has

a real-life force or conscience (List and Pettit 2011).

## Methodological Reducibility of Corporate Action

In order to bring arguments for or against corporate moral agency, business ethics scholars discuss the possibility of reducing corporate agency to individual agency. Proponents of methodological individualism hold that the corporate agent does not have any “additional share of moral responsibility that is distinct from the responsibility that can accrue to each of its members” (Velasquez 2003: 531) and corporations are nothing more than the sum of their constituting members (McMahon 1995). In turn, methodological collectivists argue that corporate responsibility may not always be reduced to individual responsibility. According to the “unredistributability thesis,” corporate action “cannot be re-described in terms of the actions of constituents” (Werhane 1985: 56), because the whole is more than the sum of the parts and there is a kind of corporate morality that cannot merely be traced back to individual morality (Kaptein and Wempe 2002).

## Satisfying Conditions for Moral Agency

Another strategy to address the issue of corporate moral agency is to start from those conditions that an individual human agent must meet in order to be ascribed moral agency in the Aristotelian tradition and then inquire if corporations are also able to meet them. Such conditions refer to an agent’s ability to cause an action based on his own will or intentions, while knowing the contextual circumstances of his actions and being able to deliberate on the means to achieve it.

For individualists, corporations do not meet such conditions for moral agency: individuals are the only ones capable of having a causal contribution, as it is them and not the corporation who possess the ability to act (Velasquez 2003). In the same vein, it is only individuals who are capable of (moral) intentional action, as they are the only ones capable of translating mental states into physical bodily movements – it is the individual members who act intentionally on behalf of organizations. Moreover, corporations are the creation

of individual members who designed them with a specific purpose, which corporations cannot control or change.

Instead, collectivists argue that we can find enough similarities with natural persons in order to consider corporations as moral agents: they are capable of causal contribution and are able to act and display intentionality with moral connotation due to CORPORATE INTERNAL DECISION structures (French 1984), as corporate intentionality can differ from individual intentionality or interest, for example, when individuals are fired because of poor performance. Likewise, corporations display cognitive and moral attributes by analogy to persons (Goodpaster and Matthews 1982), such as rationality, perceptions, and coordination. What is more, corporations have enough mechanisms in place in order to both gather enough information to evaluate available options and possess the necessary knowledge over the consequences of specific corporate actions. Corporations possess the necessary control to be ascribed moral agency, as they are able to control both corporate acts and the structure of policies and rules generating these acts (Donaldson 1982).

### Secondary Moral Agency

As one of the essential points of the individualist-collectivist debate concerns whether corporations are able to act in view of them being moral agents, the status of corporations as secondary moral agents is another line of arguments put forward by business ethics scholars. On the one hand, individualist arguments hold that while individuals are primary (moral) agents, corporations are only secondary (moral) agents, which diminishes or even erases their autonomy and hence their moral agency. On the contrary, scholars of a collectivist stance argue that although corporations display a second order autonomy, they can nonetheless bear moral responsibility based on their status of secondary moral agents: a corporation can act secondarily, and this action can be judged in moral terms. As Werhane (1985) puts it, such a view combines *ontological individualism* (corporations are not real persons; they exist only in virtue of their individual members) with *methodological collectivism* (corporations are

more than the mere sum of individual members, and their actions are not completely reducible to actions of constituting members) to hold that corporations may be ascribed moral agency.

### Corporate Practices as Defining Moral Agency

But is it indeed necessary to make corporate morality dependent on the concept of action, be it secondary? In order to conceive a corporation as a moral subject, the framework within which action occurs plays an even more important role. Corporations are characterized by a specific structure, and this is given by what Kaptein and Wempe (2002: 146–149) call *corporate practices* and which “include the tasks, responsibilities and procedures, relationships, norms and values, etc. that are *actually* expressed in the actions of organizational members.” Corporate practices are formed by two types of organizational structuring mechanisms: the corporate structure or formal dimension and the corporate culture or informal dimension. Both of them generate the *context* in which individual action takes place and thus influence individual morality. These corporate practices can be subjected to moral evaluation independent from individuals, for otherwise they will continue despite punishing individual members (Werhane 1985). As such, the corporate practices form the basis on which corporations can be regarded as moral entities.

### Consequences of Ascribing Moral Agency to Corporations

Accepting or denying that corporations may be moral entities has direct practical consequences in terms of attributions of blame and punishment. Here, too, arguments fall along the individualist-collectivist debate. On the one hand, accepting corporations into the moral sphere is taken by individualists to mean that the innocent may be punished together with, or instead of, the guilty, as they interpret corporate blame to be (blindly) redistributed among corporate members. In turn, collectivists argue that corporate moral responsibility is yet a different level of responsibility, meaning that it cannot be traced back to individuals, for there are situations when corporate wrongdoing does not also involve personal fault

and only corporations are fitted candidates for moral responsibility ascriptions. If we deny moral agency to corporations, we end up with voids of moral responsibility, unable to place moral responsibility either at individual or corporate level in practical situations.

On the other hand, individualist arguments hold that, if we consider the corporation to be morally responsible for a specific outcome, we might lose sight of individuals who took part in bringing about that outcome, as corporate responsibility is taken to dilute or completely eliminate individual responsibility, letting individuals to get away with wrongdoing. In reply, collectivists argue that corporate responsibility does not exclude individual responsibility and may be ascribed along with it (Isaacs 2011).

## Summary

The debate around corporations as moral entities is still ongoing, with point-counterpoint arguments advanced by each side, and there is skepticism concerning whether it may be decisively settled. In this context, scholars highlight that the effort of accepting or denying corporations as moral entities has been based on moral criteria of an individualistic nature, but such criteria are at least partly inadequate when transferred at corporate level. Therefore, one suggestion for the future of the debate is to develop argumentative strategies that take into account the specific corporate status and evaluate what a judgment concerning a corporate agent means for the corporation itself, instead of what it means for individual members, and then translate the conclusions at collective level. Beyond its theoretical relevance, the dispute concerning the corporation as an independent social entity has direct practical implications in business ethics for the way we conceive of and ascribe both retrospective and prospective moral responsibility to corporations, namely, both in terms of blameworthiness and punishment for the effects of past actions and in terms of duties and obligations for future actions, a point where it becomes connected to the concept of social responsibility.

## Cross-References

- ▶ [Corporate Punishment](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Role of Philosophy in Business Ethics](#)
- ▶ [Social Construction of Businesses](#)

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## Correcting the Published Literature

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## Synonyms

Corrigendum; Erratum; Post-publication commentary; Retraction

## Definition

Disciplinary knowledge is disseminated through a published body of research. Most often, that research has been peer-reviewed prior to

publication by expert peers and prepared for dissemination by professional editorial staff and publishers. It is assumed by readers that the information in a scholarly article is accurate and has been vetted by other researchers in the discipline. When errors, either intentional or unintentional, occur, the work must be corrected to maintain credibility. The primary mechanism for correcting published scientific work is a published statement in the journal, permanently linked to the erroneous article, that sets the record straight.

## What Are the Issues?

Scientific inquiry is based on the idea that new discoveries resulting from ethical, robust research will update past findings, thus self-correcting what is known in each discipline. There are myriad examples of the development and refinement of theories, practices, and materials as well as a corpus of theoretical papers to support this claim about the sociology of knowledge (Merton 1945). A competing view by Ioannidis (2012) argues that self-correction is not guaranteed but dependent on historical, disciplinary, and societal forces that impact replication of findings. In the current environment of scholarly research, replication studies may not be funded, advance one's career, or find a suitable publisher. Incorrect or fabricated original research findings might stand unchallenged and perpetuate dangerous traditions, for example, the fabricated data published by Andrew Wakefield linking the measles vaccine to increased incidence of autism in children (Immunization Action Coalition: <https://www.immunize.org/bmj-deer-mmr-wakefield/>). Publishers, researchers, and librarians have agreed on formal procedures to correct published literature using mechanisms of published errata, corrigenda, expressions of concern, and retractions. Informal mechanisms to draw reader attention to potentially problematic research include postpublication peer review (<https://blog.fl1000.com/2014/07/08/what-is-post-publication-peer-review/>) by publisher invitation, letters to the editor published in some journals, and anonymous or attributed commentary on blogs or other third-party sites such as Publons ([www.publons.com](http://www.publons.com)).

COPE (Committee on Publication Ethics), a registered UK Charity, has developed procedures for the formal aspects of correcting the literature, which have been widely adopted by the scholarly community. Crossref ([www.crossref.org](http://www.crossref.org)), also a not-for-profit membership organization, provides the infrastructure for linking digital research outputs so that corrections are permanently linked to the original article. The following sections provide more detail on the types of corrections commonly used and their significance.

*Errata and Corrigenda:* Technical and unintentional errors that have no impact on the conclusion of a study only require an erratum or a corrigendum. Examples of technical errors requiring an erratum include misspellings of important words (particularly drug names) in the text or byline, incorrect affiliations of authors or institutions, misalignment of tables or distortions of figures in the layout of the article, missing or incorrect references or citations, or anything that could be considered a minor error or omission. A corrigendum usually implies a more significant correction such as errors in calculations in the results or on tables, failure to disclose potentially important competing interests on the part of authors or reviewers that might influence a reader's understanding of the findings, or cases of disputed authorship following publication. The corrigendum could also be as significant as a partial retraction of a paragraph or a table that does not change the results of the study. Although publishers may distinguish between errors due to author mistakes (corrigendum) and publisher errors (erratum), the National Library of Medicine (NLM) does not make that distinction: "Corrections, corrigenda, addenda, and partial retractions (such as for a single graph, statement, table, or image) for previously published articles are all uniformly considered by NLM to be errata" (<https://www.nlm.nih.gov/bsd/policy/errata.html>).

A well-written correction should include the full citation to the article being corrected, a statement about what is being corrected, the page or electronic location where the error can be found, the full correction, and be published on a numbered page (or clearly identified in the table of contents of online-only publications) of the journal that published the original article. It is not

possible for a journal to issue a correction to an article it had not originally published. The correction is permanently, electronically linked to the original article and should be cited as a part of the complete reference in subsequent use by other researchers. It is subsequent researchers' responsibility to check for corrections to articles they use as supporting background for their new work before submitting their own publications.

*Retractions:* A retraction is reserved for "seriously flawed or erroneous content or data" and can be issued in cases of data falsification, fabrication, plagiarism, research misconduct, copyright infringement, unethical research, or significant, albeit unintentional, error (COPE Council 2019). Recent findings of peer review manipulation have also created rationale for retracting papers even if the authors did not participate in the peer review manipulation; investigations have reported third-party agencies (<https://publicationethics.org/news/cope-statement-inappropriate-manipulation-peer-review-processes>), editors, peer reviewers, as well as authors ([https://publicationethics.org/files/COPE%20PR\\_Manipulation\\_Process.pdf](https://publicationethics.org/files/COPE%20PR_Manipulation_Process.pdf)) have been implicated in various schemes of unethical conduct of peer review. Retractions can be authored by editors, publishers, or the authors themselves; although it is preferable that everyone agree the retraction, it is not a legal requirement.

The purpose of retractions is to correct the literature and alert readers to unreliable evidence and thus maintain the integrity of the scholarly record. The reasons for the retraction must be clearly articulated in the retraction notice so readers understand why the article cannot be trusted. Retraction of an article should not be seen as punishment of an author. In cases of redundant or duplicate publication where the findings are not in dispute, the original article can be marked with a notice of redundant or duplicate publication (<https://www.nlm.nih.gov/bsd/policy/errata.html>) and should not be retracted; however, any duplicate article published after (by date) the original should be retracted by the publisher. This avoids the tendency to punish authors for duplicate submissions when the science is sound, but the authors engage in unethical behavior in dissemination practices. Duplication of a published

article by anyone other than the original authors is treated as plagiarism or copyright infringement and must be retracted. Occasionally, a translated article might be published in a second journal, but acknowledgment of the original article and permission to publish the translation from the original copyright holder adequately covers this duplication. Other requirements for a comprehensive notice of retraction include: clear identification of the article being retracted, clear identification as a retraction rather than another type of correction, reasons for the retraction, identification of who is retracting (i.e., author, editor, publisher), and written in objective, factual, non-inflammatory language (COPE Council 2019). Publication should be prompt and clearly linked to the original article, and the notice should be freely available to all (i.e., not behind a paywall). The NLM also requires the notice to be published on a numbered page and listed in the table of contents as a retraction notice (<https://www.nlm.nih.gov/bsd/policy/errata.html>).

The decision to retract an article is not made lightly. Editors and publishers have a responsibility to their readers, but also to their authors, to make an informed decision based on evidence. This is sometimes a difficult process. Research takes place outside the publishing world in institutions of higher learning and specialized research institutes. The responsibility for the ethical conduct of that research rests within those institutions, which means the investigation of any misconduct lies with the administration of those academic and research centers. Editors do not have jurisdiction over the researchers, their work, or their laboratories; thus, they must rely on the institutions to investigate allegations of misconduct. Institutions may be slow to respond for many reasons: lack of research integrity officers or anyone designated to oversee research ethics at the institution, conflict of interest between supporting their own researchers and responding to editors' requests for investigation, lack of experience or knowledge about research oversight, and budget restrictions. Therefore, although problems with a paper are recognized by readers, editors, and publishers, it may be some time before any formal investigation is conducted and concluded. Editors may be unwilling to act without clear evidence and



dubious papers could remain in the literature without any notice while an investigation languishes. The outcome of this malaise is that many flawed articles continue to drive research and practice both before and after investigations and retraction (<http://retractionwatch.com/the-retraction-watch-leaderboard/top-10-most-highly-cited-retracted-papers/>). To avoid this dilemma, editors can issue an Expression of Concern clearly stating that the validity of the findings are under investigation and readers should not rely solely on this work. Expressions of Concern are a specific NLM article category (<https://www.nlm.nih.gov/bsd/policy/errata.html>) and are linked to the article in the same ways as actual corrections and retractions.

*Informal Corrections:* Although not a specific named entity in the NLM, comments, letters to the editor, and author responses to comments are all mechanisms for challenging, refuting, supporting, or clarifying a published article and can be permanently linked to the original article. These enhancements are linked as Comment and Author Reply (<https://www.nlm.nih.gov/bsd/policy/errata.html>) and can be retrieved with the original article with most search engines. Other informal commenting mechanisms such as Publons are not linked to the retrieved article but easily accessible by entering searchable terms such as the article DOI, PMID, author name, etc., on the Publons website (<https://publons.com/search/>).

## Author and Researcher Responsibilities

Authors and researchers must understand the significance of any correction to an article they cite to support their work. Those who are also educators must assume the responsibility of teaching students to critically read the literature, including deliberate discussion of the self-correcting nature of their discipline. The International Committee of Medical Journal Editors (ICMJE) has clear expectations for authors submitting to the journals of their members. Authors are expected to avoid citing unreliable literature, such as articles in predatory (pseudo) journals, and superfluous citations that enhance their own or colleagues' work and reputation. Original citations are preferred over reviews, unless the review is a systematic one. Finally, "[a]uthors are

responsible for checking that none of the references cite retracted articles except in the context of referring to the retraction" (<http://www.icmje.org/recommendations/browse/manuscript-preparation/preparing-for-submission.html#g>). These are all reasonable steps to preserve the integrity of the scientific literature and an ethical way to proceed for any student, author, researcher, or reviewer.

## Cross-References

- [Conflict of Interest in Research](#)
- [Duplicate Publication and Salami Slicing](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)

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## Corruption and Gender

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## Synonyms

Crime; Girls; Sextortion; Women

## Introduction

Corruption and gender have tended to inhabit separate universes in research and policy-making, but there is an increasing focus in the international

community and among researchers on the link between these two concepts. Many have argued that it is not possible to effectively address corruption without addressing gender inequality, and similarly, the goal of gender equality is impeded by corruption.

In 2011, United Nations agencies called for a gendering of discussions on corruption leading up to the Conference for the *United Nations Convention against Corruption* (UNCAC). Although the UNCAC does not directly refer to gender, it is seen to be an important lens for understanding and combatting corruption. The UNDP suggests that it is important to examine gender and corruption in order to determine if anti-corruption interventions help or hinder women's empowerment and whether actions on women's empowerment help advance the anti-corruption agenda. Using gender as an analytical lens provides insights into corruption, its mechanisms, and its impact, thus allowing for an increased understanding of the ways in which corruption affects society as a whole and the strategies required to combat it. In addition to state governments and organizations such as the OECD which link gender and corruption, some nongovernmental organizations (NGOs) have also done so, including Transparency International (TI) and the International Association of Women Judges.

Although corruption has traditionally been seen as a problem of the public sector and governments, there is increasing recognition of the role of business as victims or perpetrators of corruption in a variety of UNCAC articles, such as the *Bribery of national and foreign public officials* (Articles 15 and 16), *Bribery in the private sector* (Article 21), and *Laundering of proceeds of crime* (Article 23). In response, organizations such as the UN Global Compact, the UN Women's Empowerment Principles, and the Pan African Chambers of Commerce and Industry have begun to explore the links between the two concepts.

### Similarities Between the two Concepts

There are many similarities between the concepts of gender and corruption, both of which are

socially constructed. While their definitions vary and are much debated, there is broad consensus that both gender inequality and corruption involve the exercise and/or the absence of power, involve the control and/or lack of control over resources, have been significantly affected by globalization, and are seen to undermine human development. Gender inequality and corruption have been targeted by numerous laws and international conventions over the past number of decades, and efforts to address these have recently been integrated into corporate social responsibility initiatives, due to increased attention by non-state actors such as businesses and civil society organizations. The promotion of gender equality and the reduction of corruption are both viewed as means to an end (the end being sustainable development) and as ends in themselves; both are the focus of stand-alone Sustainable Development Goals (SDGs 5 and 16). Increased interest in both gender and corruption has spawned an industry of consultants and advisors to businesses and governments, at the same time stimulating academic research on both concepts alone and as they relate to each other.

### Are Women or Men More Corrupt?

Much of the academic literature on gender and corruption focusses on whether gender is an important predictor of corrupt behavior. For example, researchers examine the differences in corruption activities among business owners, politicians, the judiciary, students, managers, employees, and private citizens and consumers. Differences based on gender have been observed in a variety of contexts. While some research has found that women are less corrupt than men (in specific contexts and in laboratory experiments), other research has found that there are few differences between men and women in terms of their corruption-related behaviors.

Rather than there being innate gender differences concerning corruption, any observed differences by gender are seen to be rooted in the cultural, organizational, and political contexts (Essary and Charillo 2013). Factors such as socialization and access to or exclusion from

networks are used to explain gender-based differences in corruption attitudes and behaviors. For example, research has found that the way girls and women are socialized makes them less likely to engage in risky behaviors such as offering bribes. In addition, given women are expected to focus on the family and caring functions, they may have less inclination to participate in corruption which could result in harm to others, including their families.

In addition to observed gender-based differences in corruption (attitudes and behaviors), women are often perceived as being less likely to be corrupt than men, which can have the effect of reducing concerns about corruption when women are in power. It has been suggested that this perception is rooted in stereotypes that women are more reticent to take risks and are more honest than men (Barnes et al. 2018).

Women throughout the world have less opportunity to engage in corruption. For example, women tend to have less access to networks where corruption takes place. In most countries they are underrepresented in positions of power and leadership in government, business, and public sector institutions such as in the health and education sectors.

### Using Women as Tools to Combat Corruption

The research suggesting women are less likely than men to engage in corruption has led some to conclude that women are inherently less corrupt than men, prompting policy-makers to ask if increasing the proportion of women in leadership roles in government would help to reduce the amount of corruption. Thus, some anti-corruption strategies have developed initiatives to get more women elected in governments and into positions of leadership in the public and private sectors, using women as tools to combat corruption. This strategy is predicated on the idea that women are inherently less corrupt and less susceptible to corruption.

The notion of mainstreaming gender to combat corruption has been criticized for being limited

and simplistic and for failing to recognize the underlying gender dynamics at play in society (Rothstein 2016). Having more women in government and leadership positions may in fact reduce corruption. However, this would not be due to women inherently being less corrupt than men but because, in the context of increasing gender equality, there would more active participants and voices, more open governance, the disruption of existing networks, and the creation of new, more inclusive networks. Concern has also been expressed that if women are being used as tools to combat corruption, focus may be diverted from the broader goal of gender equality, where women would have better access to networks and political power and where family care responsibilities would be better shared with men. Some warn that this approach could backfire and undermine the goal of gender equality if efforts to promote women to combat corruption fail to do so (Bérenghère et al. 2017). Attempts to more deeply understand and address both gender inequality and corruption draw attention to the gendered impacts of corruption.

### Gendered Impact of Corruption

Corruption often has a greater impact on women and reinforces gender inequality. Since corruption affects poor people disproportionately, women as a group tend to suffer more than men, as women and girls make up a majority of the world's poor. Many argue that gender inequality puts women at greater risk of being victimized by corruption directly and indirectly; they tend to have less power to resist corruption. Women often experience and perceive corruption differently than men.

Corruption is seen to distort power, which results in an uneven allocation of wealth and resources, thus exacerbating inequality. Women and girls often have less access to resources in many countries and are therefore less able to pay bribes to get basic services or access to schools, health care, and other public services. Women in many economies, especially in the Global South, tend to have less access to the financial

credit and resources required for developing and maintaining a business, even micro-sized business such as a stall in the market or a single sewing machine for a home-based business. Women in many societies do not have access to these resources and information networks. Men often have more networks, knowledge, and resources which allow them to do what it takes, often in the form of paying a bribe, to free up credit and financial resources. For women, the lack of resources has a significant effect as it presents barriers to women's economic empowerment.

As the primary caregivers of children and older generations in most societies, women have more interactions with the services vulnerable to corruption (e.g., education, health care, and legal and social services). Funds destined for development initiatives that directly and indirectly promote gender equality often do not reach their destination. Not only does this expose women to an increased risk of corruption as they try to access these services, there is a compounding effect as resources which are destined to alleviate poverty and to support health care, education, and other public services are diverted into private hands through corruption. This diversion can result in further cutbacks to public services which women rely on and can have a compounding effect on gender inequality. In the case of education, for example, barriers to the education of girls can prevent future generations from escaping poverty. Women are particularly affected by these indirect impacts of corruption which makes life more difficult for people living in poverty.

Many researchers and policy-makers ask if women are more likely to be directly victimized directly by corruption. The gender which has more interaction or responsibility in the areas in which the corruption is occurring would have a higher risk of being a victim and a greater exposure to corruption. For example, in societies in which men do most of the driving, men as a group have been found to have a higher risk of being victimized by corrupt traffic officials.

However, women can be disproportionately at risk for being victimized. For example, women as

a group are disproportionately affected in land corruption, which draws attention to the gendered nature of this practice. Women in sub-Saharan Africa often lose their access to their land upon the death of their male spouse, and corrupt officials demand money and/or sexual services as payment for the transfer of the land title (Transparency International 2014).

## **Sextortion and Women as Currency**

The direct impact of corruption can harm women, over and above the harm that corruption causes to society in general, when extortion, bribes, and sexual favors are imposed on them because of their lack of power in a given social context. Women and girls are also at increased risk of being used as the currency of corruption.

A focus on sexual violence, sex for favors, sexual exploitation, and extortion provides more insights into the gendered impact of corruption. Women are more exposed than men to the risk of sexual violence, and corruption can increase this exposure. The International Association of Women Judges has coined the phrase "sextortion" – referring to the "abuse of power in exchange for sex" or "the abuse of power to obtain a sexual benefit or advantage." Money is not the only thing that changes hands in corruption exchanges – sex can be a "currency of the bribe" (Thomson Reuters Foundation et al. 2015). Sextortion, which is a form of bribery, draws attention to corruption as an abuse of power.

When someone is forced into providing or offers a sexual favor in order to obtain something they require, it is the exchange nature of the incident which constitutes corruption – the abuse of power for private gain. Definitions of sextortion also include abuse through the collection and sharing of images online in order to extort something. In most cases, women and girls are the primary victims of this type of corruption. Gender-based power imbalances enable perpetrators to use coercion to obtain sexual favors. A demand for sex is made in exchange for some

benefit that the demander is in a position to confer. This occurs in a variety of contexts such as education, health care, border crossings, and prisons.

According to one report, over ten percent of girls in one southern African country reported that they agreed to sex to avoid punishments or sanctions, and two thirds reported having been sexually harassed by their teacher. In some countries patients are detained in hospital until they are able to pay their medical bills. There is evidence that women have been coerced into engaging in sex with medical personnel in order to pay off the bills and be allowed to return to their families. Corruption also has a significant impact on human migration. In this context, women and girls, traveling alone or with a family, are at higher risk to become victims of sextortion and other forms of corruption. The potential for sextortion and sexual abuse in addition to other forms of corruption exists for all types of migrants, but there is evidence that women refugees and those with irregular status are more affected. In 2017, the hashtag #metoo became a social media phenomenon about sextortion and sexual harassment in the context of the film and entertainment industries in the United States and has spread beyond to encompass many regions and industries.

In many countries, sextortion is distinct from other forms of corruption as there are usually no specific laws which address it. Related laws can be used to prosecute cases of sextortion, but many are never brought forward due to barriers arising from gender inequality, such as the stigma of the act itself and the punishment, shame, and exclusion from the community that some women and girls may face if the sexually coerced acts become public. Some jurisdictions, for example, California, are moving toward making sextortion illegal.

Concerns have been raised about whether or not those who are victims of sextortion may be charged with being party to a bribe where they received a benefit (e.g., access to a service to which they were entitled or a promise not to inflict harm). Some argue that the only way someone who has been extorted for sex should be held

accountable as a party to a bribe is where an offer of sexual services was made and refused.

Sometimes women are the actual commodity or reward being exchanged. It is estimated that over 80% of trafficking victims are girls and women. Although they are usually not involved as a party in the corrupt exchange, they become the victims, where corrupt officials offer them as prostitutes, slaves, or in the trade of organs and body parts. They become the currency of the corrupt exchange; a bribe paid with sex can be more difficult to trace than one paid with money.

There have been a number of cases reported in the media where representatives of companies and public sector organizations have provided prostitutes and sexual services as part of the currency of the bribe. In 2015, a senior US Navy officer plead guilty to having received such a bribe in exchange for providing classified information, and in China, officials have tried to address problems associated with the “*chi he piao du*” (“eating, drinking, whoring, and gambling”) business culture, which has been linked to corruption. Despite being victims of corruption, these women and girls are sometimes viewed as being responsible for the corruption and the harm to reputations if the corruption becomes public.

## Initiatives on Gender Inequality and Corruption

A number of nongovernmental organizations address gender inequality and corruption together. For example, the International Women’s Judges Association, to address gender inequality, works to reduce corruption within the judiciary and has called for legal reform, protection for whistleblowers, and the penalizing of sextortion as a form of corruption.

Transparency International (TI) has called for anti-corruption work and international conventions on corruption to take gender into consideration and has proposed the collection of gender-specific data, the inclusion of women in decision-making at all levels, and a focus on gender responsive budgets. TI has stressed the importance of increasing the percentage of

women working in public service areas such as education and health care, implementing gender-aware codes of conduct, and involving women in anti-corruption work, while recognizing barriers to women becoming involved in this work. The double burden of working inside and outside the home can leave little time for activism. In addition, women's lower educational levels can be a barrier to legal and civic awareness, economic marginalization can mean that many forms of corruption become a way of life, and social mores impede women's confidence in speaking out on matters such as these (Transparency International 2014).

Increasingly, attention is paid to the private sector's role in perpetuating corruption and gender inequality and in taking concrete steps to address it. International supply chains in industries such as textiles are affected by corruption. The collapse of the Rana Plaza factory in Bangladesh in 2013 which killed over 1000 people, mostly women and girls, is seen to have occurred in part due to corruption.

The UN Global Compact addresses both gender inequality and anti-corruption, and while there is not much linking the two topics explicitly within the initiative, its signatories commit to addressing both issues. Gender-specific CSR initiatives such as the UN Women's Empowerment Principles focus on the economic empowerment of women, so that women and girls have the power needed to resist certain forms of corruption and overcome in part corruption's disproportionate impact.

Governments are beginning to address gender and corruption; studies have been conducted by Sweden, Denmark, Finland, the Netherlands, and Uganda, among other countries. The OECD, World Bank, and numerous development agencies are also conducting research on the links between these two concepts. Many of these organizations integrate their work on gender and corruption as part of their broader national and international development agendas, and are integrating more of a human rights-based approach to combatting corruption, as recommended by Berenger et al. (2017) and others.

## Cross-References

- [Anti-corruption Education](#)
- [Corporate Crime](#)
- [Development Ethics](#)
- [Feminist Economics and Agency](#)
- [Gender, Economics, and Unpaid Work](#)
- [Gender-Based Violence Against Women and Girls](#)
- [Global Corruption](#)

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## Corruption and the American Foreign Corrupt Practices Act

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### Synonyms

Bribery; Legislation

### Definition of the Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act (FCPA) is a U.S. federal law enacted in 1977 that prohibits certain types of payments to foreign government officials advanced by specific individuals or organizations in order to obtain or secure business contracts.

The FCPA, or Foreign Corrupt Practices Act (15 U.S.C. & 78dd-1), which came into effect in December 1977 is a landmark of US federal legislation which for many years singled out the United States as the only nation in the world to pass a law prohibiting the bribery of foreign public officials. The law was designed to prohibit payments advanced by US businesses or their agents for the purposes of securing or retaining business in foreign jurisdictions. Until 1977, all antibribery legislation in the world applied only to officials in the home nation in which the particular business enterprise was domiciled. The FCPA thus represents an extraterritorial extension of principles of a nation's foreign policy applicable to the conduct of overseas business, and thus it is highly significant both with respect to the law and to the history of globalized business. It has been regarded as a major effort to regulate the conduct of foreign business by making such business practices conform to standards of morality, standards which in the case of the United States would align its foreign policy (as set forth at the time by the

Carter administration) with the practices of US multinational corporations. Indeed, the law has been credited with redefining fundamental relationships between business and government (Greanias and Windsor 1982).

The law was very much a product of its times and its passage marked a transition in global commerce away from the restrictions of the Bretton Woods system to a more flexible, deregulated, and globalized business environment. For most of the postwar period until 1971, the need for antibribery legislation was deemed not to be pressing because of the power the Bretton Woods system granted to developing nations in terms of control over their economic, financial, and business affairs. With the disengagement from Bretton Woods which began in 1971, it became clear that the toleration of illicit payments could no longer be permitted because of their debilitating effects on democratic institutions and market functioning (i.e., misallocation of resources) in developing nations, nations that were now much more vulnerable to the power and blandishments of multinational corporations in a more globalized world.

The Watergate and other related investigations into business and political practices of US corporations in the 1970s made it clear how extensive these problems were. The Congressional hearings related to these matters led to additional inquiries conducted by the International Chamber of Commerce, the United Nations, and the OECD. While the United States was the only nation to initially set forth a law prohibiting such illicit payments, other nations followed with "soft law" provisions (e.g., codes of conduct) that remained in place until a greater coordination of legal restrictions was achieved in the late 1990s.

There has been a tendency to evaluate the effectiveness of the FCPA from both ethical and business related perspectives rather than a strictly legal perspective. From the business side, there were numerous complaints related to matters of basic business conduct. As US Senator John H. Chafee (R – Rhode Island) put it at the time: "It was not our intention to create massive confusion, consternation and uncertainty among the

business community and the accounting and legal professions. We have done both.”<sup>1</sup> Some analysts have understood the prohibition of illicit payments in terms of the social license to operate.<sup>2</sup> Moreover, the law is only infrequently subjected to judicial review. Most cases have been subject to civil settlements and/or the lodgement of a guilty plea.

An important feature of the FCPA is the joint administration of its enforcement by two US federal agencies, the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC). The DOJ maintains responsibility for criminal prosecutions while the SEC investigates the law’s accounting provisions and effects civil enforcement with respect to issuers of securities in US markets. Until 2010, few cases had been prosecuted by the DOJ, with the majority of investigations conducted by the SEC through civil proceedings and the lion’s share resulting in agreed upon settlements.

Another important trend can be found in the increasing level of voluntary cooperation of corporations with federal officials, with the result that increasingly companies themselves are providing notification of potential FCPA violations with the objective of reducing the penalties they would otherwise face. An investigation into WalMart which started in 2011 illustrates this trend. It began with the company’s self-reporting of problems in Mexico, but the investigation then spread to India and China. (At the time of writing, Walmart is facing potential FCPA penalties totalling \$600 million.) A September 2015 memo written by the Deputy Attorney General Sally Yates gave strong impetus to self-reporting, which in April 2016 resulted in an FCPA pilot program that assessed companies for the timeliness of initial reporting, the strength of internal control mechanisms resulting in self-detection, and the subsequent levels of cooperation provided to investigators.

These trends point to the FCPA’s increasing effectiveness, reflecting considerable

improvement over results achieved in the early years of the law’s existence.

## A Brief History of the FCPA

Investigations by Watergate’s special prosecutor revealed a multiplicity of illegal corporate campaign contributions to President Nixon’s re-election committee, most of which involved payments not properly disclosed. This in turn prompted the SEC to investigate all politically oriented payments by corporations, including those made to foreign officials and/or involving secret accounts or false records. In 1974, the SEC launched a voluntary disclosure program, which eventually elicited reports from over 400 US corporations. Among the high profile disclosures were ITT corporation with respect to its operations in Chile, Exxon with regard to its Italian subsidiary, and Gulf Oil’s Bahamian slush fund, which routed illegal campaign contributions to US politicians. Most significant of all was Lockheed, which had received loan and credit accommodations from the US federal government and was embroiled in bribery scandals in Japan, West Germany, Italy, and Holland. Other SEC and Congressional committee investigations followed, resulting in a general determination that the practice of illicit payments was widespread.

A number of these cases were investigated and prosecuted by the SEC. There was, however, clear dissatisfaction with the state of the law and the capacity of regulators to investigate and prosecute US corporations engaged in the bribery of foreign public officials. As a result, the Congress began a search on ethical and prudential grounds for a legislative remedy. The United States already had numerous prohibitions against bribery and corruption embedded in existing federal laws, but there was nothing explicitly prohibiting payments to foreign officials.

Several proposed versions of legislation were drafted, many of which stipulated disclosure of irregular payments rather than an outright ban. Assistance was forthcoming from other quarters. The United Nations General Assembly passed a resolution titled “Measures Against Corrupt

<sup>1</sup>“Letters to the Editor,” *Wall Street Journal* (May 13, 1981)

<sup>2</sup>Greanias and Windsor, *op cit.*, 36

Practices of Transnational and Other Corporations” (United Nations General Assembly 1975). The OECD adopted voluntary guidelines for its member states.<sup>3</sup> Within the US Congress there was a growing demand for an outright ban, rather than simply disclosure of corrupt payments to foreign public officials. This demand was solidified with the election of Jimmy Carter as President, and with his inauguration came the impetus for improving the ethical standards of US corporations operating internationally, along with new foreign policy initiatives designed to encourage the political allies of the United States to live up to higher standards of human rights and political integrity. The Foreign Corrupt Practices Act was signed into law in December 1977.<sup>4</sup>

The law came into effect at a time of great difficulty and instability for the United States with respect to its foreign policy and worldwide business dealings. The US dollar was being subjected to considerable downward pressure in a post-Bretton Woods world which was becoming accommodated to floating exchange rates. Oil prices had quadrupled earlier in the decade and were about to rise sharply again, creating enormous pressure on the economies of non-oil exporting developing nations. The United States itself was incurring significant trade deficits, and the composition of American exports was changing markedly. All these factors created major uncertainties for US companies doing business overseas as they faced imperatives for complying

with antibribery legislation that did not apply to corporations domiciled in other nations. There were concerns that US companies would lose business to foreign competitors in a world that was commencing a process of rapid globalization. Concerns about the law itself centered on issues of extraterritoriality and the capacity for enforcement, as well as the lack of distinction between “bribery by” as opposed to “extortion of” American companies (i.e., the distinction between the supply side and demand side). There were also concerns that the companies were now being harnessed to US foreign policy objectives in such a way that what was good for the United States was also deemed to be good for its corporations.

An enormous sea change took place under the Reagan administration, which came to power in early 1981. The strength of the US dollar was restored globally as a result of policies put into place by Paul Volcker as chairman of the US Federal Reserve during the Carter administration. These anti-inflation policies of high interest rates began to bear fruit under Reagan, and the United States increased its power and prominence even as numerous developing nations were decimated by the global banking crisis of 1981. The foreign policy priorities of the US government shifted away from human rights and high business standards toward prescriptions that would come to be known as the “Washington Consensus” by the end of the 1980s. Foreign governments allied with the United States, especially those hard hit by the 1981 crisis, were now required to open their economies to foreign trade, cut business subsidies to domestic industries, and reduce social programs. US corporations, on the other hand, gained the benefits of increasing deregulation as well as a freer hand in their foreign business dealings. This was reflected in the nature of FCPA prosecutions during the Reagan era, prosecutions that were both reduced in number and which elicited signs of bilateral policy objectives with respect to the countries affected that tended to cast doubt on whether the FCPA was being impartially enforced (Cragg and Woof 2001).

These changes were reflected in the amendments to the FCPA that were implemented in 1988 as part of the Omnibus Trade Act. It now

<sup>3</sup> OECD Guidelines for Multinational Enterprises, June 21, 1976. Of particular interest are guidelines 7–9 (page 14) which state in part that corporations should “not render – and they should not be solicited or expected to render – any bribe or any other improper benefit, direct or indirect, to any public servant or holder of public office.” <https://www.oecd.org/corporate/mne/50024800.pdf>

<sup>4</sup> The FCPA underwent two major revisions, the first in 1988, the second in 1998. The 1988 amendments were part of the Omnibus Trade and Competitiveness Act passed in the same year. The changes clarified the standards of knowledge and intent with regard to the commission of offenses under the FCPA, e.g., through third party agents. The 1998 amendments were part of the OECD Anti-Bribery Convention and expanded the FCPA’s coverage of foreign citizens and corporations

had to be proved that those offering bribes had direct knowledge of the nature of the payments, as opposed to the old “reason to know” standard. Greater emphasis was given to the legality of the payments in the country in which they had been given. The result was an increase in the number of cases investigated, although the SEC, which still pursued more cases than the DOJ, placed increasing emphasis on self-regulation as the frontline of anticorruption activities. As a result of changes to burden of proof that diminished the “reason to know” standard, corporate executives were more insulated against personal involvement and legal responsibility with greater chances that officers farther down the corporate ladder would take the blame and risk of jail time. The more politically connected industries/corporations (e.g., oil) were less vulnerable to prosecution.

Political considerations would increase in importance throughout the 1990s after the collapse of communism and the rapidly increasing prominence of global trade which followed. Treaties and trade agreements proliferated, outsourcing accelerated, NAFTA and the WTO were established. China erupted into prominence as a major center of manufacturing and trade, while financial corporations and other high profile firms like WalMart gained enormous market dominance. The resulting complex network of interests had to be carefully nurtured and promoted by the US government, but critics of globalization were quick to point out that these political considerations often promoted the very corrupt behavior in foreign business relations that the FCPA was meant to prohibit. Nobel economist Joseph Stiglitz notes that as competition among developed nation states and their corporations increased on the global stage, foreign investment in developing countries would often be encouraged through tacit approval of bribery by countries like the United States and France, and this was often evident when agreements worked to the disadvantage of developing nations (Stiglitz 2003). Not surprisingly, some countries came up with imaginative schemes to corruptly exploit developed nation programs to their own advantage. Iraq’s oil-for-food program (OFFP), for example, was designed to allow humanitarian aid to enter the country

after the first Iraq War. However, numerous Western corporations, including Chevron, Ingersoll-Rand, and AGCO, sold goods to Iraqi government ministries with the tacit understanding that such sales would not be disapproved of by the US government. Thus, when extorted by Iraqi government ministries into paying kickbacks, many of these companies complied, believing (with considerable legal justification) that payments made directly to Iraq’s government, rather than government ministers, would not be charged under the FCPA. However, many of these cases were in fact subsequently prosecuted under the FCPA.<sup>5</sup>

The intensified competition between developed nations resulted in increased US pressure for their competitors to adopt their own antibribery legislation. The result was the OECD Convention on Combating Bribery of Foreign Government Officials, which came into effect in 1997. This was followed by country specific legislation, such as Canada’s Corruption of Foreign Public Officials Act of 1999. The Convention encouraged cooperation between law enforcement agencies of signatory countries. However, collaborations were limited by legislative provisions safeguarding the national security interests of the countries concerned. In practice, this meant that corporations cooperating with the government departments or agencies were

<sup>5</sup> The Oil for Food program (OFFP) was established by the Clinton administration in the mid-1990’s to answer criticisms concerning the suffering of the Iraqi people in the wake of the first Iraq war and the economic restrictions imposed subsequently on Saddam Hussein’s regime. The United Nations was given administrative authority over the program, which led to later criticisms by U.S. Republicans and neo-conservatives against the UN once the scandal broke and the extent of the corruption became clear. After the U.S. invasion of Iraq in 2003, the OFFP was replaced by the U.S. administered Iraq reconstruction fund, which in turn was criticized for massive misallocation of spending. The U.S. was also accused of ignoring illegal oil sales by Iraq during the late 1990’s. Legal experts have noted that FCPA enforcement actions made against companies charged with illegal kickbacks were not made under the FCPA’s anti-bribery provisions for the very reason that the payments were made directly to Iraqi government ministries rather than to individual government officers. <https://www.wilmerhale.com/pages/publicationsandnewsdetail.aspx?NewsPubId=95741>

exempted from any bribery related investigations. In fact, such provisions were explicitly articulated in the FCPA itself.<sup>6</sup>

No commodity had greater value for national security interests than oil,<sup>7</sup> and this is reflected in the almost total absence of major American oil companies from prosecution under the FCPA. But this also showed up in the relationships of multinational oil corporations to oil rich developing nations that were plagued by government corruption. African nations such as Angola, Chad, and Equatorial Guinea were examples of this trend which became particularly acute in the early years of the twenty-first century. US Congressional investigations into the Riggs Bank found substantial irregular transactions involving the embassy of Equatorial Guinea in Washington that had not been reported to federal authorities. Investigators suspected irregularities in repayment of the country's foreign debts as well as funds not properly routed through its central bank and possibly used for arms purchases. ExxonMobil, which does business in all three of these countries, was subject to an inquiry by the US Justice Department (DOJ) as to whether the company had been in violation of the FCPA. Of particular concern to the DOJ was the fact that Equatorial Guinea's ruling (Obiang) family had extensive family ties and business dealings with ExxonMobil that had been exposed by the Riggs Bank investigation. The company defended itself by claiming that its investments and real estate holdings in Equatorial Guinea were not only legal under the FCPA, but also promoted high standards of corporate responsibility. It based its claim on the fact that the Obiang family's control of the country's economy is so complete that there is no market for services outside of it. Indeed, the DOJ did accept ExxonMobil's explanation and

concurred that the complete absence of arm's-length transactions or any laws respecting conflict of interest in a given nation state did not, under the provisions of the FCPA, prohibit a US corporation from doing business there. In such cases, then, political imperatives pertaining to national security trump principles where the FCPA is concerned (Coll 2012). This is particularly true in the case of Africa, since this continent became the focus of China's long-term energy investments in the early years of the twenty-first century, the result of China's rapid industrialization and its massive increases in demand for imported oil. US foreign policy experts have explicitly identified increasing competition between China and the United States over access to foreign oil reserves as a crucial national security concern for both nations.<sup>8</sup>

## Conclusions

Conclusions as to the current effectiveness of the FCPA might best be realized through a brief review of the dominant enforcement trends over the past decade. First would be the larger size of corporate penalties, along with the greater cooperation of the SEC and DOJ (often in concert with foreign governments pursuing same case

<sup>6</sup>“With respect to matters concerning the national security of the United States, no duty or liability . . . shall be imposed upon any person acting in cooperation with the head of any Federal department or agency responsible for such matters.” Foreign Corrupt Practices Act 1977: Sect. 102 (3) A

<sup>7</sup><http://www.cfr.org/oil/national-security-consequences-us-oil-dependency/p11683>

<sup>8</sup>In discussing the importance of access to oil with respect to the military capabilities of the United States and other nations, Charles L. Glaser, Director of the Institute for Security and Conflict Studies at the Elliott School for International Affairs, George Washington University notes: “A distinctive feature of this framework is that some of these mechanisms identify threats to U.S. security that flow from another country's consumption of oil, not from U.S. consumption. Of particular importance is the potential danger that China's oil imports create for U.S. security – China's efforts to protect its sea lines of communication are fueling military competition that could strain U.S. – China relations and increase the probability of conflict between them.” “How Oil Influences U.S. National Security” [http://www.mitpressjournals.org/doi/abs/10.1162/ISEC\\_a\\_00137?journalCode=isec#.WH4jOvkrLIU](http://www.mitpressjournals.org/doi/abs/10.1162/ISEC_a_00137?journalCode=isec#.WH4jOvkrLIU). *International Security* MIT Press Journals vol. 38, no. 2 (Fall 2013) 112–146. By 2012, China had invested U.S. \$44 billion in oil projects worldwide, half of which was in Africa. See also Steve Coll, *op cit.*, 237–245 on U.S. – China conflicts



investigations) in effecting the joint investigations that very often lead to these large settlements.<sup>9</sup> Voluntary cooperation, self-reporting, and initiation of investigations by the companies themselves have also been factors for many years, well before the Yates Memo noted earlier. As a result, the DOJ has been willing to enter deferred prosecution agreements and nonprosecution agreements with companies, depending on the complexity of the case and the nature and the extent of the cooperation. One notable trend that became evident under the Obama administration has been the increase in the number of individuals prosecuted and sentenced, and there have been cases of extradition requests filed for foreign nationals. There has also been an increase in industry investigations initiated by DOJ and/or SEC, as well as company initiated disclosures that have resulted from the due diligence activities related to mergers and acquisitions, of which there have been a sizable number. Finally, there has been an increase in the number of independent monitors used, typically to provide oversight over remedial activities undertaken by companies subjected to DOJ investigations, settlements, and prosecutions. Monitors are usually appointed for a 3-year term and review remedial activity in conjunction with the company's foreign operations.

With respect to the FCPA and similar legislation, it might be reasonably concluded that the success of antibribery legislation depends upon concomitant commitments to curtailing corruption, and this can be highly problematic given the political imperatives for maintaining

dominance in global affairs or else ensuring that national security objectives are met. Governments have a responsibility for the success of their corporations both at home and abroad, but they also have more fundamental responsibilities to citizens to ensure that corruption does not undermine the fundamentals of the social contract itself.

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Anti-Corruption Education](#)
- [Bribery](#)
- [Corruption and Gender](#)
- [Global Corruption](#)
- [Organizational Culture and Corruption](#)

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<sup>9</sup>Until 2007, the largest joint settlement between the two departments was \$44 million. Then in December 2008 Siemens AG of Munich Germany and three of its subsidiaries entered a guilty plea in U.S. courts that resulted in a joint settlement of \$1.7 billion. In the 6 week period from September to November 2016, there were two joint settlements of \$200 million and one for \$400 million. Och-Ziff Capital Management Group agreed to a \$414 million joint settlement involving illicit payments in six African nations. Embraer of Brazil agreed to a \$205 million joint settlement involving \$6 million in payments made in the Dominican Republic, India, Saudi Arabia and Mozambique. J.P. Morgan-Chase and J.P. Morgan-Chase Securities agreed to \$203 million involving its hiring and mentoring programs in China

## Covert Research

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## Synonyms

Investigative social research



## Definition

Social research in which scholars do not reveal their identity or the purpose of their presence in the field to the individuals whom they are observing, or with whom they are interacting, can be termed “covert.” For research to be defined covert, it is sufficient that at least one of the potential participants is unaware of the researcher’s intentions and of the real reason for his/her presence in the field. The concealment of the researcher’s identity can in fact be graduated: it ranges from total coverage, in which none of the participants are aware of the research, to partial coverage in which some are informed and some are not. This raises an issue of great importance for the ethical evaluation of covert research – the issue of intentionality. In intentional covert research, the researcher deliberately conceals his or her identity to all or some of the participants, while in “unintentional” covert research, the researcher is unable to make his/her identity known. This is the case, for example, in research involving people suffering from dementia or mental confusion or fieldwork in which “concealment” of the researcher’s identity is a condition imposed by the gatekeepers that have granted the researcher access to the field. In these situations, the only alternative to covertness for the researcher is abandonment of the field and termination of the research. The problem of intentionality is linked to deceit. Those who conceal, entirely or partly, the reasons for their presence in the field have decided to lie to all or some of the participants. Those who cannot reveal their identity for the reasons mentioned above instead do so unwillingly and in this case deception is not involved. Just as it is not involved in all those cases in which it is simply impossible for the researcher to declare his/her identity. Consider, for example, research on a football fan club that requires participation in sports events with large audiences or participant observation of a street demonstration involving thousands of people. In both cases, it is impossible to inform everyone present. Just as it is impossible for the researcher to make known to people who are no longer alive

or with whom she/he no longer has a relationship that she/he has decided to use them as sources of data on past events involving or concerning them.

## Rise and Fall of Covert Method

For many years, covert method was widely used in the social sciences, and, on some occasions, it produced extraordinary results in terms of originality and depth of analysis: Goffman (1968) relied on his covert work at Saint Elizabeth’s Hospital in Washington DC as a ward worker, assistant to the gymnastics instructor, and porter to develop the concepts of “total institution” or “secondary adjustment”; Leon Festinger (2008) generated the concept of “cognitive dissonance” after asking some of his students to infiltrate a group of millennialists awaiting the imminent end of the world.

The social climate in universities and companies, above all in North America, which had previously been reasonably tolerant of this kind of study, underwent a dramatic change in the 1970s. A heated debate followed the publication of *Tea-room Trade*, Laud Humphrey’s study of encounters between homosexuals in the public lavatories of an American city. Humphreys’ (1975) research was considered a good example of what a researcher must never do: betray the trust of people who are substantially innocent, interfere in their lives, discuss them for the simple pleasure of receiving academic recognition, and violate their privacy for an essentially futile reason like writing a book. As a result of the spread of ethics committees and the doctrine of informed consent, covert research was soon banned for all scholars, including students. In many professional and associational codes, such as that of the British Sociological Association, covert research was subject to more or less explicit disapproval. A similar attitude was expressed in the 2015 *Framework for Research Ethics* (FRE) published by the Economic and Social Research Council (ESRC), the UK’s largest provider of social research funding: what is called “justified deception” is only permitted as a “last resort where no

other approach is possible” (Calvey 2017, 49). The Australian National Statement and the Canadian Tri-Council Policy Statement adopt the same principle. Since the 1980s, little has escaped the scrutiny of the censors, and only sometimes was it possible to read some timid study preceded by lengthy ethical and methodological justifications.

### **The Limit of the “Classical Paradigm”**

The prevalence of an intransigent ethical view focused on informed consent has been greatly favored by a concept of social life and the role of the researcher that has deep roots in both anthropology and qualitative sociology in the United States, based on the conviction that society normally operates in a consensual manner and that conflict is no more than a painful exception. Social scientists must play their part in this regard. First, they must favor the study of marginal and deviant groups, so that it can be shown that even they, if they are acknowledged and accepted, may be able to integrate into society and contribute to its effective functioning. Within the “do-good paradigm,” in order to describe and interpret the social life of a marginalized group, researchers must first win the trust of its members. Once the friendship and trust of the subjects has been gained, everything will go smoothly, and researchers will be gradually able to understand every aspect of the group’s culture by asking direct, sincere questions of individuals who are anxious to tell their stories and talk about themselves. Cooperation is simultaneously a value to be affirmed, an intrinsic feature of the social system, and a quality to be positioned at the core of research methodology if one wishes to obtain good results. In this scenario, the researcher’s self-concealment is pointless, dangerous, and counterproductive. It is an ethical error because it betrays the trust of the parties; it is also a methodological error because it compromises the results guaranteed by an overt method.

Intimacy and complicity between researchers and the communities that they study is reinforced by the fact that research of this kind is generally

carried out within just one group or organization, with which the researcher enters into a cultural and affective alliance. The ideal profile of the researcher thus becomes someone who has immersed himself/herself so deeply in the culture selected for study that she/he has almost become an insider. Knowledge is assumed to spring from empathy.

The reality is different; social systems, daily life, and organizational contexts are replete with uncooperative and disloyal behavior, hostile action, fraud, and deceit. People and groups prefer to keep some of their behaviors or ideas hidden, in the belief that they would not be socially accepted or acknowledged as legitimate and therefore might cause them harm. If a large part of social life is lived in the shadows, overt research is not always the best method for discovering the truth.

### **Present and Future of a Controversial Method**

Among other things, covert research can help groups and organizations discover more about themselves. If it were still possible to carry out covert research like Melville Dalton’s study on corporations (which showed in admirable fashion that companies are not just rational organizations, but also concentrations of racism and of power struggles among factions and informal networks), all of us – including companies themselves – would have information about that world far richer and more reliable than that available to us because it would have been acquired in great secrecy and would therefore furnish a far more authentic, and less hypocritical, portrait, like those photographs sometimes taken without the “victim’s” knowledge.

Ultimately, however, the admissibility of covert research depends largely on the “ethical position” of both the researcher and those who judge his/her research. In a non-consequential or deontological approach, where what counts is not the consequences of the actions but compliance with values considered absolute, covert research – especially when it involves intentional concealment of his/her

purposes by the researcher – is never permissible. Conversely, if a consequentialist and utilitarian approach is taken, it can be argued that a covert method may be justified by the results, scientific but also ethical, that it produces.

Important discoveries can be made on this terrain – ones that highlight counterintuitive and paradoxical elements. David Calvey (2017) worked for 6 months as a doorman in Manchester in order to create an account that might counter the widespread stigmatization of the bouncer profession. In Calvey's research, bouncers are described as people particularly interested in preventing violence, people with a code of honor, solid moral principles, and capable of, and interested in, cooperative work as a community.

Covert research can also uncover harmful activities. Critical approaches explicitly challenge consolidated power relations. In this case, the secrets revealed by means of investigative research and a covert method are more significant from every standpoint, the more they pertain to powerful social groups, for which secrecy is an important resource for maintaining or strengthening their power. By shedding light on shadowy areas, inaccessible places, and secret spheres, researchers contribute to the affirmation of important moral values such as the freedom to study and the transparency of information.

For almost 3 months, Brannan (2016) worked for a large international financial corporation. The official activity of the corporation was to protect consumers from the risks of the growing digitization of economic transactions and especially from identity theft. In fact, the financial company engaged – in agreement with banks that invited their clients to contact Praetorian's call center to activate their credit cards – in selling useless products. Brannan shows how fraudulent and dishonest activities were (not only) the result of wrongdoing by individual agents, but rather of how the organization's new recruits were trained, the values transmitted to them, and the practices that they were required to learn. All the information that should have been provided to clients so that they could perform informed actions was regularly – on implicit invitation by the managers – avoided or minimized. In some cases, the

lies were systematic: operators lied to clients that they would have to wait a few minutes for the credit card to be activated and then used that time to promote the corporation's products. In the field, Brannan disclosed that he was a researcher only to people with whom he had the closest contacts and never to the executives of the organization in order to avoid his dismissal. Brennan concealed his actions, but this helped gain better understanding of how some financial corporations operate.

Anthropologist Nancy Scheper-Hughes (2004) created a global ethnography of human organ trafficking. Working across four continents, with the assistance of graduate students, journalists, filmmakers, human rights activists, and private investigators, Scheper-Hughes accumulated an impressive corpus of information on the sale of organs and constructed a detailed map of this criminal traffic between the Global North and South. But to do so, she breached rules established by the community of anthropologists. On some occasions, her testimony helped the police authorities to halt the traffic. In other cases, she used covert methods: "I posed as a patient (or the relative of a patient) looking to purchase or otherwise broker a kidney. I sometimes visited transplant units and hospital wards unannounced, posing (if anyone bothered to ask) as a confused friend or family member looking for another part of the hospital. At times I introduced myself, honestly enough, to transplant staff and nurses as 'Dr Scheper-Hughes conducting an international study of transplant', while leaving it vague just what kind of 'doctor' I was" (2004, p. 44).

Scheper-Hughes asked her university to be exempted from its ordinary ethical surveillance procedures on the work of anthropologists and to use the more flexible ones of the school of journalism. From both a consequentialist and critical point of view, Scheper-Hughes's research appears to be largely justified, for it yielded extraordinarily useful research results. If Scheper-Hughes lied, she did so to obtain data that could not otherwise have been gathered. And those deceived were always the organ traffickers, never the victims. The research by Scheper-Hughes has suggested what we social scientists should increasingly do in a dreadfully unfair

world: use covert methods to study powerful groups.

The most powerful groups are generally also those most aware of the damage to their reputations that may be caused by investigative social research. They protect themselves carefully, resorting to rules of informed consent. Weaker subjects, by contrast, are often less well informed about the dangers and therefore more willing to be observed. For this reason, there is a great deal of research on marginalized, poor, and excluded outsiders, while studies on powerful individuals, which require the use of a covert method or a blend of covert and overt research, are rarer, even though they would probably be the most useful means to shed light on structures of power and domination. This paradox should be resolved by resurrecting the covert method, which has proved so fruitful in the past.

## Cross-References

- [Autonomy and Informed Consent](#)
- [Deception and Research](#)

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## Credit Union Ethics

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## Synonyms

Cooperative Financial Institutions

## Introduction

Over 3 months in the fall of 2011, more than 400,000 Americans moved billions of dollars from a bank to one of the country's more than 7,500 democratically controlled, not-for-profit credit unions as part of the first ever November 5th “bank transfer day” (Passman 2011). According to media reports, the mass movement of money resulted from a decision by some large banks to increase debit card fees set against the backdrop of the Occupy movement and generalized anger about the banking sector's role in the great financial crisis of 2007–2009. The premise seems to have been that since credit unions are co-operatives, they are ethical, cost-effective and pragmatic alternatives to banks, a view buttressed by editorials, blogs and surveys lauding credit unions as a form of “ethical banking” (Weinstein 2019).

But why might one expect credit unions<sup>1</sup> to be more ethical and maybe even more cost-effective than investor-owned banks? To some extent, the question has a trivial answer: credit unions, like other co-operatives, share a commitment to ethical norms of honesty, openness, social responsibility and caring for others as set out by the International Co-operative Alliance (ICA), an organization representing co-operatives

<sup>1</sup>Unless otherwise indicated, the term “credit union” as used here includes “co-operative banks,” which are the progenitors of the credit union movement and, as a result, very similar in terms of their commitment to co-operative ethics, values and principles.

internationally. These norms tie back to the ICA's statement on co-operative values, which consist of self-help, self-responsibility, democracy, equality, equity and solidarity. In turn, the ICA norms and values are framed by seven co-operative principles, the most important being, for the purposes of this discussion, the principle of democratic control and the idea that members should benefit from their ownership of the co-operative.<sup>2</sup> In short, credit unions exist to serve, not to exploit. Banks, by contrast, are presumed to be subject to the tyranny of short-term stock market expectations and potentially perverse incentives because of their profit maximization orientation.

But is this presumption about ethical credit union behaviour true? Survey evidence suggests that many people, even in countries with strong co-operative sectors like Canada, have only a dim understanding of co-operatives even as they share many of its values (Coletto 2020). They certainly cannot recite a list of co-operative ethical norms, values and principles. Further, many credit unions do little to promote the fact that they are co-operatives. Some refrain from using the words "credit union" in their trade names. More fundamentally, credit unions engage in the same activities as traditional banks, namely, taking and stewarding deposits and making loans. They share the same power to create money through the act of extending loans and, as a result, are exposed to some of the same incentives for bad behaviour. Failable humans govern both types of organizations against a backdrop of fierce competition, sometimes strained relationships with regulators and no small degree of pressure for credit unions to mimic bank tactics.

This more cynical view has its adherents. Following news of a high-profile scandal at the U.-based Co-operative Bank, finance journalist Frances Coppola (2015), for example, wrote that "we cannot assume that a bank or a financial

institution is 'ethical' simply because it is co-operatively owned, small, local or serves a particular market segment. Not-for-profit and publicly owned banks can be rotten to the core. . ."

And to be sure, the credit union trade press is not entirely bereft of news about bad credit union behaviour, with insiders recounting instances of fraud, corruption and unethical behaviour by management and democratically elected credit union boards of directors. More recently, a mid-sized Canadian credit union garnered attention after being placed "under administration" by its regulator twice in 2 years, the first time related to allegations of fraud and self-dealing by the then-chief executive officer and his son and the second time because of allegations related to selling unsuitable and high-risk investment products to members (Bradshaw 2020). In all these cases and others, however, credit unions – like co-operatives more generally – still seem to enjoy the benefit of the doubt. The question is why.

### Bad Banking Behaviour: Contrasting with Credit Unions

Notwithstanding some sceptical voices and occasional examples of bad credit union behaviour, academics have expressed little interest in the question of credit union ethics or even credit unions more generally.<sup>3</sup> There are two likely explanations.

First, the co-operative structure of credit unions means they don't have shares that trade on an exchange. As a result, they are not as visible on a day-to-day basis as publicly traded banks despite the fact that in some jurisdictions, they account for a quarter or more of all banking sector assets. Stock market prices provide easy-to-interpret signals; most credit unions emit only

<sup>2</sup>Member economic participation can happen through lower prices, dividends or patronage rebates that reward members proportionate to their use of the co-operative. The other co-operative principles are open and voluntary membership, autonomy and independence, member education, cooperation among co-operatives and care for community.

<sup>3</sup>A selection of journals devoted to business ethics were reviewed using the following keywords: "credit union," "banking" and "co-operatives." Similarly, the full range of journals (academic and trade press) devoted to credit unions and co-operatives, searching using the keyword "ethic" and variations thereof (e.g. ethics, ethical, ethically) were consulted.

once-yearly annual reports. With some notable exceptions, if a credit union behaves poorly, it will *ceteris paribus* generate less attention than a comparable bank. Second and relatedly, the absence of credit union ethics literature may simply reflect the growing academic literature about *unethical* bank behaviour. In a sense, credit unions live in the shadow of this literature, benefiting from a presumption that since they are not banks, they are ethical. It is worth, therefore, briefly exploring this literature on unethical bank behaviour.

Writing about for-profit banks, Lamb (1999, p. 13) is exemplary of much of this discourse. He writes that “naked pursuit of money, financial service has been called ‘a pollution intense environment’ rife with negative externalities or harmful side effects” where “top executives” are little more than “zoo keepers,” trying to steer employees away from unethical behaviour. He goes on to cite the seemingly irresistible pull in financial services to exploit the ignorance of customers that arises due to the complexity of the business (“information asymmetries”), the commodification of many financial products (resulting in thin profit margins) and the breakdown of the kind of employee-firm loyalty capable of nurturing a culture that can contain unethical impulses. Former bank regulator-turned-academic, William Black (2005) is arguably more pessimistic about the ethical prospects of investor-owned banks, titling his book *The Best Way to Rob a Bank is to Own One*. In it, he lays out the case for why banking tends to encourage deeply unethical behaviour by means of what he calls “control frauds,” situations where senior executive(s), rather than acting as zookeepers, actively exploit their privileged position for their own ends at the expense of society more generally.

Not all the literature on bank behaviour by banks is so grim. While Cowton (2002) acknowledges the widespread assumption that banking is an “ethical free zone,” he argues that this is a simplistic view that overlooks important underlying banking values that show up in everyday expressions like “bank on it.” He points to the three core ethical banking values, namely, (1) integrity and trust that protects depositor

money; (2) fair lending practices that are unbiased, patient when it comes to foreclosing and not so generous as to put the bank at risk; and (3) affinity relationships that aligns the bank’s values with a given segment of society.

To illustrate his framework, Cowton curiously cites case studies of the Co-operative Bank from the 1990s. At the time, the bank was owned by the British Co-operative Wholesale Society (CWS), which in turn was owned by retail co-operatives which, finally, were owned by their member/customers.<sup>4</sup> In 1988, the Co-operative Bank adopted a code of ethical banking behaviour to guide its activities and appeal to a segment (“affinity group”) of British society that worried about, for example, human rights, animal experimentation, factory farming and arms sales. In so doing, the Co-operative Bank set out to distinguish itself from banks that had been engaged in misbehaviour. In his analysis, Kitson (1996, p. 10) suggests that the Co-operative Bank’s commitment to these ethical guideposts was simply a “market-oriented re-statement of traditional co-operative values,” underlying again the bedrock belief even among academics that as co-operatives, credit unions and co-operative banks have a strong ethical impulse. But as Coppola reminds us, this re-statement may have been more public relations than anything else. Writing two decades after Kitson analysed the Co-operative Bank’s ethical code, Coppola (2015) notes that the scandal embroiling the Co-operative Bank’s then-chairman showed that “its commitment to ‘ethical banking’ was hollow.”

## Ethical Inertia

To recap, the view that credit unions are ethical seems to be premised on the fact that they (a) pay at least nominal allegiance to co-operative ethics, values and principles, (b) keep a relatively low profile and (c) are not banks. But this is not the

<sup>4</sup>The CWS has since become The Co-operative Group and is now owned directly by its customers.



whole story. Credit unions also benefit from a compelling origin story. There is a general agreement that credit unions grew out of the rural and urban co-operative banking movement that took root in mid-nineteenth-century Germany (Birchall 2011). In rural Germany, Friedrich Raiffeisen built a co-operative banking network focused on making small-dollar loans to poor farmers based on their moral character and reputation. In urban parts of the country, Herman Schulze set up co-operative banks to fund Germany's middle-class artisanal and guild-based producers that were otherwise struggling because of inadequate access to funds. Both co-operative bank networks were governed on the basis of a one-member, one-vote democratic principles, and their success hinged on a strong trust-based relationship between the bank and its members that minimized the kind of information asymmetries bemoaned by Lamb (1999). Both prospered and remain pillars of Germany's financial system to this day. Unlike bank competitors, German co-operative banks have never lost any of their members' deposits or had recourse to government support despite several major wars, bouts of hyperinflation, severe economic depressions and political instability.

On the basis of this success, the model spread to places as far afield as Egypt, Poland and Japan, but it was in North America where it emerged in the form of Raiffeisen-inspired "caisses populaires" in the Canadian province of Québec and credit unions elsewhere. Driven by the leadership of people like Alphonse Desjardins, Edward Filene and Roy Bergengren, the movement had, by the 1960s, mushroomed into tens of thousands of caisses and credit unions in the United States and Canada. In both countries, credit unions emerged as alternatives to for-profit investor-owned banks, serving underserved rural and lower-income communities; offering products that consumers could not obtain elsewhere easily; providing advantageous terms to niche market segments like the employees of a factory, business or union; or simply not exploiting members.

By the 1960s, the formation of new credit unions had begun to taper off. Since then, the

credit union systems in Canada and the United States have undergone a process of consolidation. In Canada, the 10 largest credit unions now account for almost half of all credit union assets, while the overall number of credit unions has fallen from more than 2000 to fewer than 240 today. While there is a persistent worry that the increasing size and complexity of a shrinking number of credit unions might rupture the trust relationship with members and local communities, there is evidence that credit unions are still living up to their co-operative promise. In the United States, the National Credit Union Administration (NCUA) data show that on average, credit union deposit rates are higher and lending rates lower than bank competitors, although some of these differences are likely due to the fact that US credit unions are tax exempt and their competitors are not. There is no ready evidence of this same price advantage in Canada, where credit unions are, with minor exceptions, subject to full corporate taxation. That said, Canadian credit unions routinely emerge at the top of customer satisfaction surveys among both retail (Ipsos 2020) and small business clients, with outsized market shares particularly in the area of small business lending (Canadian Federation of Independent Business 2016).

In both countries, the credit union business model has proven resilient, with studies showing that credit unions have often been better capitalized than their bank competitors (Higgins 2016), slower to foreclose on borrowers (Smith 2012), more supportive of lending to disadvantaged communities and generally good stewards of their members' money. From the vantage point of Cowton's (2002) standards for banking ethics then, it seems that credit unions pass the basic test – they generally behave with integrity and trust, use fair lending practices and have a long history of affinity-based relationships.

## Beyond Co-operative Ethics, Values and Principles

There is also reason to suspect that credit unions may benefit from a presumption of ethical

behaviour because of the halo effect arising from a handful of larger credit unions that hold themselves to ethical values that stretch beyond allegiance to ICA precepts. Miner and Novkovic (2020) call these “Type II Co-operatives” because they use their co-operative business model to help reshape the economic order by correcting what they perceive to be social, cultural and environmental injustices. Miner and Novkovic contrast these with “Type I Co-operatives,” which focus more narrowly on serving members fairly and with integrity. Type I co-operatives are usually centred around a particular community (affinity group), much as described in the historical credit union narrative and in alignment with Cowton’s view of what constitutes ethical banking.

Interestingly, some of the most prominent Type II credit unions have joined organizations that map out different or complementary sets of values and principles to those of the ICA but whose members consist largely of investor-owned banks. British Columbia-based Vancity, for example, is a longstanding member of the Global Alliance for Banking on Values (GABV). Created in the midst of the financial crisis in 2009, GABV’s mission is to help shape a more ethical banking sector that focuses on serving the real not financial economy in an environmentally, economically and socially responsible way. As part of that mission, GABV members pledge to uphold five core principles, namely, a focus on people, planet and prosperity, serving the real economic needs of communities, sustaining long-term client relationships, building a resilient business model and being transparent and inclusive in governance practices. While GABV’s 5 principles bear some resemblance to the ICA’s 7 co-operative principles, the vast majority of GABV’s 61 full members (as of September 2020) consist of conventional banks, not credit unions or co-operative banks.

Vancity and a handful of other Type II credit unions have also sought to deepen their commitment to ethical banking through something called “B-Corp certification.” Businesses that earn this designation are expected to conduct business that is sensitive to the needs of people and their communities. The pursuit of profit, in short, must not

come at the expense of community, the environment and stakeholders. To obtain B-Corp certification, a firm must conduct a self-assessment that yields a minimum score of 80 out of 200. From there, applicants are screened through a lengthy interview where B-Corp officials review key organizational policy documents. Further, B-Corp principles must be embedded in the articles of the corporate entity, thus binding directors to take them into account in their decisions. The certification body then periodically reviews the certified entity to ensure compliance. As with GABV, the B-Corp certification is available to all types of businesses, not just co-operatives and credit unions.

The fact that prominent “Type II” credit unions have pursued membership in, and certification from, organizations that also work with non-co-operatives suggests that for some at least, co-operative ethical norms, values and principles on their own may come up short. It also suggests that while the co-operative business model may lend itself to ethical behaviour, credit unions do not have a monopoly on good ethical behaviour particularly in the modern era where in many jurisdictions like Canada, regulators proactively guard against bad bank behaviour and where new business forms (like B-Corp incorporation in the United States) are taking root.

## Conclusion

It is reasonably clear that credit unions benefit from a broad-based presumption of ethical behaviour as evidenced by the “move-your-money” campaign, general media coverage and a paucity of academic research into credit union misbehaviour. This presumption appears to flow from the sector’s commitment to co-operative ethical norms, values and principles but, as importantly, from the simple fact that credit unions are not banks. As entities with one-member, one-vote organizational structures, the rules of the game in a co-operative are different than in a bank whose owners are incentivized to profit at the expense of their customers. In a credit union, the owners are the customers.

There is also reason to expect that credit unions have also benefited from the historical glow of an origin story rich with struggle for the betterment of the community. There is similarly reason to believe that the sector's reputation benefits from a kind of halo effect from some high-profile Type II credit unions that have stretched beyond traditional co-operative norms, values and principles. Yet as the efforts of these credit unions suggest, and as Coppola might concur, the co-operative nature of credit unions cannot guarantee ethical behaviour even if it does seem to predispose them towards right relations.

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## Criteria for Ethical Authorship and Contributorship

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## Synonyms

Contributor; Creator; Ghost author; Gift author; Group authors; Guest author; Originator; Writer

## Definition

The word author derives from the old French word *autor*, meaning a person who invents or causes something. In the world of scientific discourse, an author is the creator of an idea, a product of dissemination related to an idea, or the originator

of a creative work (COPE Council 2014). Foucault (1969) wrote that throughout history, a “proven discourse” had to carry the name of its author to be considered authentic. Authorship today, as described by publishers, scientific societies, and regulatory bodies, includes an element of that authentication described by Foucault as an inherent obligation of authorship. Accountability for authorship is well recognized in the authorship guidelines promulgated by COPE, the International Council of Medical Journal Editors (ICMJE 2018), the Council of Science Editors (CSE 2012), with varying emphasis on an accountability statement promoted by other disciplines. It is possible that accountability is apparent in single-authored papers in some disciplines, whereas in papers written by multiple authors and research consortia, accountability is less obvious. Especially in research papers, there is a need for at least one individual to be accountable for the entire project regardless of how many authors or contributors are listed.

## What Are the Issues?

Ethical dilemmas surrounding authorship and contributorship are among the most common problems brought to the COPE Forum for discussion (<https://publicationethics.org/cases>). Guidelines for best practices to preserve and promote integrity in scientific publishing related to authorship and contributorship for journal editors are included in the COPE Core Practices (<https://publicationethics.org/core-practices>). Authorship can include work beyond writing of a manuscript in some disciplines; this is commonly called contributorship. In other disciplines, contributions to the development of ideas, theories, or supervision of work is recognized by acknowledgement only. Disputes among authors regarding listing of the authors (i.e., first author, last author, corresponding author) are a common issue. In other disciplines, listing of authors is always alphabetical and the list may include hundreds of names. Individuals sometimes dispute authorship on papers with claims they should or should not be listed, which can require a formal change of author lists by including, excluding, or

rearranging author names. Individual authors do not always have unique names or have multiple names by which they are known, leading to misidentification of authors. New proposals for contributorship models are still evolving. Clarifying what constitutes authorship is an important area for discussion with various stakeholders.

*Issues in publishing.* Publishers and journal editors have developed several approaches to solving authorship dilemmas. Editors are encouraged to post authorship guidelines and requirements on their journals’ websites. The guidelines should include statements requiring authors to attest to their role in the development of the manuscript and in some cases, a requirement for a declaration of percent of effort for each author in the development of the paper. For multiauthored papers, there may also be a required declaration from one author who takes responsibility for the integrity of the paper (COPE Council 2014). There should also be transparent processes in place for handling authorship disputes, including a requirement that any changes to authorship inclusion, exclusion, or order be agreed in writing by all involved authors. Editors generally will not publish papers until all disputes have been resolved and they retain the right to refer serious cases of authorship misconduct to the institutions where the authors did the work. Disputes arising post-publication are investigated when journals are notified and, once a decision is made that a correction must be posted to the article, editors can make the correction with or without the agreement of the authors. Authorship disputes can rise to the level of misconduct and result in sanctions by grant funding agencies, academic or research institutions, regional research ethics boards, and national government oversight bodies such as the Office of Research Integrity of the United States Government. Investigations referred to these institutions often take months or years to resolve; in the interim, an expression of concern can be attached to the article by the journal editor.

*Issues for authors and students.* The primary ethical tenet for all authors, whether students or academics, is one should not take authorship credit for work not done. Once the individual has assumed the authorship role, there is an obligation to be accountable for the work. For

individual authors submitting a manuscript to a journal, it is essential to read the author guidelines and adhere to all criteria for authorship to avoid delays in processing a submission. Authors should know and adhere to the norms of authorship in their disciplines. Order of authorship may also vary within disciplines, departments, or countries, but publishing is an international endeavor. Publishers may have additional rules for who can be considered an author and who can be considered the corresponding author (i.e., many editors prefer a senior author as corresponding author rather than a student). Although some authors believe that being the corresponding author is prestigious, most editors consider the corresponding author to be an administrative function and rely on that individual to be the contact with all the other authors on the paper; this may disadvantage students given the temporary nature of their location and contact information. Negotiations related to large projects that will end in publication should occur at the beginning of the project and all involved should understand their roles on the team. Authorship disputes will result in delayed publication or possibly a correction to the published paper.

Students can be in a vulnerable position when submitting work developed in their educational programs. If the university has a student handbook, there should be information included related to ownership of work projects, data management and sharing, intellectual property rights, and grievance procedures for students who believe they are being treated unfairly in their department. Students may not be comfortable asserting their opinions about the credit they think they deserve, and they may believe speaking out about their concerns will negatively affect their academic progress. Some students are promised authorship on papers from a department where they have little to do with developing the paper; this guest authorship is also unethical and sets up false expectations for students. An ancillary problem, sometimes called gift authorship, is faculty demands to be included as an author on any paper developed by a student during or for some period following the students' educational career. Learning to negotiate authorship roles and

placement on the author list is an essential developmental skill for graduates who plan to pursue research or teaching careers.

*New developments worth noting.* Confusion of author names has long been a problem for editors and readers. With similar names, the use of initials rather than full names, name changes due to court actions, marriage, or divorce, it can be difficult to know the correct name of the author of a paper. The Open Researcher and Contributor identification (ORCID) provides a unique identifier, free of charge, to any author. ORCID is a not-for-profit organization committed to the task of enabling "transparent and trustworthy connections between researchers, their contributions, and affiliations" (<https://orcid.org/about/what-is-orcid/mission>). Publishers have partnered with ORCID to integrate these author identification numbers into manuscript management systems and display them on the final published article. The unique identifier for each author allows permanent linking of all scholarly output to the correct individual.

Another initiative to standardize author and contributor roles is CRediT (<https://casrai.org/credit/>), the Contributor and Researcher Taxonomy, which describes the most common roles of contributors to research and publication projects. These 14 roles and their descriptions can facilitate discussion among authors about a division of labor for the project and have also been integrated into some manuscript management systems for publication with the eventual accepted article. Some of the roles are more closely aligned with traditional ideas of authorship (conceptualization, formal analysis, methodology, visualization, writing original draft, and writing the final version to include review comments and editing). Other roles seem to be supportive of the authorship role (data curation, funding acquisition, investigation, project administration, resources, software, supervision, validation) and might be more appropriately named as contributor roles. According to the implementation guidelines for CRediT, "The roles are not intended to define what constitutes authorship, but instead to capture all the work that allows scholarly publication to be produced" (<https://casrai.org/credit/>). The realization that



authorship is but one part of the research endeavor is important. Usually, credit for promotion and tenure or academic advancement is heavily weighted towards first author status, a benchmark that may be unrealistic today. Unrealistic and outdated requirements for the rewards of authorship fosters fierce competition for placement in the author list.

## Cross-References

- [Correcting the Published Literature](#)
- [Duplicate Publication and Salami Slicing](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)

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## Cross-Cultural Aspects of Leadership

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## Synonyms

Cross-culture; Ethical leadership; Perceptions; Postgraduate

## Introduction

Cross-cultural differences in ethical leadership are evident worldwide despite the effect of globalization in converging values, business systems, organizations, and management processes (Cozma 2011).

Adam Smith (1976) was an early identifier of the importance of “custom” (culture) on perceptions of moral approbation (approval) and disapprobation (disapproval), in history and through cross-cultural differences. Smith (1976) noted in his seminal work “The theory of moral sentiments,” a distinction between: “moral consensus of absolutes” (natural or widely-held/common cross-cultural notions of right and wrong) and moral “custom” (bespoke, cross-cultural differences) perceptions of moral approbation and disapprobation.

Much more recently, an empirical qualitative study (Coldwell 2017) comparing perceptions of German and South African postgraduate students, regarding what constitutes ethical leadership, found nuanced differences in cross-cultural ethical perceptions, despite an underlying dimension of commonality that corroborated Adam Smith’s original distinction of “moral sentiment” into absolute and customary effects. The findings of Coldwell’s (2017) study suggest that cross-cultural differences are important in effective ethical leadership and need to be taken into account in promoting ethical management styles suited to specific cross-cultural contexts.

This chapter takes the following structure. First, a brief definition of ethical leadership is given which is followed by a description of the conceptual distinction between “*micro* and *macromorality*,” which is of core importance in understanding basic cross-cultural commonalities and underlying nuanced ethical leadership perceptual differences. Next, the findings of Coldwell’s (2017) study are briefly examined and discussed which is followed by the conclusion.

## Definition of Ethical Leadership

Swaner (2005) suggests that there are four main ingredients to ethical leadership. First *moral*



*sensitivity*: the ability to perceive ethical dilemmas through personal empathy. Second *moral judgment*: the facility to reason morally and decide on what ought to be done in specific ethical dilemmas. Third *moral motivation*: a personal commitment to moral action, and fourth *moral character*: courageous persistence to be ethical in a given situation.

Ciulla (2014) points out that the Greek idea of virtue in leadership discussed by Aristotle (1984) combines both *technical ability* and *goodness*. For example, a knife's function is to cut material, and in Aristotle's view (Aristotle 1984), a good knife cuts both effectively, well and without causing injury to the knife-holder. Thus, to be a virtuous (i.e., "morally excellent"; Merriam-Webster 2017) leader, it is necessary to be both technically competent *and* ethical/good. Also, for Aristotle, leadership and ethics cannot be considered separately: to be a good leader one must be effective and to be an effective leader one must be good.

### Macro- and Micromorality

Rest et al. (1999) distinguish between "micromorality" and "macromorality." Macromorality refers to the formal structure of morality in society in terms of its institutions, role structures, and laws. Micromorality focuses on specific, face-to-face interpersonal encounters and their perceptions of ethical and unethical behavior. Macromorality affects persons through rule systems and the law, whereas micromorality relates to persons through personal relationships and includes their perceptions of what constitutes ethical and unethical behavior, i.e., is this person trustworthy? Is this an ethical relationship? Micromorality is more influenced by cultural ethical *perceptions* which form the essential core of nuanced differences in cross-cultural perceptions of ethical leadership. Both macro- and micromorality are focused on the ethical quality of interpersonal relationships and social cooperation.

### Cross-Cultural Difference in Perceptions of Ethical Leadership: Findings of a Qualitative Empirical Study

Coldwell (2017) used a cross-cultural sample consisting of purposively selected postgraduate students that comprised a group of probable future business leaders. The sample consisted of 21 graduate Management and Human Resources Management students (10, 47% German and 11, 53% South African); the majority (95%) aged between 21 and 26 years old, who were participating in an annual International Summer School.

The measuring instrument consisted of student evaluations of the ethicality of two contrasting scenarios:

- *Scenario A*: A subordinate mentions feelings of tingling and numbness in the hand. The leader is aware that such symptoms can indicate a serious underlying medical condition that requires early intervention. The leader tells the subordinate of the potential seriousness of the symptoms and advises him/her to consult a doctor without delay. The subordinate asks for time off work to consult a doctor and the leader grants this, despite an important meeting at which the subordinate is expected to be present.
- *Scenario B*: The leader is confronted with the same medical problem and despite being aware of the gravity of the possible consequences of leaving it unattended, does not suggest the subordinate consults a doctor immediately. When the subordinate asks for time off to seek medical help, the leader reminds the subordinate of the important meeting where the subordinate is expected to be present.

A semistructured questionnaire was used which required respondents to indicate on a 9-point semantic differential scale ranging from "highly ethical" to "highly unethical," their ethicality evaluations of Scenario A and Scenario B. Also, qualitative data were obtained by eliciting comments explaining the reasons for Scenario A–B choices and justifying these choices by

their comparisons of the ethicality of the leader's behavior in the two scenarios.

Very briefly, Coldwell in summarizing the study states (Coldwell 2017: 211): "the findings of the study suggest the influence of cultural values on German and South African graduate Management students' evaluations of the ethicality of specific leadership behavior. The findings show that while both German and South African groups of graduate students regarded Scenario A's description of specific leadership behavior as more ethical than Scenario B, there were distinct nuanced differences between the two groups of students regarding their emphasis and evaluation of the ethicality of the leadership behavior described in the two scenarios.... These differences suggest the influence of cultural values. South African students appear to regard Scenario B leadership behavior as more unethical than German students do, and to emphasize the *absence of community awareness and the belongingness* of the subordinate in the leader's behavior. South African students regard the leader's apparent lack of concern for his *hierarchically vested responsibility* towards subordinate needs, as especially reprehensible. On other hand, German students seem to lay a greater stress on the *individual autonomy and responsibility* of the individual employee to attend to his/her own health needs."

The findings appear to suggest that while there was a general, *macromoral* commonality in cross-cultural perceptions of ethical leadership among postgraduates, there were significant *micromoral* differences in the underlying emphasis of leadership ethicality that could be attributed to culturally specific factors of "custom."

## Conclusion

Smith's (1976) contention that there is a central core of "absolutes" in what constitutes ethical behavior cross-culturally and of the influence of custom on underlying differences was broadly speaking corroborated by Coldwell's (2017) empirical study. Findings of the study revealed a

central core cross-cultural consensus of what constitutes ethical leadership behavior but one that showed nuanced but important differences stemming from custom.

Despite the pervasive and on-going effects of globalization, business leaders with different cultural backgrounds need to embrace ethical styles appropriate and relevant to the cultural context in which they operate. Global ethical "gate-keepers" need an awareness and sensitivity towards this fact.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Adam Smith's \*Theory of Moral Sentiments\*](#)
- [Ethical Leadership](#)
- [\(Managing\) Diversity](#)
- [Values-Based Management Theory](#)

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## Cybersecurity: Critical Consideration for Boards of Growth Firms

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### Introduction

In contemporary times, cybersecurity is a momentous issue. Rapid and expansive digitalization in the era of the 4.0 Economy is characterized by interconnected devices autonomously making “intelligent” decisions without requiring human intervention. While it has potentially improved decision-making processes, it has simultaneously introduced risk to businesses in the form of cybersecurity threat. These cyber breaches have a monumental impact on not just the top and bottom line of a company, but also its reputation in the market (affecting its share value), litigation management, as well as customer loss, among other major drawbacks. Thus, many boards are getting involved, even creating executive committees to address this challenge successfully. How do organizations manage such cyber vulnerabilities? Does the answer perhaps lie in cybersecurity governance?

This entry attempts to answer such questions through developing a clearer understanding of the various aspects involved. It begins with examining the characteristics of growth firms and highlighting their reliance on stewardship of the governing boards. Next, the increasing prevalence of digitalization through the 4.0 economy is further understood to explore the subsequent concerns surrounding cybersecurity. Having thus set the background for cyber issues, the next subsection discusses the prominent issues concerning cybersecurity and an organization’s vulnerabilities it exposes. The solution is then investigated through incorporating cybersecurity as a critical element of an organization’s corporate strategy in the next subsection, before concluding the entry with closing remarks.

### Growth Firms and Their Boards

Growth firms have been identified as those with either employment-based or productivity-based fast growth, most prominent with small firms in the first 5 years of their lives (Du and Bonner 2017). Such firms abound in all sectors of the economy, including manufacturing, business services, and other service sectors. The interesting point underscored by studies is that having high/fast growth firms in a particular sector or industry contributes to subsequent growth for that industry overall (Bos and Stam 2011). Thus, growth firms are not only beneficial for themselves turning into potential mega-firms of the future, providing employment, boosting the industry sector, they also lead to the development and growth of the economy.

This further highlights the behavior of growth firms, vis-à-vis their strategic plans for growth, their identification of their competitive advantage, propensity for risky R&D, and innovation challenges. It has been seen that such firms often respond to economic crisis and competition through investments in product innovation and development into international markets. They have been seen to be more amenable to investments in the field of R&D and responding actively to innovation challenges. With time, as the firms grow older their strategic choices may align more with predictability and lower associated risks. Their strategic choices bear, in turn, largely on their governing boards and the way they envision the firms’ future.

Aiming to metamorphose into large conglomerates of the future, growth firms especially rely on their corporate boards to thrive. In such firms, the focus is to bring on board directors with ample expertise and access to other resources, which will reduce their environmental dependency and thereby, future uncertainty. Often, high-technology firms or other firms with large R&D focus tend to be often resource poor. To resolve this resource impoverishment, the firms specifically rely on the outside board member capital – which encompasses human, social, and financial capital (Clarysse et al. 2007) that would allow the young growth firm with the necessary

access to the resources and a potential source of competitive advantage.

In addition to providing access to resources, the stewardship role of governing directors is another prominent feature in governance of growth firms. Besides monitoring the management, providing support, and crafting and drafting the organizational strategy, the board's multi-pronged role as mentors/stewards is vital for growth firms, as opposed to their larger counterparts. Since such firms rely on technology as a corporate asset – including customer information, employee data, intellectual property, and other elements of their cyber identity – the company's development through technological survival becomes an indivisible element of a director's stewardship role.

Another characteristic feature of growth firms is their reliance on their founder for strategic direction that the firm adopts, as well as the possibility of CEO duality. Studies prove the frequent incidences of the firm founder being on the governing board as well a member of the top management team. This has further implications on the board dynamics at play when it comes to strategy making for the firm, including for agenda items such as technology resources and cybersecurity processes. Boards under a strong influence from the firm founder and working in a unified fashion would be far more likely to act fast and with more flexibility for situations arising out of the dynamic nature of issues, as is the case with cybersecurity concerns.

Thus, for identifying its competitive advantage, firms often look either inside the firm or outside the firm in the market. Technological uniqueness may provide the firm, the technology to act as a potential source of competitive advantage to the young entrepreneurial firm. Thus, for a growth firm, the dynamics of the board, and the firm's reliance on technology as a value-creating asset, weigh heavily on its decision to identify its competitive advantage with respect to its future vision for growth. However, the contemporary dynamic of an increasingly digitalized world adds another layer of complication for the growth firms, which is discussed in the following section.

## 4.0 Economy of Today

Historically, the above two factors of an organization's board dynamics and its dependence on technology may have been sufficient to influence its vision and strategy for technology. However, in today's scenario, the world of technology itself is far advanced than it has ever been, and it may be expected to evolve consistently. The impact of interconnected devices, autonomously making decisions, not held back by the need for human intervention, are the standards of technology in today's era.

This 4.0 economy has been characterized by jargons of the digitalized world of today – Artificial Intelligence (AI), Cloud Computing (CC), Machine Learning (ML), Internet of Things (IoT). Even for an ordinary firm outside the scope of automated manufacturing or high-technology industry, the above technologies signify a digitalized world characterized by automation, connectivity, and intelligence (Piccarozzi et al. 2018). In such a context, whether an organization functions in the technology industry or not, their reliance on technology is higher than ever before. Thus, safeguarding an organization's complicated cyber-realm is critical in today's 4.0 economy.

Unlike firms of yesteryears, which ordinarily relied on hiring an individual/team to fulfill the technology requirements of the entire firm, today's firms are characterized by more top-centric strategic focus on technology. Increasingly, technology as an element of strategy dynamic is in the purview of the governing boards, instead of centered in their technology department or on the technology member of their executive team. Preempting technological concerns and preparing for them with adequate investment, expertise, experience, and insurance is a priority for organizations and their apex bodies. The focus, thus, on these apex bodies/governing boards is to incorporate technology as a focal point of their strategy.

This is not to exempt the need for the organization to recognize cyber concerns as an enterprise-wide risk. However, the perspective has evolved to appreciate involvement of the top

of the strategic pyramid – the governing boards – while ensuring the rest of the firm’s participation in cyber-vigilance. Since many cyber campaigns target an organization through its most vulnerable touchpoints (which are often its employees), the onus is on the entire firm to be vigilant against cyber vulnerabilities. But what are some of these cyber vulnerabilities and how are they significant issues for growth firms? This is explored in the next section.

## Contemporary Issues with Cybersecurity

### Cybersecurity As Vulnerability

Cybersecurity as a construct has been relevant since the past few decades, when early mentions of “*cyberwar*” (Arquilla and Ronfeldt 1997) were enough to provoke a global fear among the academic and intellectual community. However, in the current millennium it has moved from a fictional to a credible threat status. Organizations are exposed to cyber vulnerabilities, from malicious campaigns by both state and private actors. Hackers, hacktivists, organized criminals, and states are responsible for cyberattacks, which have had and continue to have calamitous impact on their victims.

Reputational, financial, and legal costs worth billions, and sometimes enough to demolish a firm, have made the cyber realm a potentially dangerous and vulnerable world. Furthermore, being virtually impossible to protect through usual borders/boundaries, the challenge to protect and safeguard assets is further complicated and magnified. While large organizations with potential of large losses most often cannot avoid unfavorable attention when such events occur, this does not mean that smaller sized firms escape such attacks. Traditionally, security threats were less vicious, which could have been natural disasters, theft of hardware/software, unauthorized access, or human error (Loch et al. 1992). However, in modern times these have become more hostile and targeted, as hacking and cyber terrorism continue to rise.

One way to approach cyberspace attacks could be to first identify the potential point of entry of

the threats themselves. Access points to the organization are often the vulnerabilities targeted by cyber criminals. These could be through proximity (through a victim’s network), through an insider (unwitting players fooled into sharing access), supply chain (through software/hardware doors), remote (hacking), or even denial or access (flooding the victim’s server incapacitating it). Thus, the burden of maintaining cyber integrity lies not only on the shoulders of the governing board, but the entire machinery of employees and other stakeholders.

### Concerns Arising Out of Cybersecurity Vulnerability

Increasing practitioner reports, academic studies, and policymakers’ surveys outline the status of cybersecurity as a focal point in contemporary times. The National Cyber Security Centre, as a unit of the Government Communication Headquarters, is the UK government’s initiative toward ensuring a safe and strong cyber realm for individuals and organizations alike. Keeping a close eye on the developments in the field, it has recently reported an alarming increase in the incidences of cyberattacks on organizations (46%). Of these, the majority were from phishing campaigns (86%) in recent times. Subsequently, an increasing number of governing boards (80%) of organizations are realizing the need to turn the strategic board spotlight on cybersecurity.

Within the UK alone, an average FTSE 100 firm is expected to have a permanent decline in its share value of about 1.8%, which in financial terms may be translated to about 20 million GBP (CGI-Oxford study 2017). Figures such as these highlight the severe impact of cybersecurity lapses and incidents on organizations today. Whether the firm operates in the field of technology or not, its reliance on technology for its operational functionality or as a repository of useful company information, renders it susceptible to menacing cyberattacks aftermath. Given that such attacks may very well originate at the hands of an over-eager individual, or an organization, or even an enemy state, magnifies the risks that organizations must come to terms with.

Hackers (individuals with potential for cyber-attack) are frequently in the news for having gained illegal access to and with potential toward wreaking havoc. An American teenager recently hacking the social media accounts of Joe Biden and Bill Gates is a case in point. Similarly, there are increasing incidences of states (intelligence agencies sponsored by the government) accused of sinister attacks on organizations. The recent attack on SolarWinds software in the USA in December 2020, likely perpetrated by over 1000 engineers in Russia, may be considered the largest and most sophisticated attack ever seen. Besides these, there are also the potential dangers from hacktivists (collective groups trying to influence decision-making) and organized criminals (extortionists on the internet), who pose extreme and unparalleled risks for organizations to shield themselves from.

The state governments and policy makers are aware more than ever, of the growing need for cybersecurity awareness, and the need to have policies and bodies in place, which ensure prevention and addressal of cybersecurity concerns. In the USA, Security and Exchange Commission (SEC) and the IT Governance Institute have been placed to supervise transactions in the cyberspace. European Union's General Data Protection Regulation (GDPR) (implemented from 25 May 2018) mandates that companies conduct privacy risk-impact assessments to analyze the risk of data breaches. Closer home, in the UK, the Ministry of Defence has several bodies assigned to this task, like the National Cyber Security Centre mentioned earlier.

The attacks/breaches can last anywhere between nanoseconds and years, but losses are considered in four primary categories – confidentiality, integrity, availability, and indirect loss (Finnemore and Hollis 2016). Subjectively viewing the corresponding costs of these losses, the firms need to build capabilities to develop sustainable defenses, rather than merely purchase or employ them. When the defenses are of a self-sustaining nature, there is hope for them being adequate when the need arises. Thus, governing boards of growth firms must equip themselves through cyber preparedness to achieve any

tangible safeguards toward cyber vulnerabilities. Delving further into the strategic aspect of cybersecurity is the next section, where incorporating it as a critical element of strategy offers security to a growth firm.

## **Cybersecurity As a Critical Element of Strategy**

Corporate oversight allows boards to preempt the risk associated with cybersecurity and strategize accordingly. For growth firms, this oversight function needs to be more nuanced through a board's stewardship role, outlining a customized evolved process which evaluates and addresses cybersecurity risks and offers solutions effectively. In the absence of absolute certainty (which may never be a feasible reality in this field) and perfect solutions, the above may be the most practically reliable solution available to corporations. This could even be replicated by other policy makers even at a state level.

The governing board along with its executive team has to determine if the competitive advantages are being created from these opportunities, while simultaneously dealing with the risks (Grove and Clouse 2017). Since business technologies are integral to how businesses operate, boards need to acknowledge the need to prepare for IT as a resource at the board-level, instead of delegating it. As discussed above, firms need to invest in their information or business technologies based on their perception of risks and the value that the technology adds to the firm's business.

Furthermore, in the digitalized world of today, there is an increasing need for organizations to work together with policy makers, in strengthening their cyber realm. While government and state authorities create policy and take action, organizations ought to incorporate cybersecurity as part of their strategic component (Cunningham and Head 2019). Just as workplace safety and security measures are part of the business culture, so do efficient cybersecurity practices need to be ingrained in the normal course of business. For organizations, a successful response to cyber



vulnerabilities could certainly be an investment worth making for all the reputational, legal, and financial costs it would save.

## Conclusion

Governance of cybersecurity does not merely apply to the administration of threats, rather it extends to ensuring a framework in place under which all future potential threats could be readily addressed, with a top-down approach. The board's role as a steward thus encompasses this critical aspect of incorporating cybersecurity governance as part of their strategic mindset. For any ordinary firm, these choices will most likely shape the probability of their surviving in the future, while for a growth firm these determine their ability to establish their market dominance thus securing their future.

The first step, then, is for the board to turn the spotlight on cybersecurity as a strategic agenda item. Evaluating and improving organizational resilience to cyber campaigns is going to be the task of governing boards, as they craft corporate strategy. Having strategically prepared for cyber-related eventualities, organizations then need to ensure that measures are adopted by the entire organization and all the stakeholders involved. For growth firms to be able to continue growing and become the potential *unicorns* of tomorrow, cybersecurity as a critical element of strategy is vital.

## Cross-References

► [Ethical Hacking: Is it Ethical?](#)

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# D

## Data Ownership and Data Sharing Practices

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### Synonyms

Data policies; Data stewardship; Integrated science; Intellectual property; Nanopublications; Open data; Open science

### Definition

Research-generated data are generally regarded as intellectual property and entitled to legal protection or copyright; however, ownership of those rights may be governed by institutional policies. Implicit in the idea of ownership of data is the concept of stewardship of data, including access, creation, modification, sale, storage, and the ability to assign or license any of these privileges to others. Open data and open science promote sharing research data gathered by scientists to verify scientific findings, reduce the financial burden of conducting research, and improve the reproducibility of scientific studies (Editorial 2018). It is also widely held that open data decrease the cost of research by fostering multiple projects from one data source, although there are costs

associated with transforming and maintaining data in a repository where others can have access. In contrast, funding agencies that review, approve, and fund competing research grants can claim ownership of the data generated by a researcher; this is especially common in pharmaceutical or device companies that fund a researcher in an institution. The USA and other governments and philanthropic organizations that fund researchers for scientific projects usually award the grants to an institution and not an individual, thus making the institution the owner of the data and further complicating the issues. Data ownership policies and guarantees of data integrity are necessary for proper allocation of rights and privileges and for data sharing to be of any benefit. The FAIR Data Principles (Wilkinson et al. 2016) are a guide to maximizing the value of shared data by making it *F*indable, *A*ccessible, *I*nteroperable, and *R*eusable.

### What Are the Issues?

The mission of the Center for Open Science is to “increase openness, integrity, and reproducibility of research” (<https://cos.io/about/mission/>), a part of which includes data sharing. Data ownership and data sharing policies vary widely among scientific disciplines. Transparency in research and its dissemination supports accuracy and reproducibility in science with the TOP Guidelines, which have been implemented by more than 1000

journals and other organizations (<https://cos.io/our-services/top-guidelines/>). The Transparency and Openness Promotion (TOP) Guidelines promote best practices in managing the essential elements of transparency in research outputs to enhance reproducibility of scientific research (Nosek et al. 2015). Essential to this openness is sharing of databases among interested readers and researchers. A topical list of publicly available databases is maintained by GitHub (<https://github.com/awesomedata/awesome-public-data-sets>), and, although not all the databases on GitHub are free, information on access, rights, terms of use, and costs are included. GitHub also hosts directories of metadata, i.e., the underlying description, context, and standards for research data in various disciplines; metadata make deposited research data more identifiable and useful. There are many other open data repositories such as Figshare (<https://figshare.com/about>) and Dryad (<http://www.datadryad.org/>) well known to researchers and academics; others are easily discovered by searching on the term data repositories. Some journals have data deposition and sharing policies, including policies of peer review of the data in conjunction with manuscript review. Some researchers share their own data directly with other researchers. Large research institutions and some specialty societies maintain data repositories for their faculty and members, respectively. Confidentiality is an issue with some sensitive data such as health information and other qualitative data where de-identification of participants is not possible. Concerns over theft of intellectual property also arise when data are shared; therefore, academic and other institutions may have policies prohibiting data sharing for patentable discoveries. Financial or business conflicts of interest, where real or perceived, can also result in policies prohibiting data sharing.

*Issues in publication ethics.* Questions about published research come from peer reviewers, editors, readers, granting agencies, other authors, journalists, and regulators. An accurate response to some of those questions might require a review of the materials, code, and data underlying the publication. Data sharing is fundamental to allowing external review of a

research project as well as replication of the results. Recent attempts to replicate findings from social science research indicate that only half of previously published, classic studies can be replicated based on the described materials and methods. Some scientists have called this a “crisis,” while others see more positive effects such as increasing requirements for preregistration of protocols and data sharing (Open Science Framework: <https://osf.io/8cd4r/>). The TOP Guidelines address standards for data citation; data, materials, and code transparency; design and analysis; preregistration of studies; and replication. At the most stringent level, journals would require verification of all standards by data reviewers prior to acceptance and publication of an article. At a minimum level, journals state their requirements, and authors are expected to comply by disclosing the appropriate information. Journals claiming peer review of data should clarify the level of peer review the data receive. When data are published as a part of supplementary material to a peer reviewed article, that does not always mean that the data have been reviewed, verified, or validated. Peer review of data might mean simply that the data are appropriately formatted for reuse by others.

*Challenging issues.* Data integrity is essential for meaningful sharing of data. Ownership of the data implies an ethical duty to safeguard the data from corruption by proper storage and maintenance and guard the data from improper use. Some large data repositories include financial and sensitive health information in available data sets; data sets can be purchased and used for health research or to target potential consumers with directed advertising. Accordingly, data repositories must allow and require complete de-identification of individuals in clinical data sets (Figueiredo 2017) to be considered an ethical option. Assurances of data integrity are essential whether the data are used for critical public health research or marketing of new movies. Maintaining and sharing data can be costly and complicated for authors as evidenced by the data availability policies at PLOS One (<https://journals.plos.org/plosone/s/data-availability>) and Springer Nature (<https://www.springernature.com/gp/authors/research-data-policy/faqs/12327154>)

publishing groups. When the move toward open science and open data began, publishers did not have infrastructure at the journal level to support data curation, which they addressed by seeking collaborative relationships with new and existing data repositories. Costs of depositing data include organizing and curating data sets, assigning persistent identifier (PID) numbers or digital object identifiers (DOI), which might be required for the publication of the associated research paper, and adding metadata to the dataset to increase discoverability. Other requirements with potential charges include access to the deposited data by readers and other researchers. Most or all these costs are borne by authors and researchers themselves.

*Issues in academia.* Another benefit of data publication in addition to the sharing of the data for reuse by other scientists is recognition of all the contributions involved in the conduct of research. Describing those contributions was the aim of the CRediT initiative. The Contributor Roles Taxonomy (CRediT) is used by publishers, institutions, and funders to better “represent the range of contributions that researchers make to published output” (<https://casrai.org/credit/>). For universities adopting the taxonomy, policies at the institutional level would recognize and reward activities such as data curation, formal analysis of study data, development of software code to run analyses, management and provision of materials and resources such as laboratory samples, and validation of results as significant contributions to successful publications. Currently the standard for promotion and tenure in academia is authorship with little recognition for other essential roles in the production of scholarly publications. Academic libraries are becoming repositories for nanopublications (<http://nanopub.org/wordpress/>) and essential to the dissemination of uniquely identified and attributed research data, which further contributes to recognition of researcher roles and outputs. Authorship of a nanopublication, such as a research dataset, is another step toward academic recognition and reward for those researchers who are not actual authors of a journal article. For funders, the taxonomy provides some standardization in

describing the roles referenced in grant submissions and enables better tracking of funded contributions.

## Cross-References

- ▶ [Anonymity, Confidentiality and De-identified Data](#)
- ▶ [Conflict of Interest in Research](#)
- ▶ [Maintaining Data Integrity](#)
- ▶ [Publication Ethics](#)
- ▶ [Research Integrity and Research Misconduct](#)

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## Deception and Research

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## Synonyms

Disguised purpose and research; Ethically regulated deception and research

## Introduction

Deception is used as a methodological instrument for various purposes. For example, in

experimental research, if participants were fully informed about the aim of the study their behavior could be altered and unspontaneous. Similarly, in ethnographic research, sometimes full disclosure of the researcher's identity and goals is not feasible, because the behavior of research participants can be disturbed if they are aware that they are being observed. Formal norms and institutions that regulate the use of deception in research are inspired by ethical concern for the health and well-being of research participants and developed primarily with a focus on biomedical research. While various forms of deception are commonly used in behavioral research, the ethics codes of most professional associations explicitly regulate use of deception. As a result, the use and status of deception varies considerably across scientific disciplines.

### What Is Deception?

There is no consensus about what constitutes deception in empirical research. However, a minimal definition of deception can be based on commonalities across different fields. These definitions converge on considering deception as the *explicit* and *intentional* provision of false or misleading information about facts or people involved in a study. Deception of research participants can thus occur mainly in two ways: actively lying, or concealing essential information through omission or partial disclosure. The extent of lying can vary greatly in intensity, and lying is common especially in experimental research, though not restricted to it. In nonexperimental research, researchers sometimes lie about their own identity, for example, in studies employing covert participant observation. At one extreme, lying about the true purpose of an experimental study is a mild form of deception that is very common. At the opposite extreme, sometimes research participants have been placed in situations in which almost nothing is what it is purported to be. Milgram's controversial experiments on obedience to authority provide a notorious example. In these studies, participants were told they were taking part in a study on the effects of

physical punishment on learning and they were lead to administer electric shocks to other persons, when they failed the learning tests. In reality, the electric shocks were simulated and the person apparently receiving the shocks was an accomplice of the experimenter, instructed to act as if he was enduring severe pain. In between these extremes, in many experiments involving interactions, participants engage with research confederates, or with a computer program simulating the behavior of the other person, while they are told the other person is a real participant like themselves. Asch's conformity studies provide a classical example of this form of deception. In these studies, Asch employed several confederates at once, instructed to give the same wrong answer to a very simple visual test, in order to create a normative pressure towards conformity. Nowadays, extreme forms of deception, such as Milgram's, are no longer permitted. However, using confederates or simulated partners is still very common. For example, in social psychological studies on cooperation within groups, the interactions are usually computer mediated and research participants are often told they are interacting with real partners, while in fact all other group members are simulated. This form of deception is used to enhance control and experimental validity by ensuring that the experimental stimulus is truly identical for all participants in the same experimental condition.

Partial disclosure or concealment is a subtler form of deception tolerated in most areas of behavioral research, with some caveats or limitations. In experimental research, concealing the true purpose of a study is customary. However, it is hard to draw a line separating relatively innocuous and legitimate economy with the truth from provision of incomplete information leading participants to form false beliefs about the nature of the situations in which they are involved. In other areas of research, concealment may concern the way researchers obtain and store the data. For example, an interviewer could use audio- or video-recording equipment, without informing research participants. Each form of deception raises various ethical concerns, and the ways in

which they are addressed differs between disciplines and countries.

While mild forms of concealment are used in various research areas, explicit deception is typically associated with experimental social psychology. The experimental method became paramount in psychology in the first 30 years of the twentieth century, contributing to the establishment of psychology as a science. Subsequently, social psychologists began to use deception to exert control over the experimental stimulus, which in their field typically consisted of other people's behavior. Historically, deception was very uncommon before 1930 and limited to less than 10% of the articles published by the major social psychology journals between 1930 and 1945. However, the 1950s and 1960s witnessed a sharp increase in the frequency of deception, eventually leveling off in the 1970s, when about 50% of the articles published by the most prominent journal in the field – the *Journal of Personality and Social Psychology* – used deception (Korn 1997). The rapid increase in the frequency of deception starting in the 1950s was accompanied by a change in the quality of the deception used in psychological research. Due to the influential work of Kurt Lewin and Leon Festinger, experiments became increasingly complex and typically made use of elaborate deceptions involving confederates, complicated scripts, and cover stories.

## Regulation of Deception

In the USA, the institutionalization of ethics rules concerning research involving human subjects was accelerated by a few infamous cases of severe ethical misconduct in biomedical research that became public in the early 1970s. In the same period, the publication of Milgram's studies on obedience to authority opened the debate about the protection of research participants in experimental social psychology. In 1981, the United States Department of Health and Human Services issued a set of rules for conducting research involving human subjects – known as the “common rule,” drafted primarily for human experimentation in biomedical research. Strict

interpretation of the principles regulating informed consent would make the use of deception impossible in experimental research; however, the National Science Foundation provided guidelines that allow Institutional Review Boards some flexibility, especially with respect to informed consent in behavioral research involving deception. In other countries, national codes of ethical conduct in human research explicitly regulate exceptions to the requirement of informed consent for those studies that would be impossible to conduct without partial disclosure or explicit deception. For example, the Canadian Tri-Council Policy Statement permits alterations of the consent requirements if (1) the study involves no more than minimal risk for the participants, (2) the proposed research cannot be conducted if informed consent is required, and (3) at the end of the experiment participants are allowed to withdraw their data, if they wish to do so. Similar clauses regulate exceptions to the consent requirements in the Australian National Statement on Ethical Conduct in Human Research. Furthermore, The Australian National Statement requires that the potential benefits of the proposed research involving partial disclosure or deception arguably outweigh the risk to the community's trust in research and researchers.

In addition to the national codes of conduct, several professional associations have published ethics codes that provide rules for use of deception. For example, the Code of Ethics of the American Sociological Association (s 12.05) and the Code of Conduct of the American Psychological Association (s 8.07) both allow deception when it is (1) justified by the prospective scientific, educational, or applied value and when alternative procedure to conduct the same study without using deception are not available and (2) reasonably expected that it will not cause physical harm or severe emotional distress to the research participants. In each case, when deception is used, researchers must inform their subjects as early as possible of all features concerning the study in which they participated. In addition, psychologists developed a specific procedure, debriefing (see APA 8.08), to ensure participants are adequately informed about the study and



offered the possibility to withdraw their data. The sociologists' code also specifies that researchers may need to conceal their identity under specific circumstances, provided the study does not involve any risk for the participants. Finally, both codes stipulate that use of any deception is subject to ethics approval by an Institutional Review Board.

## Research on Consequences of Deception

Since the early days of experimental economics, economists have argued against the use of deception on two grounds. First, when a participant is deceived in one study (and knows that deception has occurred), the participant could lose trust in experimenters and experiments. As a result, the participant's behavior would be biased in subsequent experiments. Second, as it becomes common knowledge that scholars of other disciplines (e.g., social psychologists and experimental sociologists) deceive their participants – for example, because introductory textbooks or university lectures describe experiments that use deception – even participants who have never been deceived by researchers will tend to suspect deception. Thus, their behavior could be altered as a result (Hertwig and Ortmann 2001). The major journals that publish experimental research in economics do not accept the legitimacy of deception. However, partial disclosure is permitted, as long as the information concealed to participants does not lead them to form false beliefs about the situation in which the interaction that is being studied takes place. By contrast, experimental researchers from disciplines like social psychology that regularly employ deception in experiments have argued that the use of deception is crucial to ensure control of the variables that are manipulated in the experiment and eliminate possible confounds (Cook and Yamagishi 2008).

Empirical studies of deception have addressed two basic issues: whether deceived participants are subsequently more likely to harbor negative feelings or attitudes toward experimental research, and whether suspicion resulting from the actual experience of deception or from

warnings that deception may be used affects the behaviors of participants during the course of a single experiment. Possible effects on the participants' feelings seem to depend on the nature and the severity of the deception employed. However, when negative feelings are reported, they generally do not alter the participants' behavior nor their trust in scientific research. Behavioral effects of suspicion have been found in research on conformity. For example, subjects who suspect that the other participants are confederates instructed to behave in a certain way are less likely to bend to social pressure. However, suspicion tends to produce a conservative bias in the results, i.e., increase the probability that the research hypothesis is rejected. When suspicion is deliberately stimulated – for example, informing participants, before the experiment, that some form of deception will be, or could be used – the behavioral effects of suspicion increase when the information on deception is more concrete and salient. Few studies have investigated the effects of experiencing deception in one study on the behavior of subjects in subsequent experiments. Firsthand experience of deception has been found to affect the participants' beliefs about the frequency of deception, but there is no evidence that experiencing deception systematically alters the behavior of participants. However, evidence about the impact of deception on suspicion and experimental results is inconclusive and may depend on a number of factors, including the severity of deception and which dependent variables are employed.

## Cross-References

- [Autonomy and Informed Consent](#)
- [Covert Research](#)
- [Research Integrity and Research Misconduct](#)

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## Democracy and Governance: Toward a New Ethics of Decision-Making

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### Synonyms

Horizontal decision-making; Partnership

### Definition

Governance is the subject of a wide-ranging academic literature – eliciting contributions from both social scientists and public servants over the last 30 years – yet its precise meaning remains elusive. The difficulty in establishing governance’s main tenets and conceptual parameters is due in part to the number of qualifiers that the term has accrued over the years: in addition to studies on governance writ large, one can also branch off into the examination of network governance, e-governance, corporate governance, global governance, and multilevel governance, to name but a few of the governance subfields. To these one can also add the studies of administrative science, the New Public Administration, the New Public Management, and “Reinventing Government” all of which examine governance through the lens of the modern bureaucracy. As a result of its numerous qualifiers and its wide range of associated subfields, defining the term

“governance” has proven to be a difficult and sometimes quite frustrating endeavor. This frustration has led one social scientist to title his review of an edited volume on governance, “Debating Governance: Whatever that Means” (Prätorius 2003).

Despite the ongoing search for governance’s precise meaning, studies of governance tend to center on three main research questions: Who makes authoritative decisions? How are authoritative decisions implemented? How should authoritative decisions be made? The answer to these questions is some form or another of “governance” which is also sometimes advanced (Rhodes 1997; Heinrich et al. 2010) as an alternative to “government,” a term that is used to describe an autocratic form of decision-making that is sluggish and highly bureaucratized. In light of these shared avenues of inquiry, governance can therefore generally be described as both an analytical tool used to identify the locus of power in modern democracies and a prescription for a new and more ethical form of democratic decision-making.

### Who Makes Authoritative Decisions?

In the age of cultural, technological, and economic globalization, a number of actors have emerged to challenge the state’s role as the sole sovereign decision-maker and as the only provider of public goods within a given territory. The study of governance has seized upon this development and, in so doing, has set out to determine whether the state remains the repository of legitimate authority and whether or not it can continue to “govern.”

There are three main groups of challengers to the state’s hegemony: 1. judicial, legal, and technical experts; (2) private enterprise, transnational economic actors, and global market forces; and (3) social movements and other forms of popular mobilization (Skogstad 2003). Each of these three groups represents a potentially anti-democratic source of authority in that they comprise non-elected decision-makers who are not directly beholden to the state’s citizenry. By

contrast, elected representatives are a legitimate source of “state-centered political authority” (ibid; 964) having been vested with the authority by the citizenry at election time to form a government and to deploy the state’s authority and resources.

“Network” governance has been advanced (see Rocher 2011) as one possible way of ensuring the continued relevance of the state and of democratic decision-making in the age of globalization. Here, governance is understood to be a partnership between voters, civil society, experts, and appointed and elected representatives that entails both collaborative and deliberative decision-making. A shift toward this form of partnership would replace a top-down model of “government” with a horizontal form of decision-making, with the state serving as a nexus between partners.

### **How Are Authoritative Decisions Made?**

One of the more hotly debated issues in writing on governance concerns the public administration, the set of institutions directly responsible for implementing authoritative decisions. There are three schools of thought on these matters: the New Public Administration, the New Public Management/Reinventing Government, and the New Public Service. The New Public Administration emerged as a field of scholarship in the 1960s within the context of great social and political upheaval. Its main advocates were social scientists who sought to clarify the methodology of administrative science in order to enhance the bureaucracy’s responsiveness to new societal demands and to ensure a more robust connection between citizens and governmental organizations. This vision of the public administration was one that did not disassociate bureaucrats from the dynamics of social and political life.

Roughly 30 years later, a New Public Management school of thought came to challenge the New Public Administration’s conception of the ethical standards of the public administration. By contrast to the New Public Administration, the principal innovators of the New Public Management were not academics; they were administrators, corporate and public managers,

and public commentators. Their main objective was to make the bureaucracy more efficient through the use and implementation of management strategies drawn from the private sector. According to this new philosophy, citizens were now to be seen as customers, increasing customer choice in public services and enhancing efficiency were to be the new mottos of the public administration, and authority was to be decentralized and responsive to customer demands. The Reinventing Government model of public governance also sought to enhance competition between different branches of the public administration to make public management smarter and leaner and to improve the provision of public goods and service delivery (Osborne and Hutchinson 2004).

One of the more recent trends in the governance literature calls for a return to some of the older values of the public administration. This trend, called the New Public Service, differentiates itself from the New Public Management’s wholehearted embrace of private sector efficiency. This normative understanding of the roles and goals of the public administration gives primacy to public service as a value in and of itself and advocates greater collaboration between the public sector and citizens in the decision-making process; its primary objective is therefore to enhance the quality of governance in democratic societies.

### **How Should Authoritative Decisions Be Made?**

The study of governance also entails discussions addressing the manner in which appointed and elected representatives should be making decisions in modern democratic states. These discussions focus on the quality of governance or on good governance, as it is otherwise known, and their analytical scope extends beyond the functioning of the public administration.

There are three main measures of good governance, one of which is the impartiality of decision-making; this means that “when implementing laws and policies...officials shall

not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law" (Rothstein and Teorell 2008; 170). A second measure of good governance is transparency in decision-making. This measure of good governance is largely employed to assess developing democratic regimes; due to a recent spate of corporate scandals (i.e., Enron, WorldCom) which have cost thousands of jobs and led to billions of dollars in losses for investors and shareholders, transparency has also become a key measure for the quality of corporate decision-making (under the guise of corporate governance). The third major measure of good governance is accountability which is to say the "answerability" (Wong and Welch 2004; 275) of elected and appointed representatives for their actions and performance. This measure has become increasingly important in the age of globalization due to the multiplication of viable competitors for public authority.

To be clear, there are perspectives on good governance (e.g., Fukuyama 2013) that focus simply on the performance of bureaucracies and governments, regardless of whether they are democratic or not. Consequently, the discussion on good governance mirrors the discussion on the roles, goals, and values of the public administration; in both cases, there is a tension between the need to get things done *right away* and the need to make decisions the *right way*.

## Cross-References

- [Corporate Governance](#)
- [Corporate Governance and Values-Based Management](#)
- [Enron Scandal](#)
- [Understanding the Governance Structures that Underpin Responsible Investment Decision-Making](#)

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## Democratic Decision-Making in Dewey's Ethics

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## Synonyms

Deliberation; Deliberative democracy; Democracy; John Dewey; Moral imagination; Pluralism; Pragmatism; Pragmatist ethics; Public decision-making; Walter Lippman

## Introduction

John Dewey's (1859–1952) ethics challenges the destructiveness of those who act as though only their own concerns, habituated values, and received moral frameworks have overriding force when perceiving, diagnosing, and

ameliorating problems. Instead of developing a theory that predetermines which valuational standpoints and idealizations are worth taking up, Dewey's ethics calls for the arbitration of deeply democratic practices within and across individuals, political units, and institutions. Contemporary advocates for Dewey's broadly pragmatic and pluralistic approach argue that through it we may mature together toward a healthier, more just, more secure, more peaceful, and more sustainable future (e.g., Pappas 2019; Fesmire 2015; Johnson 2019).

### Dewey's Pragmatic Pluralism in Ethics

Professors of ethics try to help students face the shared problems that most concern us, chart a course to clarify and interpret what is going on from a wide social perspective, and critically inquire into these problems with fresh hypotheses. In these ways, professors hope their students will be enabled to take part in events instead of being swept away by them. In Dewey's view, this points to a pragmatic and pluralistic approach to making ethical decisions.

When making decisions, we are routinely pulled in multiple ways, none of which has overriding moral force. From a pragmatist perspective, the relative incommensurability of inherently discordant situational factors presents a *practical* problem for our moral lives (not primarily a theoretical one): if diverse factors are already in tension with each other, then unidimensional decision-making can lead to overly simplistic normative prescriptions that ignore or relegate factors that are objectively relevant to making intelligent choices. This is analogous to the logical fallacy of causal reductionism, assuming a single cause for a complex outcome and ignoring multiple conjoint variables.

A Dewey-inspired alternative is to challenge the assumption that we must suppress variability in valuing. Dewey criticizes the quest for a putatively more rational framework with which all ethical choices should conform. This is, he thinks, yet another iteration of the misguided quest for certainty. The still-prevailing tendency among

moral theorists is to infer, and perhaps impose, a standardized framework without consultation. Instead, moral theorists could highlight incongruous values and make emphatic cases regarding trade-offs. A vital role of ethical debate, on a pragmatic approach, is to clarify and advocate compensatory emphases that are most appropriate for a particular context. If that is all that is meant by "the right way to think about X," then such a pragmatic outlook can generate possibilities that are concealed by the insensitivity of overly formal approaches.

To the puzzlement of earnest utilitarian and Kantian ethicists who equate "doing ethics" with justifying crisp, principle-driven prescriptions about how we should act and assess, adaptive pragmatists like Dewey and Jane Addams (2002) take the good, right, and virtuous to be determined experimentally, contextually, and democratically. Pragmatists acknowledge that conformity with antecedently determined law, or ciphering aggregate well-being, may highlight relevant features of the situation when used as a tool for democratic "dramatic rehearsal," as Dewey framed his psychological description of the imaginative phase of moral deliberation in *Human Nature and Conduct* (1988; cf. Fesmire 2003). But they do not identify these methods as the mainstay of ethical decision-making.

For example, utilitarian welfarist number-crunching can tamp down on irrational prejudices, challenge our unreflective disregard for those with relevantly similar interests, devise risk-benefit models, inform technological algorithms, and thereby advance social and animal welfare. Such strategies should be evaluated like any other tool, by the work they do as helps in reliable decision-making. They are at least a counterweight to a do-nothing attitude about the welfare of others. What Dewey challenged was the aggregating moralist's quest for a predetermined metric whereby we judiciously weigh matters so that the balance automatically tips toward the optimal outcome supported by a universal welfarist principle – i.e., the most good we can do. The quest for a cover-all metric that is "right" once and for all is *not* essential to constructing quantitative welfare models and assessments. Dewey's advice is to

drain the theoretic bathwater while evaluating the functional-operational baby by its directive power.

Although utilitarian ethicists are distinctive for their aggregating emphasis, they are typical in their monistic assumption that there is a single right way to reason about morals. Mainstream monistic theorists, old and new, assert that their job is to show which antecedently defended, (relatively) static principles should govern choice. Once we get the theory worked out, then on this received view we can impersonally decide whose values measure up to its supreme metric. Start with getting the theory right, and the rest follows!

For both Addams and Dewey, in contrast, ethical and sociopolitical theorizing are not understood on analogy to logical or mathematical problems that have a correct formulation and computable solution. In tandem with twenty-first century discussions of wicked problems, design thinking, and systems thinking, decision-making in Dewey's ethics is a pluralistic experiment in "living together in ways in which the life of each of us is at once profitable in the deepest sense of the word, profitable to himself and helpful in the building up of the individuality of others" (1938/1988, 303).

The disanalogy between moral problems, on one hand, and logical or mathematical problems, on the other, spotlights what is perhaps the most distinctively "pragmatist" feature of Dewey's ethical outlook: his insistence that our choices and deeds are essential players in the moral situation. In contrast with British empiricism's influential notion of a receptive mind behind a veil of ideas, a lingering assumption within John Stuart Mill's associationist psychology which still pervades much utilitarian thought, Dewey argues that our encounters with the world are creative. Consequently, what is good or bad, right or wrong, virtuous or vicious cannot be completely ascertained prior to acting and reviewing.

Hypothetically, it may be that the simpler the problem, the more likely it is that reduction to a single ethical category will ameliorate the situation. It may equally be that the more complicated the problem, the more likely it is that

oversimplification will at least minimize the risk of moral paralysis or fatalistic resignation. These *pragmatic* hypotheses are *prima facie* plausible. Nevertheless, contemporary conflicts and disturbances are rarely so superficial that a theoretically correct rational analysis could, even in principle under ideal conditions, sweep the path clear toward what is "truly" good, right, just, or virtuous. Traditional monistic theories can serve the imagination that is required for wise moral deliberation (Dewey 1922/1983; cf. Johnson 2019). But whatever we see with their help is situated within what is inconspicuous. If we forget this, we pay for conceptual clarities by neglecting aspects of the troubled existential subject matter that occasioned our ethical inquiries in the first place.

## Democratic Intelligence

In the face of circumstances that overwhelm them, people tend to behave much like pinballs ricocheting around a machine. When we are reactively tossed around, we do not inquire and communicate, so we are unable to take part in democratically redirecting the course of events – unless democracy is reduced to the formal mechanics of "one person one vote," with duties exhausted at the polling booth. When we get caught up in a reactive cascade, we oversimplify situations, neglect context, take refuge in dogmatic absolutes, ignore possibilities for finding common ground, assume privileged access to the right way to proceed, and shut off inquiry. In this way, we make the worst of native impulses toward social bonding and antagonism. Debating and achieving controverted shared goals becomes impossible.

Detached calculations of optimal welfare by policy analysts may aid public deliberation, but Dewey argued that they should not simply be hung on a rack for the public to take down and wear without thought. Nor should expert analyses merely be translated into directives to those wielding executive power.

At the same time, Dewey rejected the populist alternative that we make choices based on how forcefully one group can drive home their point or



sell it in the marketplace of ideas. He rejected the false dilemma – stemming from a dualism going back at least to Plato – between aristocratic command-and-control decisions by society's enlightened few, taking one horn of the dilemma, and extreme populist mob rule, taking the other horn.

Dewey strove for a radically democratic ideal in his ethics and politics, but contrary to a common misperception of *The Public and Its Problems* (1927), he agreed with Walter Lippman's *The Phantom Public* (1925) that the “ideal of the sovereign and omniscient citizen” is unattainably romantic. Insofar as ideals are tools for reconstruction, this one is preposterously unhinged from experienced reality, akin in that respect to the temperance movement's ideal of prohibition. Dewey also agreed with Lippman that experts must communicate effectively by simplifying and interpreting complex events. What Dewey vehemently rejected was Lippman's anti-democratic coziness with paternalistic rule by technocratic elite experts who oversimplify problems so that citizens will accept the reality that is packaged for them and will not have to burden their provincial and parochial little heads. Prophesies of public stupidity are self-fulfilling.

In Lippman's view, there is no realistic hope that reorganizing education can put citizens in a position to steer the public ship. The ever-changing environment is just too vast and complicated, Lippman argues. Dewey agreed that the great question is how to bridge “the gap between the limited capacities of the citizen and the complexity of his environment” (Dewey 1927/1984, 216). Dewey's famous riposte to Lippman's pessimism about bridging this gap was to advocate a creative and adaptive democratic public that had no need for omniscience. By pooling accumulated knowledge, guided by expert experimental inquirers skilled in bringing facts to bear on social affairs, citizens can become educated enough to effectively participate at manageable scales to a degree that is sufficient for democratic decision-making. Democratic failings are symptomatic of many troubles, Dewey argues, but Lippman is confused about the *cause* of those failings: they spring not from democracy but

from “stupidity, intolerance, bullheadedness and bad education, whether these traits decorate a monarch, ornament an oligarchy or supply the moral insignia of the populace” (Dewey 1927/1984, 220).

In sum, Dewey did not have to be saved from excessive optimism regarding democratic moral and political decision-making. His later writings reveal a chastened, worldly-wise philosopher who nevertheless doggedly urged that we will be better off if we educate with an eye to creating a context for ongoing, shared inquiry. Against the aristocratic view, he urged that back-and-forth communication across tensions is necessary for effective decisions that simultaneously raise the general level of public intelligence. Meanwhile, he recognized the problem of populist clans of self-seeking individuals who are cut loose from communication with experts. Public processes fail to meet problems when the day is carried by individuals or groups who pretend to diagnostic expertise that they in fact do not have. A free democratic community cannot be maintained by populist masses, as these trend toward totalitarianism.

Dewey argues that democratic communication about moral and political problems, regardless of the formal political institutions such communication may plan and prescribe, maximizes the chance that we might find paths that respect legitimate interests, evaluations, and evolving identities of different individuals and groups. When “the decider” sidelines stakeholders, this raises suspicions about aims, interests, and background assumptions. An autocratic approach also raises issues of transparency and accountability, and it predictably leads, as Dewey observed in *The Public and Its Problems*, to myopic, unworkable policies (1927/1984, 235–372). When a decision-making process is more than nominally democratic, it strategically seeks out frictions and divergent voices, and it gains legitimacy and direction by evaluating them for their instrumental bearings, criticizing them, and incorporating them.

In opposition to elite rule in the vein of Lippman, Dewey consistently warned against overreliance on top-down, expert-driven decisions, and where practicable he advocated

participatory processes that enlist communities in social learning and knowing, fostering a public spirit of consultation to uncover troubles and to organize the expertise to deal with them. "The man who wears the shoe knows best that it pinches and where it pinches," Dewey wrote in *The Public and Its Problems*, "even if the expert shoemaker is the best judge of how the trouble is to be remedied" (1927/1984, 364).

Like the person wearing the shoe, stakeholders and their proxies are in a better position than detached experts to speak for themselves about how the difficulty pinches. Those who directly experience the pinch of the problem legitimately demand inquiry and a response, and they are contributors to embodied social knowledge. However, problematic situations do not come pre-packaged with one party's preferred explanations, their specific reading of the problem, or their proposed solutions. Moreover, all explanatory schemes are susceptible to the "availability heuristic," the well-studied psychological tendency to fall back on readily remembered mental shortcuts. Add this to the long list of reasons that a democratic public cannot avoid failures. Nevertheless, when experts and stakeholders appeal to each other and work in concert, a democratic method can better reach its potential to be creative, critical, and self-corrective by raising questions, imagining alternatives, putting ideas to the test, and disclosing differences that might otherwise have escaped notice. At the same time, democratic participation can reduce apathy, build community, and create consummatory value from what had been a Babel of meanings (Dewey 1927/1984, 324).

As long as communication has not completely broken down, Dewey held that a democratic education, initially learned at a neighborly scale, can at least somewhat curb our tendency to overreach – that is, to predefine moral and political problems by presuming that our formulations of them were somehow already baked in. Again, he held that education has the mostly unrealized potential to curb this tendency enough to underwrite participatory decision-making, if only we will muster the confidence to end our centuries-long experiment in low expectations.

Given that this emphasis on democratic decision-making depends on a citizenry educated in experimental intelligence at a wide enough scale, even Dewey's admirers can find him quaintly out of touch after years of professional teaching. However, Dewey urged us to look at the pedagogical situation the other way around: democratic practice is a means, not just an end. We help students recover from maladjustment and alienation, reintegrating them into democratic communities and institutions, by actively and directly engaging with them in open and shared inquiry in an applied context. This in turn redirects our communities and institutions. Far from the pedantry that attends secondhand dispensation of isolated facts, organically assimilated knowledge is an achievement that is more readily retained and put to work. It redirects life.

Conversely, if we wish to sabotage public discourse and inoculate ourselves against democratic planning, adaptive problem-solving, and growth, then we should act as though any well-intentioned and rightly informed person would formulate the problem or event *our* way. This pervasive anti-democratic habit leads us to act as though the real problem is that they do not *get* the problem. In contrast to such ubiquitous moral fundamentalism, Dewey observed that the way we make sense of a problem is inextricably part of that problem. So, he wisely emphasized imaginative democratic intelligence and inquiry over the kind of placeless and faceless rationalistic demonstrations that are endemic to non-experimental moral and political philosophies.

## Cross-References

- [Pragmatism and Business Ethics](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Deontology

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## Synonyms

Moral theory based on duty; Universal moral maxims theory

## Introduction

Deontology is a moral theory developed by Immanuel Kant (1724–1804). Deontology stipulates that what is morally good are moral maxims or moral rules that are capable of being rationally intuited, are universalizable and are true, and, to be followed through duty, are independent of the consequences of following the moral maxims.

## Deontological Theory

Deontology is one of key theoretical moral theories that guide not only traditional Western moral theory but also influence the contemporary discussions and debates in business and professional ethics (see “Virtue Ethics and Utilitarianism” for alternative key moral theories). Immanuel Kant, the father of deontology, was a moral absolutist. He believed that moral maxims or ethical rules were rationally intuited as principled value statements that were recognizable by virtue of the universalizability of such maxims or rules. The most fundamental of these is the maxim that human beings [as moral agents] must always be treated as ends in themselves and never as means to an end. This “universalizability” principle entails that what is morally true as a moral truth is true anywhere, at any time and in any place. This places deontology as at odds with utilitarianism and at odds with any theory which involves some type of moral relativism.

A basic assumption of Kant's moral theory is that human beings are capable of reason and are also free to choose between alternatives. These facts are necessary conditions for moral decision-making. Another basic assumption is that there are two kinds or types of rules. One type of rule is one that I can make for myself but which is not morally required nor does it belong to categorical imperatives as he refers to moral rules. I can decide to abstain from alcohol for health reasons, for example, but that does not require that everyone must abstain from drinking alcohol. This is significantly different from moral laws or rules for which there is a moral duty to follow. As Kant notes:

...[A]n action that is done from duty gets its moral value, not from the object which it is intended to secure, but from the maxim by which it is determined. Accordingly, the action has the same moral value whether the object is attained or not, if only the principle is independent of every object of sensuous desire. (Kant 1995, 47)

Since human beings are capable of free choice, of rational intuition, and of acting from duty, then exercising moral choices, arrived at through ratiocination and done as an act of duty, is behaving in a manner that is moral. These essential abilities

of human beings consequently require that one follows moral maxims and that this is done independent of desires or outcomes. Again, Kant states:

In all cases I must act in such a way that I can at the same time will that my maxim should become a universal law. This is what is meant by conformity to laws pure and simple. ... [Further], the principle, that humanity and every rational nature is an end in itself, is not borrowed from experience. ... because of its universality it applies to all rational beings. ...

## Business Ethics and Deontology

One of the mantras of contemporary business ethics is that business ethics is good for business. This is clearly not what Kant intended when he developed deontology. This approach is premised on the assumption that business exists essentially for the purpose of maximizing profits either for owners or for shareholders. If acting ethically results in greater profits because some consumers care about the ethical standards followed in the production of the goods that they consume, then it makes sense to act ethically. But Kant would argue, as would many other ethical theorists, acting in accordance with a moral maxim only for the economic payoff is not moral behavior. It may be strategic behavior, and it may be a good example of acting in accordance with rational self-interest, but it is not moral action. This approach also implies that if acting ethically does not improve the bottom line financially, then it is justifiable not to act ethically. Kant would argue that such a starting position can certainly never lead to any universalizable principles or laws but only to ad hoc, partial, and perversely self-interested behavior. Kant's approach would argue that, independent of the consequence, one should operate in accordance with fundamental moral principles. Acting in accordance with strategic, rational self-interest is not acting in a manner that makes it possible to universalize my action because it is not possible to universalize individual self-interest. Kant made this argument as a logical argument although some critics have argued that it is an implicit appeal to consequentialism since every

person following their own self-interest would lead to an untenable and unsustainable world.

Underlying all such discussions are at least two questions. (1) What is the purpose of business? (2) Why should we always be moral?

### What Is the Purpose of Business?

Twentieth-century economist Milton Friedman (2005, 18) argued that the purpose of business was to maximize profits for the owners of the corporation or stockholders and obey the law. Anything else, he called "pure and unadulterated socialism." While individual persons are moral agents in their personal lives, as executives in corporations, they are agents for their principals (owners or stockholders) within the limited and constrained understanding of artificial persons which are the corporation. On this latter point Friedman stated:

Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but 'business' as a whole cannot be said to have responsibilities, even in this vague sense.

### What Would Kant Say About This?

Independent of what we think about all of Friedman's arguments about the purpose of business (see article on Friedman and social responsibility), it seems plausible (although some may disagree) that he would not accept Friedman's limited notion of the responsibility of artificial persons. While the notion of artificial persons was not addressed by Kant and predates legislation that introduced the notion of artificial personhood which served to limit or mitigate the personal liability of individual owners and stockholders of a company, it seems fair to speculate that he would always hold individuals who own companies to be moral agents responsible for their moral decision-making. Persons do not hang up their moral personhood when they enter the workplace and pick it up again when they leave work.

### Why Should We Always Be Moral?

It is part of the essence of what it means to be human and includes the fundamental moral principle that human beings must always be treated as ends in themselves. Thus, strategic, profit-driven

reasons do not absolve us to dutifully follow the moral maxim. A clear limitation of this theory from an animal rights and environmental ethics perspective is that this categorical imperative does not extend to other sentient beings or to the environment.

## Cross-References

- [Business Case for Business Ethics](#)
- [History and Philosophical Foundations of Ethics](#)
- [MacIntyre, Alasdair](#)
- [Political Philosophy and Business Ethics](#)
- [Social Construction of Businesses](#)
- [Social Responsibility and Business: The Milton Friedman Position](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Destructive Leadership

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## Synonyms

Abusive supervision; Bullying; Dark side leadership; Harassment; Petty tyranny; Toxic leadership; Tyrannical leadership

## Definition

Destructive leadership is a broad overarching concept covering a number of different kinds of misbehaviors by managers, supervisors, and leaders in their function and role as a superior and employer representative in the organization. Hence, it has been studied under a range of different terms such as abusive supervision, bullying and harassment, petty tyranny, toxic leadership, dark side of leadership, bad leadership, narcissistic leaders, derailment, incompetent, unethical and poor leadership, to mention but a few. Among these more or less overlapping terms and concepts, “abusive supervision” and “bullying and harassment” are probably the most used concepts in terms of empirical research (see Einarsen et al. 2013). Abusive supervision is defined by Tepper (2000, p. 2000) as “*subordinates’ perception of the extent to which supervisors engage in the sustained display of hostile verbal and non-verbal behaviors, excluding physical contact.*” According to Lutgen-Sandvik et al. (2007) workplace bullying is “*a type of interpersonal aggression at work that goes beyond simple incivility and is marked by the characteristic features of frequency, intensity, duration and power imbalance*” (p. 837). The mentioned concepts are generally restrained to behaviors directed towards subordinates, excluding counterproductive behaviors against the organization itself. However, managers may harm the organization be it directly and indirectly. This may clearly be seen in the not so distant events as the frauds that bankrupted Enron in 2001, in the enormous losses in market capital in many organizations in 2008–2009 in part due to or at least fueled by management decisions (Kaiser and Craig 2014). This said, most empirical studies thus far have been restrained to the superior-subordinate relation (e.g., see Schyns and Schilling 2013).

“Destructive leadership” may therefore be defined as “*the systematic and repeated behaviour by a leader, supervisor or manager that violates the legitimate interest of the organisation by undermining and/or sabotaging the organisation’s goals, tasks, resources, and effectiveness and/or the motivation, well-being or job satisfaction of his/her subordinates*” (Einarsen et al. 2007,



p. 208). The behavior in question must appear systematically, thus excluding single behaviors such as an isolated outburst of anger or a strategic mistake. Hence, a single mistake by a leader is not necessarily indicative of a destructive leadership style. However, if such mistakes become repeated they represent destructive leadership, irrespective of its intentions or causes. Thus, intent on the part of the leader is excluded from the definition as it already excludes accidental behaviors (see Craig and Kaiser (2013) for an alternative view). Furthermore, intent can only be verified by the leader in question, providing him or her with a veto as regards to whether or not destructive leadership has been displayed, contributing to difficulties regarding the handling of such behaviors in the organization, as well as difficulties concerning accountability as regards to legal aspects. Further, it is difficult to decide on the issue of actual intent, as the focal person in practice recall his/her behavior and assess its intention in hindsight (see also Buss 1961). Intent would also create methodological problems as one typically measures it by subordinate ratings employing questionnaires of observed behaviors in one's immediate superior (see also Aasland et al. 2010).

Furthermore, the behavior must be at breach with the legitimate interest of the organization, a typical feature of definitions regarding all forms of counterproductive work behaviors (Gruys and Sackett 2003). By employing the concept of legitimate interest, we narrow what an organization can and cannot expect from its leaders to what must be seen as legitimate behavior in a particular society. By legitimate we refer to what can be considered as legal, reasonable, and justifiable for a given organization in a given cultural context. Hence, what is perceived as destructive behavior may in principle vary between cultures and societies over time, and to some extent between organizations, depending on their legitimate mission in a given society. For instance, in times of war, risking an officer's life can probably not be seen as destructive, while doing so in times of peace and training would. Bullying and harassment of subordinates would also in most countries be against the legitimate interest of the employer due to the employers duty of care towards subordinates,

in some countries with an explicit ban of such behaviors at work (see Yamada 2011).

The said definition further includes behaviors that are verbal or physical, direct or indirect, as well as active or passive, corresponding to the three dichotomous dimensions presented by Buss (1961) in his description of aggressive behaviors. Hence, the definition includes active as well as passive behaviors, based on the argument that one "cannot not behave" in a leader position (see also Skogstad et al. 2007; Barling and Frone 2016). Hence, destructive leadership behaviors come in many shapes and forms with behaviors being directed towards subordinates, the organization, or both, being more or less active and direct, with a variety of antecedents on both an individual, an organizational, and a societal level, yet with clearly documented negative outcomes to its targets (see Einarsen et al. 2013). Hence, different parts of the concept have been in focus and have been studied over time, as will be further elaborated below.

## Description

Tales of destructive and abusive behaviors by figures in power are abundant throughout history as well as in folk tales, the fictional literature, as well as in contemporary movies and television series. Written texts of a scholarly nature even exist where leaders are advised to or described how to use their power aggressively towards their subordinates, for example, in *The book of Lord Shang* (written in China ca. 300 B.C.), in *Arthashastra* (written in India ca. 300 B.C), in *The Prince*, written by Machiavelli in the sixteenth century in today's Italy. Hence, destructive leadership is nothing new to man and something that may even be valued, at least from the viewpoint of the ruler. Yet, these early texts often addresses political leaders and often in the context of military or political strategies.

The academic study of destructive leadership in organizations and working life, however, gained ground in the aftermath of World War II. As the world learned of the horrors ravaged upon the Jews specifically and inhabitants in Europe and



Asia in general, in particular by representatives and employees of the Third Reich, the interest grew on the issue of what made people behave in such abusive and aggressive manners (Altemeyer 1998). Psychoanalyst Erich Fromm (1941) had already given an answer, by arguing that the Nazi regime arose from a sickness in the German people. The powerful, dominant leaders and the vast crowd of faithful followers allegedly manifested the two faces of the sadistic-masochistic personality. This one illness, however, drove both groups, locking them into a dominance-submissive authoritarian embrace (see Altemeyer 1998). This explanation and psychoanalytic theory in general helped outline the famous “Berkeley” research program on authoritarianism (Adorno et al. 1950), which saw the authoritarian personality as both submissive and dominate depended on whether one was interacting with superiors or subordinates.

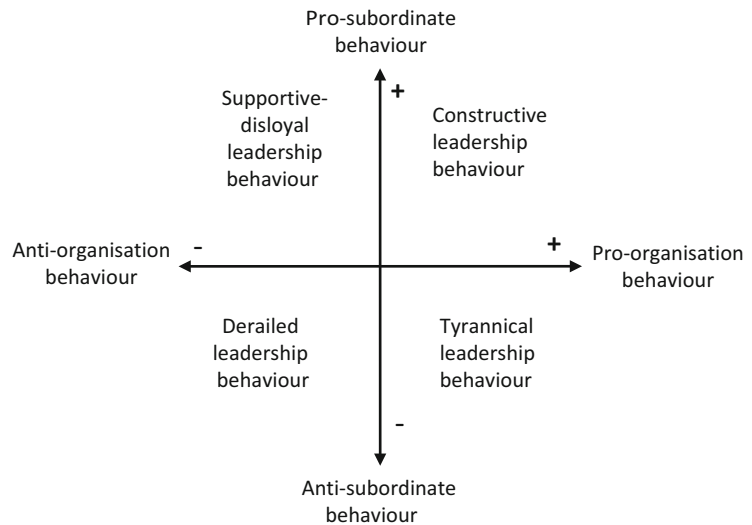
Studies followed that looked more into the submissive than the dominant aspect of this, such as The 1971 Stanford Prison experiment (Zimbardo 2008), and even more so Milgram’s experimental study of obedience to authority (Milgram 1963, 1965) showing that most people under specific situational conditions, and given the opportunity and pressure from superiors, are capable of behaving rather destructively towards others. Still, it was, with a few exceptions, not until the early 1980s that explicit and systematic studies on the dominant rather than the submissive form of destructive leadership reappeared in the research literature, yet again mainly within a personality approach. In 1976, an American psychiatrist, Carroll M. Brodsky published the seminal book *The Harassed Worker*, calling attention to the systematic mistreatment and emotional abuse of employees by their superiors and colleagues. After analyzing some 1000 cases where employees had been injured, mistreated, or crippled while at work, Brodsky showed that such mistreatment was often done by psychological rather than physical means, involving subtle and discrete actions, yet with traumatic and devastating outcomes for exposed subordinates. Kets de Vries and Miller (1985) represents an early pioneer within a “bad man” approach, with his important work on destructive leadership from a psychoanalytic perspective, focusing on

leaders with narcissistic personalities. Also, researchers such as McCall and Lombardo (1983) at the Center for Creative Leadership, contributed to the field by their qualitative studies of “intolerable bosses” and leaders who derailed (Lombardo and McCall 1984). Additionally, studies on “the dark side of leadership” (Howell 1988; Conger 1990; Hogan et al. 1990) documented that some charismatic leaders focus on personal gain rather than the common good of the organization and its subordinates. A parallel tradition within political psychology has investigated, analyzed, and profiled tyrants and despots, such as Hitler, Stalin, and Saddam Hussein, using historical and biographical data (e.g., O’Connor et al. 1996).

Yet, until the turn of the last millennium, the empirical study of destructive as opposed to constructive and effective forms of leadership was sparse within the area of business and working life, which at least partly may be explained by the fact that leadership traditionally has been defined as an equivalent to effective leadership. However, after the millennium, empirical research has flourished with a shift in perspective from the personality to the mere behavior of the said leader employing terms such as abusive supervision and workplace bullying by leaders (Skogstad et al. 2017), yet with a heavy focus on documenting its detrimental outcomes (Mackey et al. 2015; Montano et al. 2016; Schyns and Schilling 2013; Zhang and Liao 2015). Furthermore, calls have been out to expand the focus to include both the social and organizational environment as well as the followers of the said leader in the analysis of what constitutes destructive leadership (Kant et al. 2013; Martinko et al. 2013; Thoroughgood et al. 2016; Padilla et al. 2007).

### **A Model of Destructive and Constructive Leadership Behavior**

In accordance with the above presented overarching definition of destructive leadership, the Destructive and Constructive Leadership Behaviour model (DCLB) model (Einarsen et al. 2007) has been proposed employing the two very basic dimensions in studies of leader and group

**Destructive Leadership,****Fig. 1** The destructive-constructive leadership behavior model (Einarsen et al. 2007)

D

behavior: subordinate- and organization-oriented behaviors, two dimensions that are seen as independent behavioral categories (see Fig. 1).

The subordinate oriented dimension describes leadership behaviors ranging from antisubordinate behaviors to pro-subordinate behaviors. Anti-subordinate behaviors violate the legitimate interest of the organization by undermining or harming the motivation, well-being, or job satisfaction of subordinates, and may involve behaviors like bullying, harassment, or other kinds of incivility and mistreatment of subordinates. Pro-subordinate behaviors, on the other hand, are behaviors that foster the motivation, well-being, and job satisfaction of subordinates, including taking care of and supporting subordinates (e.g., listening to subordinates, attending to social relations among subordinates, giving praise when due, and showing appreciation and respect). The second dimension describes organization-oriented behaviors, ranging from antiorganization behaviors to pro-organization behaviors. Antiorganizational behaviors violate the legitimate interest of the organization and include such things as stealing from the organization (be it material, money or time), working towards goals that are in opposition to those of the organization, sabotaging the goal attainment of the organization, or being involved in other forms of corruption or crimes. Pro-organizational behaviors involve working towards the fulfilment

of the organization's goals, setting clear and unambiguous objectives, making or supporting strategic decisions, and implementing organizational change, among other things. Furthermore, leaders' behaviors may be described as more or less constructive (pro-behaviors) and more or less destructive (antibehaviors) on each of the two dimensions. By cross-cutting the two dimensions, the model presents four categories of leadership behaviors, three of which are destructive: (1) Tyrannical Leadership Behavior (pro-organizational-oriented behavior coupled with antisubordinate behavior), (2) Derailed Leadership Behavior (antiorganizational behavior as well as anti-subordinate behavior), and Supportive-Disloyal Leadership Behavior (pro-subordinate behavior, while simultaneously displaying antiorganizational behavior). Thus, the model presents a nuanced picture of the phenomenon of destructive leadership and how it relates to a broad basic concept of constructive forms of leadership. For a more detailed description of the four concepts of leadership behaviors see Table 1.

The presented model does not explicitly define passive and avoidant forms of leadership, such as laissez-faire leadership, which is included in some general models of leadership (e.g., Bass and Avolio 1990a, b; Blake and Mouton 1985) and in works on destructive forms of leadership (e.g., Kelloway et al. 2005; Thoroughgood et al. 2012).

**Destructive Leadership, Table 1** Descriptions of the four forms of leadership behaviors included in the destructive and constructive leadership behavior model, including Laissez-faire leadership (see also Einarsen et al. 2007; Aasland et al. 2010)

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tyrannical leadership behaviors | Displaying pro-organizational behaviors combined with antisubordinate behaviors. The said leader may behave in accordance with the legitimate goals, tasks, and strategies of the organization, yet typically obtain results not through, but at the expense of, subordinates. Tyrannical leaders bully, humiliate and manipulate their subordinates in order to “get the job done.” What senior management may perceive as a strong focus on task completion may on the other be perceived by subordinates as abusive leadership. They may still be superior strategists or high performing leaders in terms of technical skills or in terms of task-related efficiency                                                                                                                                                                                                       |
| Derailed leadership behaviors   | Displaying both antiorganizational and antisubordinate behaviors. Such leaders may bully, humiliate, manipulate, or deceive while simultaneously or in parallel engaging in antiorganizational behavior such as illegitimate absenteeism, fraud, or otherwise stealing resources from the organization. These leaders may use their charismatic qualities for personal gain at the expense of both subordinates and the organization                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Supportive-disloyal leadership  | Displaying pro-subordinate behaviors combined with antiorganizational behaviors. Such leaders motivate and support their subordinates while simultaneously stealing resources from the organization, be they materials, time, or financial resources. Supportive-disloyal leaders may provide employees with benefits they are entitled to at the expense of the organization, encourage a poor work ethic and misconduct, or cause their subordinates to be inefficient, all the while behaving in a comradely and supportive manner. The intention of the supportive-disloyal leader may not necessarily be to harm the organization; he or she may simply be acting upon a different “vision” or strategy working in support of other values or goals than that of the organization, even believing that he or she acts with the organisation’s best interest at heart      |
| Constructive leadership         | Displaying pro-organizational as well as pro-subordinate behaviors, acting in accordance with the legitimate interests of the organization, supporting and working towards the strategy of the organization, while simultaneously motivating and supporting their followers through considerate behaviors, inspiration, and the involvement and participation in decision processes. Hence, constructive leadership reflects both transformational and transactional forms of leadership as described in the “Full Range Leadership Model” (see Bass and Riggio 2006), and may be seen as a parallel to the “high-high” leader, and what is called “Team Management” in Blake and Mouton’s Managerial Grid (1985). In essence: supporting and motivating subordinates while focusing on the optimal use of organizational resources to achieve legitimate organizational goals |
| Laissez-faire leadership        | The leader has been nominated and does exist physically in the leadership position, but has in practice abdicated from the responsibilities and duties designated to him/her, hence exerting a minimum of effort to get required work done combined with a minimum of concern for subordinates. Laissez-faire leaders do not intervene until problems are either firmly brought to their attention or the problems become so serious that action is demanded and can no longer be avoided given the responsibilities associated with their position. The lack of imitative may also be perceived as a form of social exclusion by the subordinates                                                                                                                                                                                                                             |

Blake and Mouton describe “impoverished management” as a form of leadership where the leader is exerting a minimal amount of effort to get required work done combined with displaying a minimal concern for subordinates. This type of leadership behavior has several characteristics in common with both “laissez-faire leadership” and “passive management” (Bass with Bass 2008). Leaders engaging in the passive

style “management-by-exception” only intervene when problems are either brought to their attention or become impossible to ignore, while leaders displaying laissez-faire leadership neither initiate leadership nor respond to follower or organizational needs by avoiding decision-making and the responsibilities associated with their position (Bass and Riggio 2006). Intuitively one might situate laissez-faire in the middle of the model as

the proposed model may be thought of as an extension of the Blake and Mouton's (1985) Managerial Grid (see Aasland et al. 2010). However, Stogdill (1974) points out that comparing laissez-faire leadership to nonleadership is a severe mistake. The appointment to a leadership role evokes legitimate expectations among subordinates and superiors that, when left unfulfilled, have a range of negative consequences for subordinates as well as the organization. Its destructiveness is further substantiated by the operational definition in Bass and Avolio's extensively used MLQ-measure with items mirroring not being present when needed, and avoiding involvement in important and urgent questions and issues (Bass and Avolio 1994). Accordingly, laissez-faire leadership have been documented to be negatively related to subordinate's job satisfaction and organizational commitment, positively related to subordinate health outcomes (Skogstad et al. 2017), as well as negatively related to leader effectiveness (Derue et al. 2011; Judge and Piccolo 2004). As laissez-faire leadership has the potential to undermine organizational objectives as well as subordinates' well-being, it may be classified as both anti-subordinate and antiorganizational, and thus best be defined as a passive form of derailed leadership in the above model.

## Prevalence

Research and informed estimates claim destructive behaviors by managers and leaders to be relatively prevalent in contemporary working life, especially when including both severe and less severe forms, indirect as well as direct behaviors, behaviors directed at subordinates as well as conduct afflicting the organization itself, (e.g., Aasland et al. 2010). Organizational climate research conducted between the 1950s and the 1990s, showed that 60–75% of all employees typically report that the worst aspect of their job is their immediate supervisor (Hogan et al. 1990). An American study revealed that some 13.5% of all workers were severely affected by an abusive supervisor at any given time (Schat et al. 2006), while an English study showed 40% of public

sector workers to have experienced bullying from a leader during their working career (UNISON 1997). Furthermore, some 5–10% of employees in Europe are subjected to systematic and on-going bullying at any given time (Zapf et al. 2011), with 50–80% of all cases involving a superior in the role of the alleged bully (Einarsen et al. 2011). A representative study of Norwegian subordinates observations of systematic destructive leadership in one's immediate superior showed that 60% of all employees had such observations over the last 6 months, with laissez-faire leadership as the by far most prevalent kind (Aasland et al. 2010). Hence, destructive leadership is not an anomaly in today's organizations and contemporary working life.

## Closing Comments on Expanding the Focus Beyond the Individual Leader

A leader may behave destructively for a number of reasons (see e.g., Martinko et al. 2013). Meta-studies show that predictors of destructive forms of leadership include factors such as negative affectivity, perceived interactional injustice, perceived stressors and exhaustion, deviant subordinate behaviors, and aggressive norms in the organizational climate (Mackey et al. 2015; Zhang and Bednall 2016). However, behavior is always a result of a complex interplay between a wide range of internal and external factors, as well as being embedded in the particular situation and context where it arises. Hence, calls have been made to expand the focus beyond that of the individual leader encompassing subordinates as well as the immediate environment of the superior and his or her subordinates (see). The concept of the "toxic triangle" has been introduced to describe such a broader perspective including both subordinates and the broader environment of the organization, with destructive leadership being seen as *"a complex process of influence between flawed, toxic, or ineffective leaders, susceptible followers, and conducive environments, which unfolds over time and, on balance, culminates in destructive group or organizational outcomes that compromise the quality of life for*

*internal and external constituents and detract from their group-focused goals or purposes”* (Thoroughgood et al. 2016). Destructive behaviors are then socially embedded and shaped in a transaction between person and environment, featuring leader-member and group processes, organizational and societal factors, and a dynamic timeframe. Yet, from a legal and a moral perspective, a given leader is always responsible for his or her actions and decisions, irrespective of any social influence they may have encountered, an important principle governing the Nuremberg trial against Nazi-leaders after the World War II. Leaders are always responsible for their own behaviors, irrespective of its potential causes and determinants. In some cases leaders are even legally and ethically responsible for the conduct of their subordinates due to their overarching responsibility and their general duty of care.

## Cross-References

- [Harassment in the Workplace](#)
- [Narcissistic Leadership](#)
- [Toxic Leadership](#)
- [Workplace Bullying](#)

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## Development Ethics

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## Synonyms

Community development; Development praxis; Human development; International development

## Introduction

Development is the field of practice focused on the improvement of human lives, with particular attention to the poorest countries, communities, and individuals. It is concerned with economic advancement, quality and length of life, and access to resources and opportunities. The contemporary era of development is widely viewed as starting with the post-World War II Marshall Plan for the rebuilding of Europe.

The field of professional ethics relating to development practice is known as development ethics and originated with the work of Denis



Goulet in 1971. The concept of human development and the capabilities approach are part of a broader evolution of development theory and practice that grow from and further inform development ethics.

## People-Centered Practice

Described by Des Gasper (2012) as “an interdisciplinary meeting ground,” development ethics is viewed by its proponents as a dynamic site of engagement by actors bringing diverse intellectual, cultural, and practical perspectives. Of critical importance is the translation of any such engagement into action, specifically action that prioritizes those sidelined by traditional models of progress. In particular, it recognizes that there are significant costs involved in social change and that attention must be given to “determining tolerable levels of human suffering” in seeking such change (Goulet 1997).

Development ethics is, first and foremost, people centered, meaning that development should be oriented to enabling people to be “fully human,” expressing the varied dimensions of fulfilling life, as defined by the individuals and communities concerned rather than external agents (Gasper and St. Clair 2010). Pointing to the insufficiency of economic approaches in prioritizing (and thus achieving) the outcomes and values of the people at whom development is targeted, development ethics highlights the need to understand that people are much more than economic units. Going well beyond this, development ethics focuses on the expansion of choice that enables even the most marginalized people to flourish.

Measuring progress in solely economic terms, development has long been viewed by governments as an effective tool for gaining political support of populations – from its origins in the Marshall Plan, grounded in the Truman Doctrine’s aim of impeding the spread of Communism, through development as diplomacy, to the allocation of development funding to population-centric military strategies that identify development-like projects as tools for gaining popular support.

In contrast to this, development ethics refers to development as “the means of the means,” placing emphasis on the processes of development, specifically that they be participatory and focused on human flourishing, particularly enabling individuals and communities to realize those *ends that they have reason to value*. Thus, while the outcomes, or ends, retain importance, the methods employed are afforded significantly more importance than just as a strategy for meeting valuable goals. Rather, they bear value in a transaction that is often highly costly for the “recipients,” and this is one reason development as diplomacy or political strategy is judged harshly. Similarly, these processes are often key in ensuring development meets the actual needs and aspirations of those it targets, and this can be lost when development is externally designed and managed.

Connected with this, development ethics is concerned with the function of power within both communities and development processes, leading to its central concern, namely, the question: “How can moral guidelines influence decisions of those who hold power?” (Goulet 1971). In this sense, there is a pragmatic focus on influencing the influencers, as the most effective pathway to broad impact. This refers to both policy makers in funding and recipient countries and leaders at a range of levels, who can determine who is included and whose needs are prioritized.

Focus on processes and power leads to development approaches centered on community engagement in design, management, delivery, and evaluation of development. Participatory processes, for example, engage communities in these aspects of their own development, while also drawing on people with low power and influence, thus disrupting power structures that function to exclude individuals and groups.

While development ethics appears closely connected with human rights and its basis in the claim that all people are free and equal in dignity and worth, development ethicists view human rights as necessary but insufficient. This is because not all values can be thought of in terms of rights and because the language of rights can be inaccessible to marginalized people.

## Practical Application

Development ethics is inherently practical, rejecting ethical reflection that is not realized in public practice. As such, the ideas of development ethics are often expressed in terms of practice – how the centrality of human flourishing can be emphasized in development processes that engage and enable the poorest and most excluded.

Part of a wave of concern about economic, modernist values for development, the capability approach of Nobel prize-winning economist Amartya Sen epitomizes the interdisciplinary nature of development ethics (Sen 2001). Reflecting the centrality of human flourishing in development ethics, the capability approach prioritizes people's genuine capacity and opportunity to achieve – their ability to do and to be the things they have reason to value themselves, not just growth in gross national product (GNP). Philosopher Martha Nussbaum extends Sen's focus on freedom to achieve these factors with an articulation of humans as fundamentally social and possessing dignity and moral worth. The capability approach has become a core organizational approach within development ethics.

Demonstrating the rapid translation of ideas into practical action, the capability approach was expanded by another economist, Mahbub Ul Haq, into the concept of human development. This is another tangible expression of development ethics, created by and launched with the first *Human Development Report* of the United Nations Development Project (UNDP) in 1990. It rejects the economic focus on measuring development through a nation's gross national product (GNP) alone, embracing measures of quality of life for citizens (specifically a decent standard of living, long and healthy life, and knowledge, as measured through education). The human development approach has fundamentally changed the way development is measured and in turn the kinds of processes and goals that are valued in development practice.

The key body of development ethics is the International Development Ethics Association (IDEA), which serves as a node for ethical discussion, solidarity, and improvement. Initiated in

1984, it is deliberately interdisciplinary and hosts a biennial academic conference.

## Cross-References

- ▶ [Agency Theory](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Core Values](#)
- ▶ [Ethical Citizenship and Business Ethics](#)
- ▶ [Fair Trade Consumerism](#)
- ▶ [Feminist Ethics](#)
- ▶ [Gender and Microcredit](#)
- ▶ [Gender and Social Security](#)
- ▶ [Human Rights](#)
- ▶ [Humanitarian Ethics](#)
- ▶ [Justice](#)
- ▶ [Medical Ethics and the Land Ethic](#)
- ▶ [Social and Economic Mobility](#)

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## Dialectical Enquiry in Ethical Business Dispute Resolution

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## Synonyms

Conflict management; Interaction of opposites;  
Positive and negative balance

## Definition

The dialectical approach to dispute resolution requires that parties to a dispute recognize that there are various valid ways to view the situation. Varied viewpoints must be identified and understood, to expose the assumptions that underlie them. Discussions will increase understanding and may lead to all parties coming to share a common understanding in the disputed area. Agreement on how best to take actions may then emerge.

## Background

In life generally, and particularly in business situations, there occur disagreements between groups of people concerning the best way to proceed from situations which develop. Disagreements may be solved quickly where one party is far more powerful than the others, but this may involve unethical behavior from the strongest party, and cause long-term resentment from the weaker parties. In other situations the parties involved may hold approximately equal power and moving on may be difficult. In all societies, over time, techniques have been developed to aid dispute resolution.

In many societies, debate is employed to help antagonists to decide on the best way to proceed when a dispute arises. A debate generally involves the antagonists becoming involved in a contest of logic, which involves each party attempting to prove their ideas are more logical than those of the other parties. The debate may come to focus on showing that the other antagonists are foolish; their ideas deserve only to be dismissed with laughter. Debates are overtly confrontational, with winners and losers. Furthermore, antagonists are often expected to compromise so that life can proceed. Often, agreed compromises result in all those involved adopting a way forward, which no one in particular is happy with. This is not a good way to resolve disputes.

Interchanges with other people/groups with whom one does not agree can be positive experiences. Education can result from listening to the

opinions of others and to their justifications for holding those opinions. Thoughtful interchanges may allow one to develop one's understanding; dialogues can alert antagonists to inner contradictions which exist within many areas of our thinking. Interchanges may allow the identification of "hidden" assumptions, whether they underpin the opinions of others or one's own. Identifying assumptions which have previously been taken as "givens" or common sense may aid in dispute resolution, as they may be found to differ from the assumptions of others – and thus require a reconsideration of what constitutes "common sense."

## History

In Ancient Greece, Zeno (c. 490–425 BC) suggested a way to help individuals gain understanding of the world, and antagonists to address disagreements in understandings; he called it "dialectics" (art of discussion). Plato made use of the technique and thereby promoted it. Dialectics recognize that to obtain a "proper" knowledge of anything requires the seeker of truth to contemplate its opposite. Thus, a knowledge of what is "bad" is required, in order to know what is "good." One must know what is dead in order to know what is alive, and so on.

In business, a dialectical approach can allow a better understanding of an ill-structured problem to emerge. Choosing to view situations from different perspectives, and then combining the various insights obtained, allows for a more informed understanding of a situation. States of affairs do not arise in a vacuum, but often under tensions from competing forces. Age may be understood as a balance between young and old; wealth may be understood as a balance between rich and poor.

The term "dialectic" has been used to refer to a number of somewhat different approaches to discourse. However, it has always been related, to some extent, to a search for truth and understanding. Dialectic is claimed to promote rational discussion. Medieval universities delivered "Classical Education" through the "Trivium" (where three roads meet). The Trivium consists of: Grammar, Logic (or Dialectic), and

Rhetoric. Here dialectic involved students entering in to discourse with their instructors in order to help them gain comprehension of how facts fit together, and thereby gain an understanding of their world.

Kant (1724–1794) made use of dialectic reasoning. Hegel (1770–1831) encouraged its development in its contemporary form. Marx (1818–1883) developed his dialectical materialism from Hegel's base. In organizational research, Mason and Mitroff have been active in the promotion of Hegel's dialectic technique to resolve disagreements in organizations in the United States in the twentieth century (see: Mason and Mitroff 1981; Mitroff and Mason 1981). Their publications provide many examples where they claim that dialectical enquiry has been used to good effect in resolving disagreements within organizations.

### Employing Dialectical Enquiry in Dispute Resolution

The first step in addressing an emergent disagreement is to realize that there is a disagreement, that is, to feel that something is "wrong." At this stage no specific disagreement is defined, rather it is vaguely recognized that there is something deemed wrong. Even at this stage errors can occur. One may feel there is a disagreement, when there is not.

If a disagreement is present, then the problem must be properly defined. Here there are possibilities for wasteful misunderstandings. Ackoff (1969) provides an example concerning lifts in a high building. When a large new multistorey office block was opened, its many resident employees complained of inadequate lifts at peak times. The engineers were consulted and, over considerable time, provided several suggestions on how the problem might be ameliorated. However, after all such suggestions had been "successfully" implemented, the complaints continued. At that point, a nonengineer with some training in psychology suggested that the complaints may reduce if those waiting for lifts were

provided with some form of amusement. Large mirrors were installed around the walls of the large crush-hall where employees awaited the arrival of the lifts. The complaints ceased.

This story illustrates how experts from different disciplines view problems in different ways. Engineers are trained to look for technical problems, and tend to propose technical solutions. Psychologists, on the other hand, are trained to view problems in human terms. They tend towards people-oriented solutions. Problems are not natural creations, but human creations. Problems are conceptualized as such by the people involved. Different analysts often can, and do, conceptualize problems in different ways, and therefore they may suggest different ways to address them. Discussing available options is good practice, before a way forward is chosen.

If a disagreement is present, then Hegel's dialectical enquiry technique requires that one group provides an account of what they believe to be the best way forward, and why; this is termed the "thesis." A second group must provide its alternative view of the best way to proceed, and explain why; this is termed the "antithesis." The antagonists are then required to discuss the thesis and antithesis.

First, one group, the thesis group, is given the floor. This group describes the main action it wishes to promote, and explains why. The other group, the antithesis group, responds (in a logically related manner) to what the thesis group has said. The response of the antithesis group should contain counterarguments to the thesis case; it must not just acknowledge that the thesis case has been heard and then provide the antithesis case simply on the assumption that it is better.

The thesis case includes an explanation of the thesis group's chosen way of perceiving the problem. This way of perceiving may be questioned by the antithesis group. The thesis group listens to comments from the antithesis group, and then takes the floor and responds to each of these comments. In turn, the antithesis group is given the floor and responds to the latest comments from the thesis group. The discussion goes from side to side like a ball on a ping-pong table.

Those who see value in the dialectic enquiry believe that a discussion such as described above will enable all participants to gain in knowledge. Participants who present a listening ear will be educated. As the discussion swings from thesis to antithesis and back again, it is hoped there will be a coming together in how the antagonists view the situation.

After some time, it is probable that the pace of any further coming-together will slow to a halt. At that point the antithesis group can be invited to take the floor and present its own way of perceiving the problem, and what the best remedy may be. The thesis group then takes the floor and responds to the fresh arguments that the antithesis group has introduced. In turn, the antithesis group responds to the comments of the thesis group, and the process continues. The process allows ongoing mutual education. It is hoped that it will result in a continuing coming-together, among all present, concerning the best way to proceed.

After possibly a considerable time, it is hoped that all present will come to appreciate that there is more than one way to view the initial situation, and perhaps more things to consider than originally realized. Hopefully, a mutually agreed best way of responding to the situation will have emerged, now that everyone has a better understanding of the situation. This mutually agreed best way is referred to as the “synthesis.” The purpose of conducting a dialectical enquiry is to find a synthesis.

Note that those who choose to participate in the dialectical enquiry do not go to the enquiry dominated by a wish to prove their thinking is correct. They participate in the hope that they will learn something from their participation and listening. They also expect to educate their antagonists about their own perspective on the situation, and how best to address it. Both groups of antagonists are hoping not to win the enquiry but rather to use it to raise everyone’s understanding of the situation and encourage the best possible response to emerge. A good synthesis provides a better solution to a dispute than either side thought possible before the enquiry.

## Criticisms of the Dialectical Enquiry Technique

Many people who have employed the dialectical enquiry technique and found it helpful in resolving organizational disputes wonder, nevertheless, if the time and effort involved are worth the results obtained. If the dialectical enquiry is to be undertaken properly, a lot of time must generally be made available by all concerned to allow for a synthesis to emerge. If the enquiry can be terminated at any time, and the time limit is set in advance, then it is possible that a synthesis will not emerge. Still, all participants should be able to leave the meeting with an enhanced understanding of the problem areas, provided that a reasonable time limit was set for the enquiries and that they were well conducted. Benefits which are considered worthwhile on a value for time-committed basis may result. For example, an enquiry concerning whether a business should pollute a river in order to provide local employment and increase corporate profits may not lead to a synthesis after many days of argument. However, those opposing the pollution may have learned that the benefits from some limited pollution may be worth accepting; the promoters may have come to appreciate that there are good environmental reasons to keep any pollution to a minimum for reasons that they had previously not properly understood. Such a dialectic enquiry could facilitate tolerant future discussions on emerging options, despite a synthesis not having emerged during the enquiry.

Not all prominent philosophers have considered the dialectical approach to promoting understanding to be a good one. For example, Karl Popper (1902–1994) believed in: individuality, open criticism, and humanitarianism, which had evolved within the twentieth century European “free” societies. He believed that under tribalism humans had been willing to subjugate their lives to prescribed rules created by others. He thought that dialectical enquiry could persuade individuals to accept contradictions because it initiates irrationalism; he feared it could be used to persuade the “freed” individuals of Europe to accept again societal shackles created by others. He believed it

helped the rise of fascism in Europe (Popper 1945).

## Cross-References

- [Collective Bargaining \(USA\)](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethics and Crisis Management](#)

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## Differences Between Transactional and Transformational Leadership

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## Synonyms

Key leadership theories

## Introduction

Transactional and transformational leadership are two of the most well-known and widely researched areas of leadership (Bass 1990; DuBrin 2015; Humphrey 2013; Rafferty and Griffin 2004). Burns (1978) is the scholar who coined the terms transactional and transformational leadership. He termed transactional

leadership as being exchange oriented, in that it is based wholly on exchanges. Essentially, a follower does the bidding of his or her transactional leader because he or she is promised something in exchange. It usually tends to be a reward-based exchange or reward-based transaction. Hence, Burns coined the term transactional leadership. In contrast to this form of leadership, transformational leadership does not explicitly require the presence of any sort of reward. Instead, it involves the leader inspiring his or her followers and making them more moral in the process. The interaction between a transformational leader and followers tends to be transformative for both the leader and the followers (Northouse 2021).

Bass (1985) further refined the original definition of transformational leadership by including the followers' perspective in the model and by suggesting that transformational leadership could sometimes be linked with undesirable outcomes. He essentially treated transactional and transformational leadership on a continuum, with transactional leadership being in the middle, while transformational leadership and laissez-faire leadership were on opposite ends. As one can expect, laissez-faire leadership is a form of leadership where there are no transactions nor is there any possibility of transformation. In short, it is completely different from either transactional or transformational leadership.

## How Do Transactional Leadership and Transformational Leadership Differ?

Apart from their different definitions, there are other ways by which one can differentiate between transactional and transformational leadership (Northouse 2021). One way to do so is to examine both leadership styles in terms of their factors. Transformational leadership comprises the famous 4-I factor model, which includes the 4-Is of Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. These 4-I factors are very distinct from the factors found in transactional leadership. Idealized Influence has to do with charisma – essentially transformational leaders tend to be



charismatic. By dint of their charisma alone, they are able to influence their followers. Idealized influence means that followers consider these transformational leaders as idealized individuals, who they could follow and strive to be like.

Similarly, Inspirational Motivation has to do with how motivating transformational leaders are. They are able to communicate with clarity and use motivating language while communicating their vision for the organization. Motivating language is something that tends to inspire individuals a lot (Elsner Twesme et al 2021; Rabiul and Yean 2021; Sarros et al. 2014), and transformational leaders use motivating language abundantly. Intellectual Stimulation has to do with creativity and innovation, and transformational leaders tend to inspire their followers to try innovative and novel approaches to solving problems. This is something transactional leaders never do, as they usually focus on sticking to tried and tested methods, which may not work as optimally as one may like, and also do not positively impact follower creativity.

Individualized Consideration is another factor that emphatically contrasts between transformational and transactional leaders. This factor emphasizes consideration and care for followers, which is uniquely tailored to each individual follower. Transactional leaders do not usually adhere to any sort of tailoring of consideration to their followers. The 4-I factors make it clear why transformational leadership has been linked with so many beneficial and positive outcomes.

In contrast to transformational leadership, transactional leadership has different factors (Northouse 2021). The big overarching factor is that transactional leadership is based on transactions, which often include rewards for followers and subordinates. Northouse (2021) discusses two factors that specifically apply to transactional leadership. One factor is contingent reward – this factor refers to the contingent reward that followers can obtain after they perform or accomplish a particular task set out by their leader. This style of leadership usually works well especially if the reward and performance parameters are well defined. However, the link between performance

and reward is implicit here – without the contingent reward, the transactional leader would not be able to get the follower to comply or perform. There is no inspiration process here, nor is there any motivation, if one eliminates the contingent reward.

The other factor pertinent to transactional leadership is Management-by-Exception where leaders use corrective action procedures, including criticism and negative reinforcement, in order to obtain compliance by their followers. Any rule violation by followers results in a strict and quick correction by the transactional leader. This factor can be either active or passive – passive forms of Management-by-Exception include situations where leaders punish their rule violating employees, but do so only after standards have not been met (Northouse 2021). Active forms of Management-by-Exception by contrast are much more feedback-oriented, in that the leader actively watches, and if there is a high probability that standards are going to be unmet or rules are going to be violated, then the leader steps in. This Management-by-Exception factor contrasts with contingent rewards in that the latter is focused on positive reinforcement, while the former is focused on negative reinforcement.

Transformational leadership on the other hand is not so much focused on rewards or punishments, but more so on follower organic growth. Research has found that transformational leadership results in performance and outcomes that go well above and beyond what is expected. Transactional leadership only results in outcomes that could be classified as being rather ordinary. Sometimes, transformational leaders do need to use transactional leadership tactics, but transactional leaders usually never use transformational leadership tactics.

## Cross-References

- [Charismatic Leadership](#)
- [Laissez-Faire Leaders and Trust](#)
- [Transformational Leadership](#)

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## Digital Convergence and Musical Ethics

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## Synonyms

Convergence; Digital media; Music industry; Music

## Introduction

Through the efforts of groups such as UNESCO's *Ad Hoc Expert Group on Endangered Languages*, we realize that half the world's languages will become extinct within the next half century. While music is not a language per se, we can extrapolate: a large part of music's local idioms – its styles and genres, modes of performance, ritual

functions, and other aspects of identity – will similarly become extinct in that time frame, if not earlier. The factors responsible for a language's demise are many, but in the case of music, the principal factor is what we call here *digital convergence*. The term is often used in a positive sense to mean the coordination, if not the standardization, of digital tools. We use the term in a markedly different sense: *digital convergence* means here the replacement of the many and diverse nondigital forms of musical expression with a small number, indeed a canon, of digital forms. Our usage is conceived in terms of ratio: before digital convergence, the world's musics were large in number and kind, and no particular repertoire was weighted in frequency more than any other. In the new world of digital convergence, a small, canonic digital repertoire has emerged, a repertoire that far outweighs its nondigital ancestor in frequency of performance or reproduction. The ratio has become extreme, to the point of compromising the existence of nondigital forms of musical expression, and this has ramifications of an ethical nature.

Digital convergence has geographical implications: local traditions of expression limited in number and rooted in locale are replaced by global digital forms that allow for mass reproduction around the world regardless of location. In ethical terms, locale gives way to geographical anonymity. Digital convergence also has implications in terms of quality. By *quality* we mean here the means of distinction in terms of style and ultimately in terms of the material of musical production (for example, the instruments involved, the space of musical production). The sheer number of nondigital musical idioms arises from the number of contexts necessary to create and sustain such idioms (contexts largely dependent on thriving musical locales). Convergent digital idioms, on the other hand, are markedly fewer because, being digital, they traverse (if not transcend) locales; digital creation and reproduction does not materially depend upon locale. Convergent digital idioms are also canonic and thus limited by both number and the criteria necessary for entry into the canon. In ethical terms, the qualitative breadth of human musical expression is thus severely constrained.

## Global and Mass Digital Reproduction of Music

Global distribution and merchandizing are largely responsible for digital musical convergence. The principal music distributors in a digital world (such as iTunes, Spotify, Apple Music, Google Play) sell a small canon of musical works in massive numbers. Thus, for example, Michael Jackson's *Thriller* has sold more than 100 million copies worldwide. By contrast, it is likely that the number of performances, let alone recordings, accorded a whole corpus of an historical repertoire – Beethoven's much vaunted string quartets, or the early recordings of Louis Armstrong, for example – is but a small fraction of 100 million. By the sheer number of recordings sold, human listening converges on this new digital canon and on the products of the principal music distributors, much as human language converges upon modern English.

Let us say then that on the largest level – the digital reproduction of music at the hands of multinationals such as Apple – the wealth of music is being converted so as to exchange a great diversity in musical quality for uniformity in mass reproduction. The great breadth of local musical tradition is being replaced with a markedly smaller digital canon of mass reproduced musical works that have no necessary relationship to locale or tradition. The production of music in the future, unfortunately, will not diverge from this tendency toward convergence, unless some radical development in the material nature of the musical work and its reproduction arises in opposition.

## Musical Impoverishment

To return to ethics, digital musical convergence is unfortunate: a richness in the variety of human experience and expression is, at the least, a necessity to the quality of human life. Much as the extinction of languages removes from human expression a wealth of individual thought, so too the demise of small and local nondigital musical idioms removes a wealth of individual musical expression. Consider, for example, a local

tradition that has produced a musical repertoire linked to the special acoustic qualities of its given locale, qualities that cannot be mass reproduced digitally (say, for example, the Alphorn in Switzerland, or the marching band in American college football, both dependent on the spatial distinction between music indoors and outdoors, a distinction impossible to capture digitally). The musical expression of that environment will be lost, if its participants come to prefer mass reproduced digital music. Further by way of example, we can think of Inuit throat singing, the local parish church bell, the street corner Salvation Army Band, and the lullaby sung in the nursery – each of which lies in danger of extinction by a preference for digital musical forms.

The ethical consequences are considerable. Digital musical convergence entails a loss of the means for expressing individual emotional states, or the loss of idioms for expressing regional identities. Music is thus transformed from a longstanding vehicle for the local expression and affirmation of the individual into a vehicle of conformity to canon.

While global media are in large part to blame, the constant gravitation of the world's population to large and cosmopolitan cities, marked by the demise of rural village traditions, is a major contributor to digital musical convergence, as it is with regard to language. In a sense, the listeners of the world are quitting their local situations and moving to the city, which consequently grows ever larger. Encountering a multitude of musical dialects there, these modern listeners have sought out only those idioms common to the greatest number of their new neighbors – a musical lingua franca – and abandoned their specialized idioms. Their children, embarrassed by the raw forms of their parents' rural expressions, master this new cosmopolitan language and jettison their native legacy. The ethical result is on first impression banal: people of hitherto incommensurate backgrounds can now converse freely. Ultimately the result is less than ethical: when specialized musical needs arise (in music therapy, for example, in the case of trauma), the musical lingua franca has no vehicle – no terms or idioms – to deal with the special instance, but rather only the tools to

address the common. Convergence has removed the possible.

If this is indeed the case, let us say then that a diminishing set of primarily urban modes of musical production and reception will play a greater role in the musical lives of an ever greater number of people concentrated in cities. Since placing more people in close proximity would seem to produce problems of overcrowding, in particular problems arising from the need to share resources or to express identity, this must have its deleterious effects. What is needed for social health is universal access to a broad pool of thoughts grounded in diverse experience – precisely the thing removed by convergence. What has emerged instead are two opposing tendencies: in one direction, the continued growth of a narrow canonic repertoire, international in nature; in the other direction, the ever more apparent need for a wide number of small repertoires characterized by individual idioms grounded in locale. Following the ethical philosopher Alasdair MacIntyre, we might say that these tendencies are *incommensurate*: “For each premise employs some quite different normative or evaluative concept from the [other], so that the claims made upon us are of quite different kinds.” (MacIntyre, 8) Wherever such incommensurate arguments arise, the grounds for resolution of ethical problems are tenuous at best, the probability of resolution slight (and often dependent upon some kind of revolution in thought or social circumstance).

## Counterarguments

It could be argued that in lieu of a great diversity of traditional idioms we now have a comparable diversity within the new canons of digital music, and that audiences are now capable of making subtle distinctions in quality between the mass selling canonic works. These arise by integrating new digitally inspired idioms with older, pre-digital forms (much like the Cantonese and English blend called *Kongish*, or the Korean blend with English called *Konglish*). If we return to ratio and bear in mind the mass uses to which music is applied, this new diversity becomes questionable. Insofar as digital reproduction

allows for music to be listened to anywhere, regardless of situation, there are no meaningful constructed local constraints upon musical performance, meaningful in scope when compared to the sales of 100 million recordings of *Thriller*.

It could be argued as well that the new digital tools of canon formation – the tools of digital media in particular, such as *Soundcloud* – will allow for a revival of diversity and locale in the hands of non-canonic musicians and musical institutions. While such developments are welcome, the new repertoires formed in this way are at present (and will continue to be) truly negligible in terms of ratio when compared to the extant digital musical canon.

## Conclusion

As was noted above, to bring about the demise or at least the drastic reconfiguration of digital musical convergence would require a revolution in the current modes of musical production, and in effect this would entail a revolution in social dynamics, since social media has become so integral to the world as a vehicle for self-identity. This revolution could take catastrophic form: dilemmas produced by, for example, ecological crisis or by cyber warfare would challenge the material basis of digital music distribution. But if a challenge to digital musical convergence is deemed necessary (as suggested here), it would be better to bring this about in a rationally guided form, either under the auspices of an international vehicle such as UNESCO or through national or local forums.

## Cross-References

- [Ethical Issues When Interacting with Indigenous Music and Musicians](#)
- [Ethical Responsibility of Orchestras in Contemporary \(Multicultural\) Societies](#)

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### Further Reading

See various UNESCO publications, including the following:

A general overview of cultural diversity and its protection: <http://en.unesco.org/creativity/>

A report entitled "Language Vitality and Endangerment" produced by the *UNESCO Ad Hoc Expert Group on Endangered Languages* as adopted by the International Expert Meeting on the UNESCO Programme Safeguarding of Endangered Languages Paris, 10–12 March 2003 reproduced at: <http://unesdoc.unesco.org/images/0018/001836/183699E.pdf>

## Director Appointments: The Role of Social Networks

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### Synonyms

Board of directors; Director connections; Director elections

### Introduction

The fiduciary duty of boards of directors is to act in the interests of shareholders (Demb and Neubauer 1992; Hermalin and Weisbach 1998; Dominguez-Martinez et al. 2008). However, it is the incumbent board, not the shareholders, that nominates directors.<sup>1</sup> The incumbent board members may rely on their social networks to select

new directors; consequently, many newly appointed "outside" directors (i.e., directors who are not in the management team) may have priorities with the CEOs (Shivdasani and Yermack 1999). On the one hand, this practice might weaken the monitoring function of the board of directors, imposing agency costs on shareholders. On the other hand, the practice can improve the advisory role of the board and, therefore, is beneficial to firms that have more advising needs. This entry aims to broaden our understanding about the potential ethical issues that arise from director appointments through social networks of incumbent board members, especially CEOs.

### Director Selection from Board Networks

The social network of incumbent board members plays a significant role in director appointments. Cai et al. (2018) document that 75% of 9923 director appointments from 2003 to 2014 in their study have professional ties to incumbent board members. Further, it is uncommon to see contested elections in director appointments; that is, directors nominated to the board are often elected without any objection. Specifically, Cai et al. (2009) document that there were only four contested elections out of the 13,384 director elections at 2488 shareholder meetings in their study and that the typical director is elected with over 90% support from shareholders. In addition, Lublin (2009) reports that directors are often retained even in the unusual cases of less than 50% support, as evidenced by 93 board members at 50 companies in 2009 who received less than 50% of the votes cast but who were still held to be reelected by the board.

### Ethical Issues in Appointments of Directors from Social Networks of Management

#### CEOs' Involvement in the Selection of a New Director

A CEO may influence the incumbent board in its selection of a new director (Shivdasani and Yermack 1999). It is documented in Shivdasani

<sup>1</sup>The board of directors generally forms a nominating or governance committee that nominates directors. However, there is an ongoing debate about shareholders' access to nominations of directors (Campbell et al. 2012).

and Yermack (1999) that if the CEO serves on the nominating committee or if a firm does not have a nominating committee, the firm appoints more directors that are connected with managers. However, the CEO is one of the key people the board is supposed to monitor; a CEO's involvement in the selection of a new director can carry significant agency implications. Cai et al. (2018) document that nearly 39% of all new appointed directors in their sample are socially connected to the incumbent CEO. Studies have found that CEO involvement in the director nomination process has consequences in corporate governance and firm value. For example, Shivdasani and Yermack (1999) show that CEO involvement in the selection of directors is value-destroying to shareholders, as evidenced by a significantly lower stock price reaction to such appointments. Similarly, Cai et al. (2018) find that shareholders react negatively to new appointees with previous work ties to the CEO when the firm also exhibits weak governance. Even without direct CEO involvement, new members of the board might be linked to the incumbent directors who are likely appointed by the CEO, suggesting an indirect connection between the CEO and the new directors. Coles et al. (2014) argue that directors who join the firm after the CEO are more likely to have been appointed by the CEO and that these directors might compromise monitoring effectiveness of the board. Specifically, they find that the higher the fraction of the board comprised of directors appointed after a CEO assumes office, the higher the CEO is compensated, and the less likely the CEO is fired due to poor performance. Overall, board appointment of directors directly or indirectly connected to the CEO might increase the existing power of the CEO at the expense of shareholders.

### Potential Agency Costs of Social Ties Between Management and the Board of Directors

Conflict of interests between managers and shareholders of a firm might cause agency costs. A close relationship between managers and the board of directors might compromise the board's responsibility to act on behalf of shareholders. Consistent with the prediction about the agency

costs of the CEO's involvement in director elections, many studies show that social ties between management and the board of directors are likely to hamper the monitoring function of the board, which is detrimental to shareholders' value. For instance, Fracassi and Tate (2012) find that firms with more powerful CEOs are more likely to appoint directors with ties to the CEO and those ties reduce firm value, especially if there are no alternative governance mechanisms that can replace board oversight. Their study also suggests that firms with more CEO-director ties engage in more value-destroying acquisitions. Further, Hwang and Kim (2009) and Nguyen (2012) document that a CEO is less likely to be fired for poor performance when the CEO and a number of directors belong to the same social networks. In addition, Larcker et al. (2005) show that the links between outside directors and management are associated with higher CEO compensation. Similarly, Hwang and Kim (2009) find that firms whose boards have social ties to the CEOs award higher CEO compensation and exhibit lower correlation between CEO compensation and firm performance. Engelberg et al. (2013) study CEOs' networks *outside* the firm and document that CEOs with large networks earn more than those with small networks. In addition, some papers study the role of social networks in earnings management, i.e., the use of accounting techniques such as early recognition of revenues or delayed recognition of expenses to produce financial reports that present a (management) desired view of a firm's financial situation. For example, Hwang and Kim (2012) document that earnings management is positively correlated with social ties between the CEO and a director who is a member of the firm's audit committee. Extending this line of research, Cao et al. (2014) show that outside directors socially connected to their firms' senior executives earn significantly higher returns in stock sales transactions, suggesting the existence of insider trading when outside directors are socially connected to firms' senior executives. Chidambaram et al. (2012) show that non-professional connections such as nonbusiness service or alma mater between the CEO and board members increase the firms' likelihood to



misreport their financial statements. Furthermore, Khanna et al. (2015) also document that connections that CEOs develop with top executives and directors through their appointment decisions are associated with a higher risk of fraud and lower likelihood of fraud detection.

### Potential Benefits of Connections Between Management and Directors

While connections between management and members in the board of directors can be costly to shareholders, they can also be efficient and can create value to shareholders through improved information sharing between directors and managers. A director appointee with prior ties with the management team might feel more comfortable expressing her opinions to management, especially if her views differ from those of the managers, facilitating effective communication. The benefits of trust nurtured by existing relationships between managers and the board of directors are particularly important when management needs advice from the board. The role of the board of directors is not only to monitor but also to advise management. Adams and Ferreira (2007) in their theory model argue that a CEO faces a trade-off in disclosing information to the board: if she provides more information to the board, she receives better advice; however, she will also be monitored more closely as the board is more informed. Thus, a “management-friendly” board of directors can be optimal when the management has high advising needs from the board. Consistent with this theory, in the context of mergers and acquisitions, Schmidt (2015) finds that social ties between the CEO and directors are associated with higher merger returns when advising needs are high but with lower returns when the monitoring needs are high. Similarly, Kang et al. (2018) use CEO-director social connections as a measure of board friendliness and find that firms where CEOs and directors are socially connected create more patents and patent citations and these are associated with higher firm value. They also show that friendlier boards are related to more innovations and greater firm value in firms where innovation or advisory needs are important. Duchin and

Sosyura (2013) study the roles of social connections between divisional managers and CEOs in internal capital budgeting. They document that the social ties between CEOs and divisional managers improve investment efficiency when information asymmetry is high, with information asymmetry measured by industry relatedness across divisions, the dispersion of operations across divisions, and the distance from the headquarters to divisions. Overall, this line of research appears to suggest that social ties between the CEO and the board of directors might benefit some firms, but there are also risks, especially for firms where the monitoring role of board is critical.

### Conclusions

Director election is critical to effective board monitoring. The prevalence of director selection from the network of the incumbent board, and especially the incumbent CEO, raises questions about the efficacy of such practice. This entry discusses the important role of social network in recruiting new directors and the costs and benefits of appointing directors with social ties to management. While potential benefits are improved advising by the board through better information sharing, potential costs involve a compromise of board monitoring; these costs and benefits vary among different types of firms and industries. Hence, a board of directors should exercise caution when considering director candidates who have social ties with management of the firm, since the risk of ineffective board monitoring from hiring outside directors connected to the management might weaken sound ethical practices in corporations. These ethical issues underscore the role of corporate boards as their day-to-day influence on firm practices is hard to observe, but their involvement in firm governance is subject to great scrutiny when things go wrong. A strong board should be able to recognize potential ethical problems involving the election of directors from management’s social network and act on behalf of shareholders.

## Cross-References

- [Agency Theory](#)
- [Corporate Governance](#)
- [Corporate Governance and Values-Based Management](#)

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## Directors' Duties to Tie Executive Pay to Environmental Protection

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## Synonyms

Emerging fiduciary duties to the environment; Financial compensation

## Introduction

Directors and officers oversee the performance of companies. They develop business plans, strategies, and risk management policies, implement governance systems, and ensure that a company complies with laws and regulations. Their conduct and decisions have a critical impact on both the performance of companies and the interests of shareholders, investors, creditors, employees, consumers, local communities, governments, and the environment. Given their position in a company and the economy, corporate law treats them as fiduciaries and imposes duties on them.

Traditionally, the fiduciary duties of directors and officers have served the interests of shareholders only. This has often implied that they

have to discharge their duties to maximize profitability and shareholder value. Such a view has been particularly dominant in liberal market economies and has had less impact on coordinated economies that have adopted a stakeholder model of corporate governance. However, shareholder-oriented duties have been put into question in recent years. The corporate purpose of maximizing shareholder value has been subject to worldwide criticism that in turn has called for modifying directors' duties. Among the reasons for revising shareholder-oriented duties, the growing climate crisis has brought attention to the role of companies and directors and officers in exacerbating climate change. Companies and their operations are involved in causing pollution and climate change and are likely to suffer the consequences of the climate crisis. The world, including companies, is already experiencing the negative impacts of climate change. These include more natural disasters such as flooding, draughts, storms, heatwaves, and power outages; the deterioration of human health; a potential economic collapse involving reduced profitability, stranded assets, and inability to make loan repayments, attract investments, and market capitalization loss (OSFI 2021); and social instability caused by potential public health crises, massive job losses, public service interruptions, and environmental racism and classism. This has called for a rethinking of the purpose of the corporation and the orientation of the duties of directors and officers. These duties are gradually being amended to serve multiple stakeholders' interests including the environment.

This entry briefly examines whether directors have a duty to serve the interest of the environment and climate change. Specifically, it explores the extent to which such a duty may provide a legal basis for a duty of directors to tie executive compensation to climate change objectives. The emerging duty of directors to consider climate risk is fairly established across jurisdictions, but its enforcement is uncertain. Tying executive pay to climate change offers a complementary alternative to steering the conduct of directors and officers toward environmental objectives. A duty to tie pay to climate may derive from directors'

emerging duty to consider climate risk as the latter should also require directors to integrate climate considerations into their executive pay decisions. These claims are developed in several sections. First, this entry briefly reviews the fiduciary duties of directors and officers, namely, duty of loyalty and the duty of care with regard to climate change. It also highlights the impact of climate risk disclosure policies and recent climate-related corporate tort litigation. Second, after noting the potential non-enforcement of directors' duties to consider climate risk, it elaborates on a duty of directors to link executive pay to environmental protection. The last section concludes.

## **The Emerging Duties of Directors Toward the Environment**

Directors and officers have two main fiduciary duties, namely, the duty of loyalty and the duty of care. The duty of loyalty involves a duty to act in good faith without conflicts of interests and in the best interest of the company. The duty of care requires directors to act with skill and diligence including making decisions on an informed basis (Williams 2021). In some jurisdictions, the duty of loyalty may also include a duty of oversight that generally obliges directors to oversee companies' operations and compliance with laws and regulations. While the fiduciary duties of directors have traditionally served the interest of shareholders particularly in liberal market economies, such duties have been gradually expanded to serve the interests of nonshareholder stakeholders such as the environment.

The duty of loyalty has evolved to require directors to integrate climate risk into their corporate decisions. In the United Kingdom, section 172 (1) of the 2006 *Companies Act* states that "[a] director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to (a) the likely consequences of any decision in the long term, . . . (d) the impact of the company's operations on the community and the environment; . . ."

In 2019, the *Canada Business Corporation Act* was amended to codify the duties of directors toward stakeholders including the environment. In describing the duties of directors and officers, the new Section 122 (1.1) states that “[w]hen acting with a view to the best interests of the corporation under paragraph (1)(a), the directors and officers of the corporation may consider, but are not limited to, the following factors: . . . (b) the environment; and (c) the long-term interests of the corporation.” Similarly, section 166 (2) of India's 2013 *Companies Act* states that a “director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.”

In the USA, the duty of loyalty also includes a duty of oversight (Williams 2021). This duty was established in the *Caremark* decision and requires directors to make good faith efforts to oversee both a company's business operations and compliance with laws and regulations otherwise they may face liability (*Marchand v. Barnhill*; Bainbridge 2021; Williams 2021). Specifically, “to satisfy their duty of loyalty, directors must make a good faith effort to implement an oversight system and then monitor it” (*Marchand v. Barnhill*). Directors must thus implement and oversee reporting or information systems or control so that they are in a position to be informed of risks and problems and respond accordingly (*Marchand v. Barnhill*; Williams 2021). The *Caremark* duty of oversight appears to be rooted in the duty of care (*Marchand v. Barnhill*; Wong 2015) and has been enhanced in a string of cases starting in 2019 with the Delaware Supreme Court's decision in *Marchand v. Barnhill*. In that case, the court expanded the *Caremark* duty to the oversight of “mission critical” aspects of a company. The court indicated that *Caremark* “does require that a board make a good faith effort to put in place a reasonable system of monitoring and reporting about the corporation's central compliance risks. In Blue Bell's case, food safety was essential and mission critical” (*Marchand*

*v. Barnhill*; Williams 2021). It may thus follow that, in seeking to fulfill the oversight duty, directors may be required to consider climate change risks and their impact on the company, its operations, long-term strategies, or disclosures (Williams 2021). The legal compliance aspect of the *Caremark* duty also requires directors to comply with ESG legislation and regulations (Bainbridge 2021). This may further boost directors' duty to consider climate risk (Strine et al. 2020).

The duty of care requires that directors and officers act with care, skill, and diligence including taking measures to avoid harms to the interests of their companies. The duty of care is well established across jurisdictions. Considerations of foreseeable environmental harm or climate risk can now be required from directors as part of their duty of care. For instance, commentators claim that the duty of care in Canada (Hansell 2020; Sarra 2021), the UK, and Germany (Schaloske 2021) obliges directors to act with skill and diligence to minimize climate risk and prevent environmental harms.

Furthermore, directors' obligation to consider the long-term interest of a company when discharging their duties further compels them to integrate climate risk into their decisions. Directors should thus take into account the impact of climate change on long-term firm performance and future generations. As mentioned earlier, section 172 of the UK's *Companies Act* and section 122 of *Canada Business Corporations Act* encourage directors to consider the long-term interest of companies. Similarly, in the USA, the Delaware Chancery Court's 2017 decision in *Frederick Hsu Living Trust v. ODN Holding Corp* pointed out that “fiduciary relationship requires that the directors act prudently, loyally, and in good faith to maximize the value of the corporation over the long-term for the benefit of the providers of presumptively permanent equity capital. . . .” Despite the emphasis on shareholder value, the Court's indication of the long-term focus of fiduciary duties provides further basis for incorporating climate risk into directors' decisions.

### Climate Risk Disclosure Policies

The proliferation of climate risk disclosure legislation and regulations around the world has also augmented the pressure on directors to consider climate change. For instance, in the USA, the Securities and Exchange Commission (SEC) is increasingly concerned about companies' exposure to climate risk and is encouraging companies to engage in further related disclosure while seeking to improve existing disclosure policies (Williams 2021). A 2021 *Climate Risk Disclosure Act* is being discussed in the US congress. This bill would direct the SEC "to require an issuer of securities to annually disclose information regarding climate change-related risks posed to the issuer, including an issuer's strategies and actions to mitigate these risks. Specifically, issuers must report their direct and indirect greenhouse-gas emissions and disclose their fossil fuel-related assets." Similarly, Canadian securities regulators and leading practitioners have recently stated that companies are obliged to disclose climate risks and the measures that they are taking to address them (Sarraf 2021). In 2020, the U.K. Chancellor of the Exchequer announced that climate risk disclosure will be mandatory for most companies as of 2025 (Cooper 2021).

Thus, the recent expansion of the duty of loyalty and duty of care along with heightened disclosure legislation may require directors to consider climate risk across jurisdictions. Directors may be expected to engage in assessing, monitoring, and preventing climate risk and its impact on companies. They may also solicit reports and conduct assessments to inform themselves and management of potential climate risks and take measures to mitigate the negative impact of climate change on a company and other stakeholders (Sarraf 2021).

### Further Expansion of Directors' Duties to Consider Climate Risk

More recently, a corporate tort court decision appears to confirm directors' duties toward the environment. In May 2021, the Hague District Court in *Milieudefensie et al. v Royal Dutch Shell PLC* "ordered Royal Dutch Shell (RDS) to reduce the CO<sub>2</sub> emissions of the Shell group by

net 45% in 2030, compared to 2019 levels, through the Shell group's corporate policy." This reduction obligation must involve all its value chain emissions (scopes 1, 2 and 3) and must be complied with even if it is not profitable or sacrifices shareholder value. Following that decision, RDS' directors appear to be required to take action to reduce emissions even at the expense of profitability. "RDS' reduction obligation ensues from the unwritten standard of care laid down in Book 6 Section 162 Dutch Civil Code," which implies that "when determining the Shell group's corporate policy, RDS must observe the due care exercised in society." The emissions harm citizens and thus breach Shell's duty of care. The Hague court interpreted such standard of care on the basis of dangerous climate change science and "the widespread international consensus that human rights offer protection against the impacts of dangerous climate change and that companies must respect human rights." Shell must comply with the ruling during any appeal process as it is provisionally enforceable.

This tort law decision sets a precedent for companies' duty of care and potentially for their directors to be aware of and manage the increasing climate risks. The *Shell* decision may have an impact not only on holding companies liable for climate-based harms, but also on reinforcing the emerging fiduciary duties of directors to consider climate risk across jurisdictions. Directors may be required to assess, monitor, and take action to minimize climate risks including the risk of corporate tort litigation and regulatory non-compliance, otherwise their companies may face tort liability for climate-related harms and be subject to regulatory and criminal investigations.

### Toward a Duty of Directors to Tie Executive Pay to Climate Change

While there is a growing consensus over the emerging fiduciary duties of directors to consider climate risk, the enforcement of such duties faces significant challenges, notably, the difficulties in proving directors' negligence and the possible lack of commitments from directors and



shareholders. This calls for complementary alternatives. Tying executive compensation to climate change targets may offer an important self-regulatory mechanism to align the behavior of directors and officers with the interest of the environment. Executive compensation provides strong financial incentives that very often drive and direct directors' and officers' decisions. Incorporating specific climate change targets into executive compensation promises to incentivize directors and officers to more rapidly and effectively implement corporate policies to meet those targets (Cevian Capital 2021; London Business School et al. 2021; European Commission 2020). Bonus, stock options, or clawback policies can be used to incentivize, reward, or penalize directors and officers for considering or ignoring climate risk. Tying pay to climate will also help remove a critical barrier to attaining climate change, namely, executive compensation policies based on stocks that steer directors and officers toward shareholder value maximization. Clear targets involving, for instance, specific emission reduction goals in the short term similar to those set in the *Shell* decision will likely deliver actual climate change.

Tying executive pay to climate change is consistent with the growing trend of linking executive pay to attaining nonshareholder value or non-financial objectives notably ESG (London Business School et al. 2021; Sullivan et al. 2021; Willis Towers Watson 2021). Companies are increasingly embedding the new purpose of the corporation in their compensation policies. This is the case of environmental protection. Major companies are reportedly linking senior executive pay to climate change performance that may spur significant progress toward a low-carbon future (Zizzo 2019; *Milieudefensie et al. v Royal Dutch Shell PLC* 2021). Pension funds are beginning to be active in that respect as well. For example, in Canada, the Quebec pension fund La Caisse has tied compensation to climate targets across the organization (Zizzo 2019). Similarly, some pension funds have proposed the expansion of clawback policies to address serious public health issues and consumers' interest. A coalition of 44 labor, religious, and public pension funds

have asked "10 drug manufacturers and distributors to report on how they are addressing business risks resulting from the abuse of opioid painkillers" and have advocated, among other things, "measures to expand clawback policies to recover pay from executives who inappropriately promote opioid drugs" (Westcott and Alliance Advisors 2018). These increasing corporate practices show the merits and feasibility of tying pay to climate change.

Despite its benefits and growing acceptance, linking pay to climate change faces significant resistance stemming notably from the opposition from self-serving directors, officers, and shareholders and shareholder-oriented executive pay culture. This is particularly the case of liberal market economies that have a long-standing shareholder primacy tradition. For example, in a 2020 publication, the Vice Chairman and cofounder of BlackRock, the world's largest institutional investor, Barbara Novick, embraces the 2019 American Business Roundtable's statement of the new purpose of the corporation and yet advocates the alignment of executive compensation with shareholder value only. She asserts that the "ultimate goal of any executive compensation program should be to incentivize senior executives to enhance their respective company's performance relative to prior years and its competitors for the benefit of all shareholders" (Novick 2020).

A duty of directors to tie executive pay to climate change may help overcome those hurdles. Under such a duty, directors may be required to link pay to climate and face liability if they breach it. It provides a legal incentive for directors and officers and shields them against shareholders' opposing pressures. Such a duty may derive from the emerging fiduciary duties of directors to consider climate risk. If directors are required to consider climate change, their executive pay decisions should also incorporate those concerns. Tying pay to climate has been considered in some jurisdictions. Section 87 of the *German Stock Corporation Act* states that "[f]or companies listed on the stock exchange, the remuneration structure is to be oriented towards the promotion of a sustainable development of the enterprise." It



may follow that German companies must adopt compensation policies that advance firm sustainability including climate change. In the same vein, a 2020 EY study for the European Commission recommended, *inter alia*, “to amend the Shareholder Rights Directive II to align executive remuneration policy with the long-term and sustainability goals,” in particular “[m]aking compulsory the inclusion of non-financial, ESG metrics, linked to a company’s sustainability targets, in executive pay scheme” (European Commission 2020).

The implementation of a duty to tie executive pay to climate change will likely face important challenges. Future research should thoroughly discuss critical factors such as the development of appropriate climate change metrics to be incorporated in compensation policies; directors’ ability to balance climate change objectives and multiple stakeholders’ interests; the deemphasizing of stock-based executive compensation in order to align pay with climate change; the extent of the likely opposition from self-serving directors and officers and shareholders (Edmans et al. 2021) especially controlling shareholders or common owners in concentrated corporate ownership contexts and in Carbon majors in particular; the role of civil society groups, local communities, and governments in pressing for relevant legal reforms and monitoring the implementation of pay-environment alignment policies; and the need to establish priorities in climate change targets when tying pay to climate change such as the mitigation of environmental racism and classism (Cunningham 2017). Needless to say, the nature of those issues varies across jurisdictions, and significant attention should be given to local contexts and the institutional environments in which the practice and regulation of directors’ duties are embedded.

## Conclusion

This entry has examined whether directors have a duty to consider climate risk and whether that duty may involve a duty to tie executive compensation to climate change targets. It found that both the duty of loyalty and duty of care of directors appear to require them to integrate climate risk into their

decisions across most jurisdictions. The Hague court’s 2021 *Shell* decision set a precedent for climate tort liability that may be followed by courts and legislators in other countries. The possibility of suing companies for climate torts may further reinforce the duty of directors toward the environment. However, its enforcement may face some hurdles, notably, the apparent lack of solid commitments from directors and shareholders. Tying executive compensation to climate change objectives offers an alternative mechanism to attain climate change in a more effective and rapid manner. The duty of directors toward the environment may provide a legal basis for requiring directors to tie executive pay to climate change. This is also consistent with growing corporate practices that are currently linking pay to the environment. Future research is needed to consolidate our knowledge of both the duties of directors toward the environment and the barriers to their enforcement taking into account the institutional peculiarities of every country and company. These general concerns and the need for further theoretical and empirical inquiries also apply to the potential duty to tie executive pay to climate change.

## Cross-References

- ▶ [Corporate Governance](#)
- ▶ [Corporate Governance and Values-Based Management](#)
- ▶ [Corporate Sustainability and Climate Change](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Corporate Social Responsibility Reporting Frameworks](#)
- ▶ [Ethics and Corporate Social Responsibility](#)
- ▶ [Investor Response to the Climate Change Challenge](#)

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## Disability Management

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### Synonyms

Comprehensives disability management; Consensus-based disability management; Injury management; Integrated disability management; Occupational rehabilitation; Tertiary prevention; Work disability prevention

### Introduction

While there are earlier historic examples of compensation, the link between disability and work has been formally acknowledged since the late nineteenth century when Bismarck introduced employers' liability in 1871 in Prussia. This acknowledged that work was a potential risk of injury or illness and that employers had a responsibility to minimize workplace hazards and to compensate workers who acquired an injury through work. This approach remains in place in many developed and developing economies in the form of occupational health and safety (OH&S) legislation and regulation and workers' compensation board (WBC) systems. The impact of these policies and procedures on occupational injuries and mortality is reported annually by most statutory agencies responsible for administering such systems. The ethics and economics of OH&S and WBC systems are enmeshed. The underlying ethical principles relate to nonmalevolence, justice, and the right of workers to expect that work will not negatively impact on their health and earning capacity. The economic arguments relate to the reduction of disability costs to the employer and society and the maintenance of the workforce productivity.

## The Distinction Between Disability and Impairment

Up until 1970s, the predominant view of disability was based on a medical perspective in which reduced functioning (impairment) was considered to be equivalent to disability. Disability assessment and interventions were focused on a person's functional capacity. The independent living and disability rights movements, which were established in the early part of the decade, drew a distinction between impairment, as an individual difference similar to gender or ethnicity, and disability which was the consequence of living in a society that assigned a negative value to being impaired. The social model of disability is the concept that underpins disability rights legislation. There followed 30 years of conflicted discourse which continues in many domains (Oliver 2013). One of the key concepts inherent in the social model is that disability is created by the social and physical environments in which a person lives and works. This can include inaccessible buildings, transport, and negative language, images, attitudes, and stigma. In 1996, the World Health Organisation initiated a process of dialogue between medical professionals and disability rights activists that culminated in the publication of the International Classification of Functioning, Health and Disability (ICF) in 2002 (World Health Organisation 2002). This has been referred to as a universal or biopsychosocial model of disability. The ICF retains the distinction between impairment, which describes a person's functional capacity, and disability, which is the negative implication of the dynamic interaction of a person and the environmental factors in which they live. The ICF views disability as part of the human condition and acknowledges that it intersects with personal factors such as age and gender. An important implication of the biopsychosocial model is that acquiring an impairment does not determine that a person will be disabled. Removing environmental barriers and putting in place facilitators can result in people, even

with severe or complex health conditions, being enabled to participate fully in the economic, social-cultural, and political life of society. Disability management is a set of coherent and linked interventions to increase the likelihood that an impairment does not result in a permanent disability.

## Historical Development

According to Murphy and O'Hare (2011, pp. 27–28), the first references to DM occurred in the 1980s. The articles appeared in US publications primarily devoted to vocational rehabilitation and promoted early intervention for workers who acquired or developed occupational injuries or illnesses. The arguments put forward for early intervention by employers were primarily based on the control of workers' compensation costs while at the same time meeting the needs of injured workers (Akabas et al. 1992). The terms used to indicate the DM approach often emphasized the employer's role in the process, e.g., employer-driven DM (Murphy and Foreman 1993), employer-based DM (Galvin 1986), and employer-led DM (Shrey and Lacerte 1995).

According to Akabas et al. (1992), DM referred to a workplace prevention and corrective strategy aimed at preventing disability from happening and, in the case where a worker acquired an injury, to provide early intervention which was coordinated and cost-efficient and included workplace rehabilitation. It required an organization to be committed to maintaining the employment of workers that experienced reduced functional capacity. A key ingredient was joining up prevention programs with allied health and return to work interventions (Loisel 2009). In 2003, the National Institute of Disability Management and Research proposed a consensus-based approach to disability management in which the role of workers and workers' representatives was emphasized (National Institute of Disability Management and Research 2004; McAnaney 2017).

## Characteristics of Disability Management

Disability management can be viewed as an umbrella term to describe the policies and processes that employers deploy to promote and protect the health, well-being, and productivity of the workforce.

Good practice guidelines specify a continuum of mechanisms to manage the workplace factors that have the potential to disable a worker and to assist workers who acquire or develop a health-related impairment that places their job in jeopardy to remain in employment or to return to work after absence. Key components include:

- Occupational health and safety
- Workplace health promotion
- Early identification of emerging health problems
- Workplace accommodations and supports
- Employee benefits design
- Occupational ergonomics
- Case management
- Return to work coordination
- Transitional work options

Organizational support mechanisms for a disability management program include:

- Joint worker-management support and empowerment
- Clarity of responsibility, accountability, and authority
- Workplace culture and policy development
- Information and communication management
- Knowledge of the disability management professional
- Monitoring injury, disability, and lost-time patterns

## Ethical Perspectives on Disability Management as a Business Strategy

The ethical principles of nonmalevolence and justice underpin the employer role in responding to occupational injuries through workers'

compensation insurance. An important development in the conception of the responsibility of employers toward people with disabilities has been the widespread implementation of anti-discrimination legislation which makes it illegal to discriminate against people on the grounds of their disability. The *UN Convention on the Rights of Persons with Disabilities* (2006) represents a landmark in this regard. Nondiscrimination legislation means the employers must not discriminate in the recruitment, selection, or promotion process on the grounds of disability.

This is also the basis for legislation that underpins the duty to accommodate workers who acquire or develop a health condition that reduces work capacity, while employed, regardless of the occupational or nonoccupational cause of the impairment. This is an important evolution in that it extends the requirements of equal treatment and social responsibility to accommodating workers with nonoccupational health conditions to assist them to retain employment. This development extends employer responsibility to the 80% of workers who acquire or develop an impairment as a result of nonoccupational causes.

In some jurisdictions, there is a growing consensus that employers have not only a responsibility to reduce the risk of impairment associated with occupational factors and to treat job applicants with impairments in an equitable manner but also to promote the health and well-being of all workers. While there is no legal or regulatory obligation for this, the grounds of economic and social responsibility and the social contract with the individual and wider society provide a strong basis for this argument.

Jurisdictional and cultural differences can impact on the disability management procedures adopted by employers and by the state. One influence is the type of funding mechanisms operated by the statutory authorities and whether these are based on social insurance, private insurance, or general taxation. A clear example of this is jurisdictions that operate no fault workers' compensation systems for occupational health conditions and tax-based systems for workers with

nonoccupational health conditions, for example, many states in the USA and Australia operate such dual systems. In the Netherlands, employers are considered to be responsible for supporting ill or injured employees for up to 2 years regardless of the cause of the health condition and use private insurance to mitigate this risk (Ståhl et al. 2014). In Finland, the Work Ability approach places responsibilities on both the employer to reduce the impact of work on workplace health and the individual workers to seek to maintain their health and work capacity (Ilmarinen 2009).

Ståhl et al. (2014) noted that the characteristics of the sociopolitical system in which employers were operating (e.g., tax-funded or market-based systems) impacted on the types of stakeholder responsibilities that were accrued and the status of the worker or the employer as client of the DM process. They concluded that a social contractual approach can help to inform an analysis of these types of cultural and legal differences.

The ethical standards for professionals responsible for operating DM programs on behalf of employers and insurers are more clearly delineated. These include integrity, promoting the welfare of individuals with whom they are working, promoting and protecting the employability of workers, maintaining their competence, promoting knowledge in the field, and complying with laws and regulations (National Institute of Disability Management and Research 2007).

## Cross-References

- [Aging and Ethics](#)
- [Autonomy and Informed Consent](#)
- [Beneficence](#)
- [Business and Society](#)
- [Core Values](#)
- [Corporate Social Responsibility](#)
- [Ethical Dilemmas](#)
- [Harassment in the Workplace](#)
- [Human Dignity and Business Ethics](#)
- [Human Rights](#)
- [Person–Organization Fit](#)



- ▶ [Work-Life Balance](#)
- ▶ [Workplace Bullying](#)

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## Displacement and Refugees with Respect to Human Rights Regimes

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## Synonyms

Alien; Displaced persons; Migrants; People without a country

## Defining the Issues

The seven decades following the Second World War have witnessed a steady upward increase in the forced displacement of men, women, and children worldwide. This has been the result of famine, disease, civil wars, religious, and political persecution at home, post-war conflicts in Afghanistan, Iraq, Libya, and, most recently, the rise of the Islamic State (ISIS). Some make the perilous journey to a neighboring country and others take further risks by travelling long distances by road and by sea to the richer parts of the world – Europe and North America. In its Global Trends 2016 Report, the United Nations High Commission for Refugees (UNHCR) points to the largest increases in the displaced population around the world since the Second World War: the number of the displaced (refugees, asylum seekers, stateless people) stood at 65.6 million people, the equivalent of 20 new displacements every minute, one every 3 s. The children are the most vulnerable population and, according to the Agency's report, 75,000 unaccompanied and separated children sought asylum in 70 countries. ISIS-related violence alone has led to the flight over 3.3 million from Iraq and over 3.8 million Syrians with a further 7.6 million displaced inside Syria itself. In 2018, more than 700,000 Rohingya Muslims fled to neighboring Bangladesh from Myanmar where they have lived for generations, in order to escape brutal physical and sexual violence at the hands of military-backed vigilante



groups made up of non-Muslim villagers as a part of an ethnic cleansing project. The Myanmar army openly asserted that the Rohingya Muslims had no roots in the country and had been involved in terrorist activities. As well the civilian leader Aung San Suu Kyi (a Nobel Peace Prize laureate and once an icon of defiance against tyranny during her 21-year long house confinement by the Burmese military regime) backed the military, rather than supporting the persecuted minority, claiming that the crisis in Rakhine state was being distorted by a “huge iceberg of misinformation.”

While on the one hand the international human rights and legal refugee regimes have proven ineffective in dealing with the upsurge of displaced populations; on the other hand, the world community's response has not been hesitant to exercise their legal rights to control who enters their territory and has enhanced their surveillance of those who enter and who are pushed out. Concerns of national security against Islamic terrorism, particularly after 9/11, have loomed large, compounded by a turn in Europe and North America towards right-wing nationalist and anti-immigration agendas. Severe restrictions have been imposed on the entry of refugees. A dozen or so countries of the European Union have built barricades/fences to try to keep out both migrants and refugees. Fences and stretches of barbed wire surrounding cramped tents and makeshift huts which could not conceal the inhumane conditions of their inhabitants became a common sight during the Syrian refugee crisis. While in 2015 the shocking images of a drowned Syrian boy alerted the world to the tragic plight of refugees, empathy was limited and short-lived. For example, President Obama vowed to take in 10,000 refugees but, at the same time, screening out potential terrorists remained the focus of the department of Homeland Security. Similarly, India, instead of opening its borders to the Rohingya refugees and easing the burden of Bangladesh, decided to deport 40,000 Rohingya refugees who had arrived between 2012 and 2017 (a process halted by the Indian Supreme Court), promising to stand firmly with Myanmar in its “fight against terrorism.”

All this raises several questions: what is the moral or the ethical obligation of the world community towards the displaced population? Or as Benhabib puts it, how should one reconcile the rights of citizens and the human rights of others? (2004) Is it possible to reconcile the paradox of the universal agenda of human rights with the state's sovereign prerogatives and its commitment to its citizens first before the others? Is it possible to enhance the moral authority of the international actors to intervene where nations fail to protect their own people? How should the international refugee and displacement legal regime address the plurality of circumstances and generate prompt responses to the local, context-dependent particularities of displacement? And while geopolitical issues no doubt loom large as negative factors in the accommodation of the rights of the displaced populations, it can be argued that the preponderant impediments, the real barriers, are in fact jurisprudential/conceptual in nature. Shouldn't we therefore be moving beyond the definitional categorizations and distinctions between refugees, internally displaced, asylum seekers, stateless, and migrants and support the legal attempt of the international refugee to strike a balance “between too narrow a framework that risks excluding people who share similar characteristics and one so broad that it loses focus on the distinct protection and assistance needs arising from forced displacement” (Mooney 2005: 13)? In order to reflect upon these questions, it is imperative that we describe the incremental development of the international refugee/displacement regime.

### **Development of the International Refugee Protection Regime**

The institutionalization of human rights in world politics took place in response to the horrors of the Second World War. The United Nations served as a forum for the adoption of major international human rights conventions. On December 10, 1948, the Universal Declaration of Human Rights (UDHR) was adopted and proclaimed an authoritative statement of fundamental rights accepted across cultures and moral traditions.

Contemporaneous parallel efforts were also made by the UN to resettle post-war refugees from around the world. The Economic and Social Council of the UN requested the Secretary General to “undertake a study of the existing situation in regard to the protection of stateless persons” and to “submit recommendations to the Council as to the desirability of concluding a further convention on the subject.” In 1950, the UN General Assembly created the UN High Commissioner for Refugees (UNHCR) and in 1951 Convention Relating to the Status of Refugees was adopted. The scope of both the UNHCR and the Convention was limited to providing protection for the post-World War refugees who were “affected by the events occurring in Europe (or elsewhere) before 1 January 1951” (Gallagher 1989: 580) within a 3-year time period. Kelley and Durieux observe, “Both documents adopt a relatively narrow definition of ‘refugee’ as a person who, as result of events occurring before 1951, is outside his or her country because of a well-founded fear of persecution for reasons of race, religion, nationality, political opinion, or membership in a particular social group” (2004: 7). It was not without consequences: this narrow definition of a refugee and its geographical limitation was the reason why both India and Pakistan were unable to convince the United Nations to provide assistance or protection to their ten million refugee populations resulting from decolonization and the partition of the subcontinent in 1947.

Irrespective of its limitations, the 1951 Convention remains the first and the only binding refugee protection instrument. It codified the Principle of Non-Refoulement as a fundamental principle of international refugee law. Article 33 of the Convention prohibits “any Contracting State to expel or return (‘refouler’) a refugee in any manner whatsoever to the frontiers of the territories where his life or freedom would be threatened.” Since the adoption of the Convention, there has been a slow yet steady development as well as a broadening of the definitional parameters of displacement. The 1967 Protocol Relating to the Status of Refugees was to remove the geographical and temporal restrictions, thus giving the Convention universal coverage. Moreover, this

codification of refugee rights has been supplemented by legal regimes in several regions (for example, the Organization of African Unity Convention 1969; The European Union Council Directive 2004; the Cartagena Declaration on Refugees, Columbia 1984). While the 1951 Refugee Convention has been ratified by 145 States, some of the 43 non-signatory countries host important refugee populations, making it challenging for the UNHCR to ensure the applicability and compliance of humanitarian standards set up at the international level.

Responding to different circumstances, the UNHCR has been able to expand its initial limited mandate to include the protection of the rights of children and women and internally displaced populations. Two significant developments were: (a) the 1979 International Conference on Refugees and Displaced Persons in South-East Asia to deal with the flight of massive number of Vietnamese refugees (as a result the ASEAN countries pledged to provide temporary asylum and the Western countries to accelerate their resettlement); and (b) the 1989 UN Convention on the Rights of Children (the UNHRC contributed to the drafting of this Convention and Article 22 pertains specifically to the refugee regime). In the early 1990s, the issue of internal displacement was to become increasingly integrated within the international agenda and very substantial progress has been made in the refugee discourse (Chimni 1998; Pacitto and Fiddina-Qasmiyeh 2013; Weiss and Korn 2006).

During the 1990s, with the mounting crisis of internally displaced persons (IDP) due to an increasing number of civil wars and genocides committed within the national borders of the Balkans and Rwanda, UN Secretary-General Kofi Annan actively undertook the task of pushing the members of the United Nations to find common principles on the basis of which the international actors could use their moral authority to intervene where nations fail to protect their own people. In his 2000 Millennium Report, Annan asked categorically: “how should we respond to a Rwanda, to a Srebrenica, to gross and systematic violation of human rights that offend every precept of our common humanity?” This was to lead

to the coining of a new concept – the Responsibility to Protect – which would have the international community take the responsibility to act and hold governments responsible who do not meet their obligations to protect their own citizens. In other words, attempts were made to reformulate the concept of territorial sovereignty by moving it from its legal frame of reference, i.e., the absolute authority of the national state within a bounded territorial space, to the normative one of “sovereignty with responsibility.” At the 2005 World Summit to prevent genocide, war crimes, ethnic cleansing and crimes against humanity, R2P, the Responsibility to Protect doctrine, was adopted. In 2009, UN Secretary-General Ban Ki-moon’s report “Implementing the Responsibility to Protect” was released.

In order to coordinate the governmental and nongovernmental sectors, in 2005 the UNHCR started the Convention Plus. With its aim to improve refugee protection worldwide and to facilitate the resolution of refugee problems through multilateral special agreements, the Refugee Agency tried to address the issues not covered by the 1951 Convention. These included operational arrangements with Governments, often in relation to a particular group of refugees or a specific situation; the strategic use of resettlement as a tool of protection; finding a durable solution by an effective targeting of development assistance; and clarification of the responsibilities of the national government during irregular secondary movements of refugees and asylum-seekers.

While the international community was to recognize its moral and ethical responsibility towards the internally displaced person, the distinction between refugee and IDP was maintained. Consequently, the UNHCR was to push the national governments to prepare and enact legislation to address internal displacement, thus reinforcing its initial distinction between the two with the IDP falling under the jurisdiction of national governments. The 2008 Manual for Law and Policy Makers, titled “Protecting Internally Displaced Person”, prepared by the newly created Representative of the Secretary General on the Human Rights of Internally Displaced Persons, clearly

laid out: “it is not the international community but national authorities that “have the primary duty and responsibility to provide protection and humanitarian assistance to internally displaced persons within their jurisdiction” (2008).

## Challenges

No doubt the international refugee regime has widened its scope, both in terms of protecting different categories of displaced peoples and moving beyond its initial European focus, but the recent Syrian and Rohingya refugee/displaced persons crisis point to three remaining major challenges.

First, a large number of internal displacements do occur and are still occurring within the boundaries of a nation state as a result of specific socio-political complexities, in particular disputes over the control of sovereign power, sectarian conflicts, and ethnic cleansing. The refugees or displaced persons, while trying to escape horrific conditions, inadvertently get trapped in legal and administrative regime structures. The international Refugee regime compels us to view categories of displaced persons through the lens of a fixed set of labels of “refugees,” “migrants,” and “internally displaced persons.”

Second, as Alexander Betts points out, the parallel international and overlapping regional institutions which have emerged since the 1990s in response to the increasing South-North migration have enabled states to circumvent the UNHCR and the 1951 Convention. For example, “the EU has developed Frontex, the EU’s border control agency, which engages in military patrol of attempts of migrants to acquire access to the EU’s Southern or Eastern borders” (2009: 55). Similarly, the parallel institutions to UNHCR such as the International Migration Organization (IOM), the Global Commission on International Migration (GCIM), and the Global Forum on Migration and Development (GFMD) pursue their specific agenda on migration, sometimes overlapping and at other time contradicting the UNHCR institutional mission. Betts observes that IOM “provides services to the European

states that enable them to limit the access of asylum seekers crossing from Sub-Saharan Africa to the EU via the Maghreb” (2009: 55–56).

Third, the shifting ethnic characteristics of the displaced and the refugee populations – from European during the early post-WWII period to Asian, African and Islamic – has led to negative and intolerant attitudes in the West towards the “outsiders.” Right-wing parties with vocal anti-immigrant policy platforms have been growing in number of European countries and have made electoral gains. While the European far-right parties with anti-immigration agendas go back to the 1980s, amid Europe’s current refugee and migrant crisis their rhetoric has revived and taken on renewed weight. With politically charged language, suspicion has turned into fear of the “Other.” In the United States, President Trump has seized upon immigration as the cause of countless social and economic problems and is determined to pursue an anti-immigration agenda and restricting the entry of foreigners, especially from predominantly Muslim countries.

## Moving Forward

These challenges can be met by first ensuring that we make attempts to pluralize the term displacement by opening up the refugee discourse to addressing the context dependent character of displacement and examining how one ought to address the interests and needs of those who get stuck in these local particularities. Moreover, in addition to streamlining the mandates of the international parallel institution such as the IOM and the regional arrangements like that of the EU and making these consistent with the UNHCR, it has increasingly become imperative that moral principles of the dignity and rights of all human being are reconciled with the legal principle. Seyla Benhabib has put it very aptly, “From a moral standpoint, human beings are not divided into citizens, refugees, and migrants. Morality is the obligation we have to the Other” (2015).

## Cross-References

- ▶ Human Rights
- ▶ Human Rights Impact Assessments
- ▶ Immigration and Business Ethics
- ▶ Racial and Ethnic Diversity in Business

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## Distributive Justice

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## Synonyms

Economic fairness; Economic justice

## Introduction

Like all discussions of justice, ideas about distributive justice are inherently evaluative in the moral or ethical sense. In the case of distributive justice, the object of evaluation is the distribution of income and wealth. Other economic advantages or harms (especially environmental) are sometimes considered, but it is convenient to restrict the discussion to income and the ownership of wealth.

The distinction between income and wealth is fairly clear in a general sense, though each can be converted into the other (assuming a person has enough income to allow saving). Income can be viewed as a loose proxy for consumption. Wealth includes the ownership of the means of production (such as factories, mines, businesses, and so on), but it also includes ownership of government debt and consumer debt, that is, claims on the future tax income of governments and the future wages of labor.

The main problem with moral evaluations of economic distribution is that there is no agreed principle that specifies the criteria of evaluation. Of the possible principles, this entry will discuss the following: egalitarianism, safety-nets, equal opportunity, desert-based theories, utilitarianism, and process-based theories. The entry will also briefly comment on feminist, Buddhist, and North American aboriginal ideas about distributive justice.

**Egalitarianism:** Strict economic egalitarianism maintains that justice requires every individual in a society to have equal amounts of income and/or wealth. Few advocate such strictness as it is open to the objection that its maintenance requires constant government interference and redistribution. Mostly egalitarians view equality as a moral ideal such that all departures from it must be morally justified. For example, John Rawls' (1971) maximin principle (also known as the difference principle) allows inequality of income and wealth if such inequality benefits the least well-off in a society. A common application of this principle would say that if giving some people monetary incentives means that they generate enough wealth to make the poor better off, then it is ethical

to allow the wealth creators to be richer than other people.

The egalitarian assumption is often viewed as a fundamental moral principle that does not need justification. It relies on the human instinct that fairness requires equality. And indeed, human infants at a very early age react negatively to unequal treatment (and so do some other primates). Children view a pie divided fairly as one that is divided equally. If pressed, some economic egalitarians refer to a more basic egalitarian principle such as that all people deserve equal respect.

Besides rejecting egalitarianism as a fundamental principle, objectors can point out that egalitarianism is an outcome-based moral theory and as such can require constant government action, usually redistribution of wealth and/or income, to ensure the desired outcome. Such government action can interfere with other values such as freedom, human rights, or property rights.

A more recent justification for at least some increased economic equality relies on data that show economic inequality causes serious social harms. If wealth or income distribution is measured by the Gini coefficient (a high Gini coefficient means less equal distribution), a high national or state Gini coefficient correlates with low life expectancy, poor health, poor educational outcomes, high crime rates, and many, many other social problems. (Wilkinson and Pickett 2010, give an overview of the data as of 2009). This use of the Gini coefficient and the resulting data have been questioned.

**Safety-net theory:** Safety-net theories are sometimes confused with egalitarianism, probably because safety-nets generally involve at least some redistribution of income. However, safety-net theories are only concerned about the minimum level of income in a society and generally are indifferent to economic distribution among all those above the minimum. Most welfare systems are justified as safety-nets, and food stamps, negative income taxes, Medicaid, and other transfers and services for the poor often close holes in the safety-net. A Universal Basic Income (UBI) is probably the most efficient, most thorough, and clearest form of a safety-net ensuring a minimum income for everyone.



Safety-net theories are sometimes justified using the fundamental moral principle that no one should be destitute in a rich society. There are also utilitarian justifications, such as the fact that destitution causes crime, un-aesthetic neighborhoods, harbors for disease, and alcohol and addiction problems. These harms can be multigenerational.

Occasionally arguments are advanced about limiting the other end of the wealth and income scale. Some people think there should be a limit on how rich an individual can be, either on grounds of fairness or more often because it is thought great concentrations of wealth harm society (usually because of the political power wealth gives). Wealth taxes and inheritance taxes are the most common tax policies proposed to deal with wealth concentration, but regulation of the financial industry controls on corporate governance, and antitrust laws can also be aimed at preventing excessive concentrations of wealth.

**Equal opportunity:** Proponents of equal opportunity believe that a just society is one in which everyone, as each one enters the economic system as an adult, has an equal chance at gaining economic goods supplied by wealth and income. In practice, this means firstly a huge emphasis on government supplied (or at least government paid for) K-12 education, preschool and daycare, school nutrition programs, and other government policies that give every child an equal opportunity to live a fulfilling life. Proponents of equal opportunity also generally advocate affordable or free college and university education for all who qualify and admission procedures that are unbiased.

In a modern capitalist society, education is vitally important, but equal opportunity also implies equal access to capital, at least when people are first entering the economic system. If intergenerational transfers are based on inheritance, the children of the rich and powerful have opportunities that others do not have. Some proponents of equal opportunity argue for high inheritance taxes, sometimes even 100%, with the government using the resulting revenue to give every citizen a capital grant on his or her 18th birthday. This idea has been criticized because even if governments can distribute capital equally,

they cannot equalize the understanding of investment, diversification, delayed gratification, risk-taking, and so on. A huge number of people do not even realize that invested money can supply a stream of income; such knowledge is irrelevant to surviving in the culture they live in. More likely in such a culture is the deeply learned lesson that any money that comes your way should be spent immediately or it will be taken from you.

Such reflections raise the issue that income and wealth are greatly impacted by character traits (such as intelligence, risk-taking, and ambition) and the abilities to concentrate, delay gratification, persuade others, manage businesses, and so on. Some proponents of equal opportunity (especially in the philosophy literature: see Dworkin 1981a,b) recommend that people who lack these characteristics should be compensated. Others argue that those who are intelligent and ambitious, for example, deserve more wealth and income than others (see desert based theories below).

**Utilitarianism:** A distribution of wealth or income is just by utilitarian principles if that distribution maximizes the “greatest happiness of the greatest number.” The current debate about using “national happiness” (instead of GNP growth) as a measure of progress is driven by the utilitarian approach. Other utilitarians use criteria such as human well-being instead of happiness as their goal. Economists often use desire satisfaction or utility.

Utilitarians generally do not propose careful consideration of each individual’s happiness; instead, they propose policies and laws that tend to promote human happiness and well-being in general. They also advocate careful sociological study of the outcomes of implemented laws and policies to ensure that they are working by promoting happiness and well-being.

For example, utilitarianism is behind the careful study of the social effects of economic inequality. High levels of inequality, it is argued, result in high crime and murder rates: poor educational outcomes, mass incarceration, increases in chronic health problems, high infant mortality rates and short life expectancies, and so on. If these data are correct, then the utilitarian



conception of justice would require a more equal distribution of wealth – providing the resulting policies did not discourage wealth creation so greatly that the economy shrank significantly. Utilitarians would always want results to be monitored.

**Desert based theories:** Desert base theories of distributive justice require that the economy and government policies are designed so that people get the income and wealth they deserve. Most commonly, proponents argue that free markets reward hard work, risk-taking, and productivity. It is often added that poor people are usually poor due to laziness, indifference, and weakness of character leading to drug addiction, inability to save, and so on. Since the poor do not deserve any increase in income, desert-based series of justice do not require the implementation of welfare or redistribution policies. Exceptions can be made for the disabled and others who were poor through no fault of their own.

Although the attitude that justice consists in people getting what they deserve is common, a closer look at desert-based theories of justice reveal significant problems. The criteria of desert are seldom clear. Some combination of effort, contribution, and need is suggested by most proponents, but (by Arrow's impossibility theorem) there can be no way of optimizing the outcome of three criteria, assuming each criterion provides ordinal rankings of possible distributions. The free market does not reward effort if a person has limited abilities, and it certainly does not consider needs. Free markets do tend to reward contribution, but contribution is difficult to measure in the complex world of corporate business. In corporate capitalism, distribution seems to be more based on economic power than the marginal productivity of each individual.

Governments sometimes try to base welfare and other redistributive policies on desert, by, for example, rewarding workers more than the unemployed or by directing aid to those in need. However, to do so governments must put in place extremely expensive desert monitoring systems staffed by large numbers of government workers. Such systems are not only expensive, they are also intrusive into the lives of many citizens because

they require verified information on many extremely personal factors. For these sorts of reasons, it is sometimes claimed that even if justice is connected to people getting what they deserve, it is too expensive and too intrusive for governments to undertake this form of justice. Proponents of a Universal Basic Income generally argue this way.

**Process-based justice:** All of the above theories are outcome-based; that is, they propose that justice consists in a certain state of society (equal income, equal opportunity, or so on) and that policies and actions ought to be aimed at establishing a just state of affairs. Process-based theories of justice reject this approach completely; instead they maintain that judgments about the justice of an economic system depend on the processes within that economy, never on the outcomes of those processes. If the processes are just, then the system is just regardless of the resulting distribution of wealth or income.

The most commonly cited principles of just processes are just ownership and just transfer of private property. A transfer is just if both parties give informed consent. Ownership is just if the owner acquired the property justly by just transfer or by creating the property through their own labor (either physical or intellectual). In general, defenders of process-based theories of justice are champions of free markets.

The first issue this approach raises is the question of taxation. The implication is that no taxation is just and that therefore there should be no government. Most process-based theorists back away from such an anarchist position; instead they argue that the sole legitimate purpose of governments (and the sole legitimate use of tax money) is to enhance and preserve a justice system of private property and just exchanges. Security of person is added on the grounds of self-ownership. But using taxpayer money to supply any other government service is considered unjust. The resulting minimal government is referred to as the night-watchman state (Nozick 1974).

One common objection to the process-based approach to justice is that it requires that the original acquisition of property, especially land and natural resources, was just. This is difficult if

not impossible to show, since if the current ownership of land and natural resources is traced back through prior owners, then no matter how many just transactions lead up to the present, at some point in the past the property was obtained by conquest, violence, fraud, or other nonconsensual means. Almost the whole of North America, for example, was acquired from Aborigines by force by European settlers. This fact may undermine much of the moral persuasiveness of process-based theories of justice.

**Other Approaches:** Although most discussions of distributive justice considered the justice of the distribution of income and wealth across society, there are other approaches and issues. Feminists have raised issues about just distribution within families that are generally missed in discussions of the economy as a whole. Feminists have also raised questions about intergenerational distributions, such as the justice of inheritance and estate taxes, but also about the justice of harms (such as pollution or resource depletion) that we are currently imposing on future people. Such questions are now widely debated.

North American aborigines, and those who listen to their perspective, often question whether wealth (especially the means of production and more especially land and natural resources) should be owned by individuals – perhaps wealth should belong to families, clans, bands, tribes, communities, or nations. But others wonder if such ownership structures are possible within a larger capitalist society, and their basis in tradition has been questioned (Miller 2012).

Communists, of course, think that the means of production should be owned by an economic class, namely, the proletariat. Underlying this view is Marx's claim that justice and injustice do not lie in the distribution of income and wealth, but in the relationships of production (see, for example, *Critique of the Gotha Program* in Marx and Engels 1959). Historically, ownership by the proletariat has meant ownership by the state, which leads to a planned economy. There is now a wide consensus that planned economies do not work. Some communist think that workers, not the state, should own their own workplaces. There have been some historical examples of this,

such as in the now disappeared Yugoslavia, but the most often cited example now is the Mondragon co-operative in Spain. However, scholars such as Heath (2014) argue that there are good theoretical reasons why shareholder-owned corporations generally outperform cooperatives.

Finally, some people, such as Buddhists, claim that the distribution of wealth and income are not key factors in the moral assessment of a society. They think that we should be paying attention to more important things than money and property. They recognize that destitution is undesirable, but the solution to destitution should lie in the charity of those who can afford it.

## Summary

Distributive justice concerns the moral evaluation of economic goods and harms, especially (but not exclusively) income and wealth. There is little agreement on the criteria of such evaluations; various people defend: egalitarianism, safety-nets, equal opportunity, desert-based theories, utilitarianism, and process-based theories. The discussion of these is on-going. Feminists have raised the issue of evaluating distribution within families. There are also issues about intergenerational justice. Some North American aborigines (and others) have raised questions about whether individuals should own wealth (especially land and natural resources) or whether wealth should be owned by families, clans, tribes, or nations. Other people, including Buddhists, wonder whether the distribution of wealth and income is an important moral issue.

## Cross-References

- [Buddhism](#)
- [Compensatory Justice to Groups](#)
- [Gender and Household Economics](#)
- [Gender, Economics, and Unpaid Work](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Justice](#)

- [Liberalism](#)
- [Libertarianism](#)
- [Liberty](#)
- [Locke, J.](#)
- [Marxism](#)

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## Diversity, Equity, and Inclusivity (DEI)

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## Synonyms

Affirmative action; Antidiscrimination policies; Equality promotion strategies

## Introduction

For at least the past few decades, governments, companies, institutions of higher education, etc., have introduced and promoted policies and practices under the label DEI or diversity, equity, and inclusivity. This is a general commitment that has

been adopted across many, primarily Western, democratic nations, although the breadth and commitment to equality of rights was entrenched earlier in contemporary history in the 1948 United Nations Declaration of Human Rights. Such rights have been further expanded upon in various other documents ratified since the original declaration which specifically identify groups who have been systemically discriminated against (e.g., women, disabled, Indigenous people).

The nature of equality and human rights has been discussed throughout the history of scholarly inquiries into the nature of human beings, initially in Philosophy and later in the evolution of rights talk in History, Political Science, Sociology, Psychology, Education, Economics, and Law, among other disciplines. These worthy discussions are beyond the inquiry into the current discussion of modern policies on DEI; some of which are covered elsewhere in this encyclopedia.

Both in Philosophical and Economic theory, there is considerable discussion about the use and distinctions between the terms “equity” and “equality.” It is interesting to note that the terminology of DEI generally does not discuss these terms but rather has seemingly and universally opted for the term equity. When reasons for equity are noted, it is generally identified as the idea that equity is focused on outcomes which is the desired goal of these policies rather than processes like notions of equality of opportunity which, at best, are necessary if not sufficient conditions for meeting such employment goals as proportional representation in occupations or educational equity or pay equity which includes equal pay for equal work and equal pay for work of equal value.

The purpose of DEI is to bring equity to populations of persons who are identified as historically and systemically discriminated against in terms of equality of access, hiring, promotions, and representation.

With respect to the categories of persons who are identified as members of historically and systemically discriminated against, categories vary by sector and nation. According to the United Nations,

The principles of equality and non-discrimination are part of the foundations of the rule of law. As Member States noted in the Declaration of the High-Level Meeting on the Rule of Law, “all persons, institutions and entities, public and private, including the State itself, are accountable to just, fair and equitable laws and are entitled without any discrimination to equal protection of the law” (para. 2). . . [This includes a commitment] to respect the equal rights of all without distinction as to race, sex, language or religion (para. 3).

The international human rights legal framework contains international instruments to combat specific forms of discrimination, including **discrimination against indigenous peoples, migrants, minorities, people with disabilities, discrimination against women, racial and religious discrimination, or discrimination based on sexual orientation and gender identity.**

Although the identifiers or descriptors vary from policy to policy, the main categories generally attempt to be as inclusive as possible. Much of the scholarly literature on the topic is empirical in nature, illustrating underrepresentation in certain career or educational categories and/or inequitable compensation for members of the designated group when compared to the dominant group (generally classified as white males). Where education and experience are matched but compensation is not, advocates of DEI argue that discrimination is the most clear and cogent explanation for the discrepancy. In this vein, Economist Bourguignon (2015) notes,

In most countries, education differentials between men and women have virtually disappeared and, with a higher participation of women in the labor force, job experience has also equalized. The remaining wage differences are thus a result of either discrimination, in a strict sense, women being paid less for exactly the same work, or remaining differences in non-observed characteristics of salaried employees.

Having noted the empirical nature of much of the literature, DEI is nevertheless embedded in the philosophical literature of its precursor, affirmative action. Affirmative action was the initial term about which were philosophical arguments for and against legislated approaches to achieving proportional representation of designated discriminated against groups based on incentives and quotas. In favor of just approaches were

arguments about the inadequacy of equality of opportunity, a principle which presumes that if all positions are publicly advertised and open and the competition is fair then whoever wins the position, the competition is deemed fair and just. The problem with the principle, argued critics, is that it presupposes that everyone in the competition is equal to start with which is not the case with members of groups that are discriminated against. Critics argue on historical, empirical, and philosophical grounds that the assumption of equality at the starting line with equality of opportunity is false. Poverty, racism, and sexism discriminate against equality leading up to the competition so that it is unfair. Further, an open competition does not address bias, conscious or unconscious in a job hiring process by those evaluating candidates.

Briefly, the arguments against affirmative action on philosophical grounds and the rebuttal against such arguments are as follows:

### Reverse Discrimination

The reverse discrimination argument is that if discrimination is morally wrong then so too is reverse discrimination. Two wrongs do not make a right. If I am a fully qualified and admissible candidate for a position in a medical school program, then it is unjust and unfair if I am not admitted because the scale is weighted in favor of a quota system which tilts the competition for individuals who are members of discriminated against groups. The rebuttal to this argument is that the continuing discrimination of groups of disadvantaged persons outweighs the minority of privileged individuals who are unsuccessful in admission to the program.

### Compensatory Justice

Another argument against affirmative action is that group compensation is unjust and may end up compensating members of the discriminated group who are actually privileged. For example, a wealthy, upper-class member of a discriminated group may be compensated by being admitted to a university or being hired for a job and an unsuccessful but qualified candidate may be poor and de facto discriminated against. The counterargument

is that the status quo where the majority of persons belonging to discriminated against groups which is broadly unfair outweighs the minority who may be unfairly treated by the systemic approach to widespread inequality.

### Contrary to Competence

The third argument is that merit and competence are compromised when being a member of a disadvantaged group trumps merit and competence in a competition. There is a serious problem, it is argued, if universities and organizations are forced to favor members of disadvantaged groups over the best qualified. The counterargument is that many candidates are equally qualified or better but discrimination eliminates their candidacy if formal policies and practices are not put in place to counteract it.

### Cross-References

- [Affirmative Action in Business](#)
- [Affirmative Action: Employment Equity in Canada](#)
- [Compensatory Justice to Groups](#)
- [Human Rights](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)

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United Nations Declaration of the High-Level Meeting on the Rule of Law at the National and International Level (2012) 67th General Assembly Resolution, 217A

United Nations Declaration on Human Rights (1948) [Un.org/en/about-us/universal-declaration-of-human-rights](http://www.un.org/en/about-us/universal-declaration-of-human-rights)

## Doctrine of the Mean and Business Ethics

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### Synonyms

Balance; Harmony

### Introduction

Within both Western and Eastern ethical traditions, there is a Doctrine of the Mean, suggesting that errors may lie either in excess or in deficiency. The need to avoid both excess and deficiency in the allocation of finite resources is a concern in many sorts of business decisions, some with ethical implications.

### The Doctrine

In Western thought, the Doctrine of the Mean most prominently derives from Aristotle, in the *Nicomachean Ethics* (in particular II.vi.15; see e.g. Ross 1980, p. 39). In the Eastern Confucian tradition, although one of the classic “four books” was titled the *Doctrine of the Mean* in Legge’s nineteenth-century translation, the idea is more clearly present in other sources like the *Analects* of Confucius (in particular 11:16; see, e.g., Leys 1997, p. 51). In both cases, there is room for disagreement about the meaning of the idea. In Aristotle, it seems to be focused on qualities of character, such as courage or generosity, emphasizing that one can err by showing

either too much or too little of such qualities. In Confucianism, it tends rather to be associated with an idea of harmony (Sim 2007, Chap. 4).

Nonetheless, in both Western and Eastern ethics, the Doctrine of the Mean embodies the general idea that in very many contexts, the right thing to do is to aim at a mean between extremes. This is shown most vividly in the fact that both in classical Confucian texts and in Aristotle's *Nicomachean Ethics*, the analogy of an archer is used to suggest the right way to act (Yu 2007, pp. 84–8). The key thing about an archer is that unlike a runner or a discus thrower, the archer is not seeking to maximize something – speed, distance, or some other quantity – but can err by going either too far or not far enough.

The Doctrine of the Mean therefore stands opposed to consequentialist positions that see maximization as the basic requirement for ethics and morals, whether it be maximization of happiness, welfare, or something else. The Doctrine of the Mean tends to be associated with the need for developed ethical judgment or moral wisdom, like Aristotle's *phronēsis*: judgment that needs to take account of the detail of each specific context, rather than maximizing or blindly following general rules. Development of such judgment is often tied to development of good character and moral virtue, and the Doctrine of the Mean thus forms a natural part of virtue ethics.

## Business and the Doctrine of the Mean

In business, decisions both by individuals and by organizations often involve allocating resources. Often, such decisions can be thought about in terms of finding an appropriate mean between extremes. In general, any such decision has to choose between using too much or too little of a particular resource. If too little is used, the aim will not be achieved. If too much is used, resources are wasted. These may be resources of capital equipment or raw materials, or they may be human resources. Too many people and too little equipment could be one error; too much equipment and too few people another.

In many cases, resources are quantified in financial terms. Financial value may be put on

those sorts of resources or on others, such as marketing budgets or consultants' time. Once dollar values are allocated, mathematical techniques can sometimes be used to suggest optimal course of action, but the idea of finding a mean between extremes still seems to be a sound way of conceiving the problem.

So far, however, the issue seems primarily to be one of efficiency. The question remains to what extent it has an ethical dimension. While efficiency itself can sometimes be relevant to ethics, as when inefficiency leads to some people having insufficient to meet their needs, there are some other areas where resource allocation may be even more clearly an ethical issue.

## Ethical Implications: Sustainability

One area is sustainability. There has been a widespread, increasing awareness that many natural resources are finite and that there is therefore a moral responsibility toward future generations to use such resources wisely and to replace them with renewable resources where possible. It may be here that the Confucian sense of a mean as harmony has some special force. The Chinese term *zhōng* often translated as “center” or “mean” can have metaphysical connotations that are tied to the idea of *hé*, harmony, and which in modern terms may suggest the continued effective functioning of a stable ecosystem that does not deplete its resources or disrupt its environment.

## Ethical Implications: Individual Decision-Making

Another area where resource allocation may have specifically ethical implications is to do with one particular resource, the resource of attention. Human attention is certainly finite and has to be allocated to some things rather than others. Theories of management decision-making are often focused on what things to pay attention to: “theories of decision making are often better described as theories of attention or search than as theories of choice” (March 1994, p. 10). It is here that practical judgment and moral



wisdom become most closely tied to the Doctrine of the Mean. It is a very common error in decision-making to pay too much attention to some things and too little to others. At an individual level, this can be a matter of “focal bias,” in psychological terms: undue focus on some central event or issue to the exclusion of context or changing circumstances. Within organizations, it can be the result of individuals giving attention only to the matters that fall most clearly within the scope of their organizational roles, to the exclusion of other factors. It can easily result in a lack of attention to ethical implications of decisions and policies. These are the cases where members of an organization are so intent on certain outcomes, and their responsibilities for achieving them, that no attention is paid to ethical aspects of what is done.

Both Aristotle and classical Confucianism display suspicion of business and commerce, and their attitudes can be explained by a concern about the prospect of giving some things more attention than they deserve: profit, most obviously. It seems by no means necessary that business and commerce should fall into that trap, but they certainly may do so. Such undue focus on limited purposes to the exclusion of larger ends and moral considerations is what Goodpaster (1991, p. 94) has labeled “teleopathy”: pathological concentration on some unduly narrow *telos*. He contrasts it with a “*balanced* pursuit of purpose” (Goodpaster 1991, p. 97, Goodpaster’s *italics*). The phrase suggests the need to aim for a mean point, to attain some balance in the attention given to different things. For individuals, this may involve willingness to look beyond specific role requirements and more generally to remain aware of context for each decision.

### Ethical Implications: Organizational Decision-Making

For organizations, the issue may be more complex because of the possibility that within organizations decision-making processes are distributed among a number of individuals and units. As a result, there can be an even stronger tendency than with individuals for organizations to concentrate on a pre-defined range of goals and issues,

as each individual and unit has a limited range of information about the wider effects of their decisions and policies and so limited opportunity to attend to overall context and situation. Apart from the same problems that arise with regard to individuals’ own tendencies toward focal bias, there is the additional problem that individuals need to communicate with other organizational members and exchange information with them about the things they are paying attention to.

For organizations to achieve some balance in what they attend to, there is thus a need for accounting systems and reporting lines to be worked out in ways that ensure so far as possible that attention is given to a broad range of factors, including factors with ethical implications. This can be seen as one of the aims of triple bottom line reporting, designed as it is to ensure that attention is not confined exclusively to financial outcomes. Here, the idea that achieving a mean involves sustainable activity within a balanced ecosystem can be entwined with decision-making that maintains a balanced focus on all relevant considerations.

### Cross-References

- ▶ [Aristotle](#)
- ▶ [Balanced Scorecard](#)
- ▶ [Confucianism and LGBTQ+ Rights](#)
- ▶ [Corporate Social Responsibility Reporting Frameworks](#)
- ▶ [Ethical Decision-Making Process](#)
- ▶ [Golden Mean](#)
- ▶ [Virtue Ethics](#)

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## Duplicate Publication and Salami Slicing

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### Synonyms

Least publishable units; Plagiarism; Salami publication; Self-plagiarism; Text recycling

### Definition

Duplicate (redundant) publication is defined as “the publication, or attempted publication, of whole or substantial parts of work/data/analysis that have already been published (or have been submitted elsewhere), without transparency or appropriate declaration/referencing” (COPE Case Taxonomy 2013). This is considered a serious ethical breach that will result in sanctions if detected. Salami slicing (or salami publication) is the practice of segmenting a study into least publishable units (LPUs) for the purpose of “squeezing more papers out of a research project” (Broad 1981, p. 1137). Salami slicing is considered a questionable ethical practice because it artificially enhances the impression of the author’s work and can distort the literature with the impression that multiple studies were conducted rather than a single study resulting in multiple publications.

### What Are the Issues?

Duplicate publication is closely related to text recycling; the BioMed Central and COPE (2016) guidelines on the topic state that editors must

decide if the overlap in text and data are so significant that the paper must be retracted. A key question to resolve before issuing a retraction is whether there is sufficient new material in the manuscript to justify the new publication. If the methods, sample, outcomes, and hypotheses are the same in multiple papers, the results should not be segmented into different reports. It may not be easy to identify duplicate publications on submission of a manuscript if the authors submit multiple papers at the same time or if the submissions are made to journals in very different disciplines. Least publishable units, especially when the resulting multiple manuscripts are published in different journals, fragment the impact of the research. Given that publications are the currency by which scholars are evaluated and rewarded, falsely elevating one’s publication record can cause reputational risk for a researcher. A charge of duplicate publication can also be a violation of copyright law, depending on the copyright status of the source publication.

*Issues in scholarly publication.* For editors of scholarly journals, receiving a manuscript based on the LPU can leave unanswered questions. It is customary for the author to state that the current manuscript reports data from a larger study, but it is not always clear to readers how to interpret the relationship of the submitted manuscript to the overall scope and intent of the primary study. For example, reporting the demographics only of a large study in one paper and reporting the findings of one intervention in a second study is rarely acceptable. Due to space limitations in reporting research, elements critical to understanding the methods and results could be missed in either manuscript. Likewise, reporting outcomes at 3 months in one paper and the same outcomes at 6 months in another is not acceptable if the timeline of the study was originally supposed to be 6 months. Interim reports usually result from a researcher wanting to add another manuscript to his curriculum vitae or a need to have a publication to support a new grant request. For readers, locating parts of a single large study in multiple articles published in different journals is time-consuming and cumbersome.

Research reporting clinical trials of new drugs or devices may be at particular risk of

misinterpretation when interim reports are issued. Conducting clinical trials is difficult and time-consuming, but it is an essential part of the approval of new therapies. When such trials are funded by international companies, there are likely to be several locations where the research is conducted, and each of those sites has an interest in reporting their results. If the authors are not completely transparent in reporting their results as part of a larger study, each study could be interpreted as separate and thus inflate the impression that multiple studies were conducted. All clinical studies have several shortcomings: they vary in their ability to control for confounding variables; they are based on samples of a target population; study subjects may alter their normal behavior simply because they are being observed (the Hawthorne effect); study samples exclude subjects based on age or other variables that can affect outcomes; few studies follow subjects for an extended period of time. One method to overcome these limitations is to combine multiple studies into a single systematic review and meta-analysis. Conducting a meta-analysis requires strict procedures to assure that the pooled sample does not count individual subjects more than once. The Cochrane Library is a trusted source of systematic reviews and meta-analyses in health care. The Cochrane group has developed standard processes and procedures for conducting, updating, and disseminating reviews (<https://www.cochrane.org/about-us>).

There are legitimate reasons for reporting findings from one large study in more than one manuscript. Frequently, quantitative results are reported separately from the qualitative findings on the same subjects. Qualitative methods are sufficiently different from quantitative methods that the results would not be pooled in one sample for a review and analysis, and the methodologies require different reporting parameters. Including a substantive report of two different methodologies for the quantitative and qualitative approaches would make an article excessively long. Another common and acceptable practice is reporting the research in one article and writing clinically-focused articles for different audiences. In all cases, the article should be completely transparent about where the primary results are reported and

clearly state the function of the clinical article to apply the findings to a specific setting. An example of this might be reporting the findings related to pharmacokinetic and pharmacodynamic explanations of an investigational drug in different populations in a journal read by pharmacologists and reporting the clinical outcomes of the study in a medical journal. It would not be ethical to report the same findings as primary outcomes from a study in a pharmacy journal and a medical journal; that would likely be considered a duplicate publication.

Manuscript submissions are screened by editors to determine suitability of the topic for the journal and to look for any significant problems such as plagiarism in the manuscript. Even if each manuscript is submitted to a plagiarism detection program, those programs compare the submission to the published literature. When authors submit the identical, duplicate, or fragmented report simultaneously to several journals, plagiarism or similarity among the submitted papers will not be detected. It is only after publication that this misconduct becomes apparent. Similarly, a translation of a study from a publication in another language by another author is rarely detected prior to publication unless a peer reviewer happens to know of the original study. This does happen but is a result of pure chance. Following publication, readers who are fluent in another language bring the misconduct to the attention of the editors.

*Reputational issues.* Academic advancement is based on several criteria, one of which is authorship on published papers. If an author can produce multiple papers out of one study, that translates to several entries on the author's curriculum vitae under publications. When it is unclear that the papers are derived from one sample or when there are multiple authors on each paper, this raises suspicions (Broad 1981). Credit and recognition are often accorded based on position of authorship, rather than effort or percent of work done. Salami publication does not always enhance the reputation of a scholar or improve prospects for job acquisition or advancement. Editors are also wary of new submissions from authors who in the past have sliced research into LPUs.

When duplicate publication is detected on submission, the result is rejection of the manuscript and a cautionary note from the editor about the ethical lapse. When a duplication is detected after publication, the remedy is a public retraction of the published paper, which may cause damage to author's reputation.

## Cross-References

- [Plagiarism and Text Recycling \(Self-Plagiarism\)](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)

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# E

## Economic Efficiency and Socioeconomic Well-Being

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### Synonyms

Allocative efficiency; Economics; Efficiency;  
Ethics; Happiness; HDI; Income inequality;  
Poverty; Theory; Well-being; X-efficiency

### Introduction

Economists have largely focused upon economic growth as the fundamental engine for improving the well-being of individuals. And, well-being has been largely measured by the level of real gross domestic product (GDP) per person or per capita. Real GDP is the money measure of GDP adjusted for price changes. GDP is the most widely used measure of legally produced marketed output in an economy. The growth in per person real GDP is the most widely used measure of the improvement to well-being. The assumption being made here is that per capita real GDP is a simple but fairly reliable proxy for socioeconomic well-being. This follows from the further assumption that the level of GDP and growth of real GDP will have a positive effect on the population as a whole and

will invariably positively impact on poverty reduction, health outcomes, and educational outcomes as well as even the level of happiness.

Typically attached to this narrative is that more income equality tends to damage the prospects of economic growth, especially for the less economically advanced economies, which still represents a large segment of the world's population of just below eight billion individuals. Nearly three billion of these reside in China and India. More equality, it is assumed, reduces the savings of those who it is assumed save most – the wealthiest members of society. It is further assumed that their savings are invested and not spent on conspicuous consumption or transferred abroad (Baran 1957). These are not empirically fortified assumptions. From a policy perspective, causality is suggested going from income inequality to more economic growth to higher levels of well-being. And, it is the economic growth thereby generated that will improve the well-being of a large segment of the world's population. However, the evidence suggests that increasing income inequality is not necessary for enhanced economic growth. So, one can increase per person real GDP without increasing income inequality (Cingano 2014). Even where there is a positive statistical relationship between economic growth and more income inequality, the evidence suggests that economic growth and, therefore, well-being levels would have been greater with more income equality. Modeling increasing inequality as a positive contributor to economic growth also assumes that

more inequality would not affect the level of economic efficiency. There is no evidence that this assumption is valid. There actually is evidence that more income equality positively affects growth by positively affecting productivity. Related to this, one can hypothesize that more income equality (up to a point) can positively impact on the level of one type of economic efficiency – the level of x-efficiency, discussed below.

### **Economic Growth, Economic Efficiency, and Well-Being**

One important determinant of real GDP growth is economic efficiency. Therefore, one point of focus in efforts to improve socioeconomic well-being should be on enhancing economic efficiency. All other things being the same, increased economic efficiency should translate into higher levels of socioeconomic well-being. It is therefore important to specify what is meant by economic efficiency and how this feeds into a better understanding of economic growth.

Although the links between economic efficiency and the levels and the growth of per person GDP are clear (it increases productivity), what requires clarification is how per person real GDP contributes to improvements to a population's socioeconomic well-being. It is also important to better understand the extent to which economic efficiency can be a significant contributor to economic growth and, therefore, potentially, to socioeconomic well-being. But there is no reason for real per person GDP to automatically translate into well-being improvements across the entire population as opposed to being concentrated among only certain segments of the population, such as the wealthiest income cohorts. Much depends on who benefits from economic growth – the transmission mechanism from growth to the well-being of each and every member of a particular society. However, the evidence strongly suggests that economic growth and one of its important determinants, economic efficiency, are key determinants of the realization of widespread improvements to well-being.

There has been an increasing interest in the relationship between per capita real GDP and the level of subjective happiness (how happy are you on a one to ten scale?). In spite of challenges to the hypothesis that money can buy happiness, the most recent empirical analyses strongly support the hypothesis that increasing per capita GDP is strongly and positively related to the level of happiness. But there is significant variation in this relationship (Altman 2016; Easterlin 1995; Deaton 2008; Kahneman and Deaton 2010). There are countries with a lower level of per capita GDP that have higher measured levels of happiness than countries with a higher level of per capita GDP. This can be explained by the distribution of income and also how government spends its share of the growth dividend. The growth of per person GDP is also strongly and positively related to improvements in other measures of well-being.

Figure 1 illustrates the relationship between per person or per capita real GDP and the Human Development Index (HDI), which was developed by the United Nations as a supplement to GDP per capita as a proxy measure for well-being. The HDI includes per person GDP as well as measures of life expectancy, literacy, and educational enrolment. There is a clear positive relationship between per person GDP and the HDI. To achieve the highest levels of HDI one must also realize the highest levels of per person GDP. But it is also clear that for any given level of per person GDP there is an array of levels of HDI. The level of achieved HDI depends not only on per person GDP, but also on other factors such as who benefits from increases to per person GDP and how government spends or invests its share of any increase in per person GDP. One classic example of this is there are a large number of countries with lower per capita GDP than the USA, who have achieved higher levels of HDI.

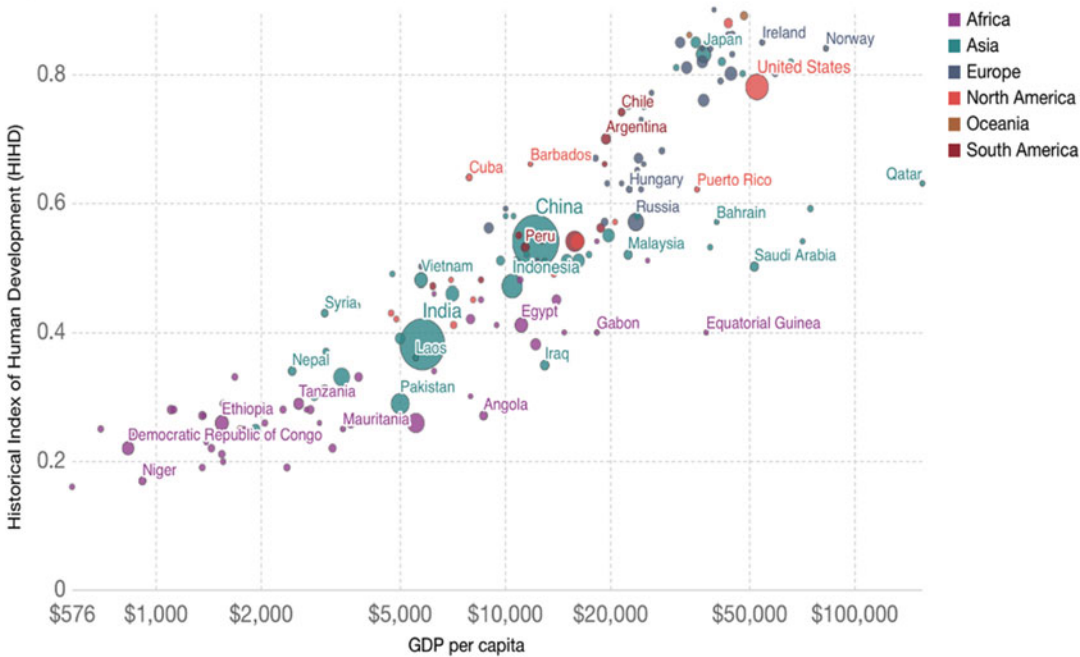
Figure 2 illustrates the relationship between the percentage share of a country's population living in extreme poverty and the level of per person GDP. Here there is even a stronger and tighter statistical relationship between these two variables than between per person GDP and the HDI. To achieve very low levels of extreme



# Historical Index of Human Development vs. GDP per capita, 2015



Historical Index of Human Development (HIHD), measured from 0 to 1 (where highest is best) versus gross domestic product (GDP) per capita, measured in 2011 international-\$. HIHD is a composite measure of development derived from the variables average life expectancy, literacy rates, educational enrolment and GDP per capita.



Source: Prados de la Escosura (2018); Maddison Project Database (2018)

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**Economic Efficiency and Socioeconomic Well-Being,**  
**Fig. 1** Historical index of human development versus GDP per capita 2015. (Source: Derived from our world in

data. Assessed December 8, 2020 at: <https://ourworldindata.org/human-development-index#hihd-vs-gdp-per-capita>)

poverty one must realize relatively high levels of per person GDP. In the wealthier countries there is hardly anyone living in extreme poverty (but relative poverty still exists, which is another issue). But one should also note that there is very significant variation with respect to the percentage of the population living in extreme poverty and per person GDP, especially among the relatively poorer countries in the world. For example, China and Thailand are relatively poor, but they have achieved very low percentages of their population living in extreme poverty as compared to some countries with higher or equivalent levels of per person GDP. As with respect to the per person GDP-HDI comparison, much depends on who benefits from economic growth (the distribution

of income) and what government does with its share.

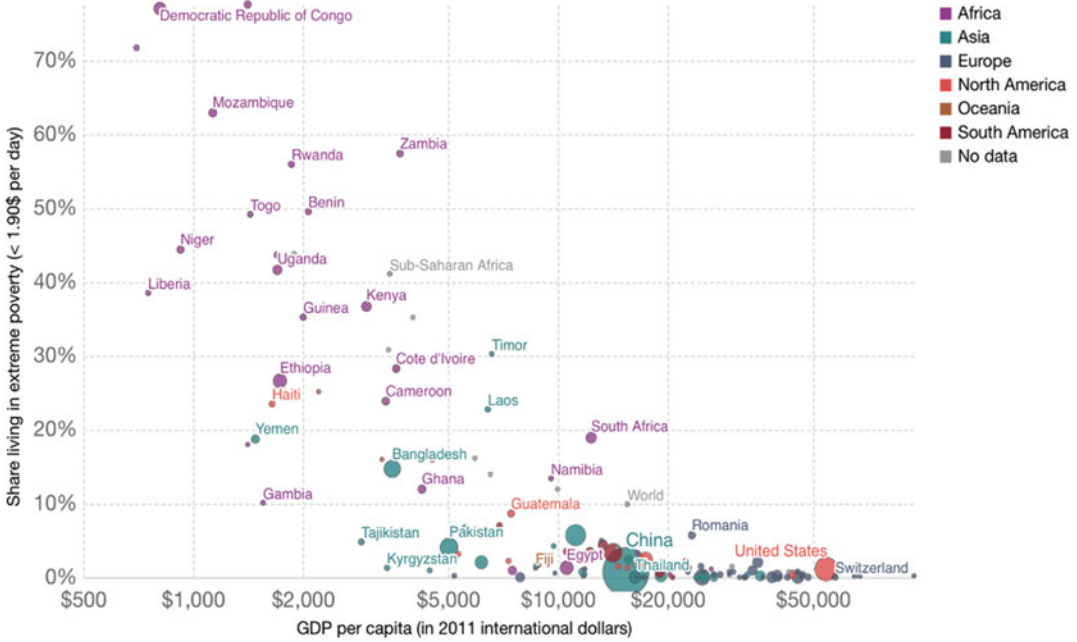
## Economic Efficiency

The economic literature tends not to focus of economic efficiency as a major determinant of the level of per person GDP or in its rate of growth. Rather, there is a focus on capital available per unit of labor and technological change. Although increasing capital (incorporating land) serves to increase productivity, it is subject to diminished returns. It can't deliver sustained growth over time and tends to be of greater consequence in the earlier stages of the development process. However, an overriding importance of

# The share of people living in extreme poverty vs GDP per capita, 2017



Both measures are adjusted for inflation over time and for price differences between countries (PPP adjustment) and are expressed in 'international dollars'. Extreme poverty is defined as living with less than 1.90\$ per day.



Source: World Bank - WDI

OurWorldInData.org/extreme-poverty/ • CC BY

**Economic Efficiency and Socioeconomic Well-Being,**  
**Fig. 2** The share of people living in extreme poverty versus GDP per capita, 2017. (Source: Derived from our

world in data. Assessed December 8, 2020 at: <https://ourworldindata.org/grapher/the-share-of-people-living-in-extreme-poverty-vs-gdp-per-capita>)

investment in capital is that it embodies new technology. Technological change has been shown to be the key contributor to the growth of per person GDP, at least in the more developed economies. And, technological change remains of some consequence in other economies as well. These estimates assume that economic entities (such as firms and farms) are operating in an economically efficient manner. It is this latter assumption that has been challenged in the literature, with important implications for a better understanding of the role played by economic efficiency for real per person GDP growth. If economies are inefficient, then improving economic efficiency is an additional factor, along with capital per worker and technological change that contributes to the growth process.

Economists tend to focus on allocative efficiency when discussing economic efficiency. The former is defined as the optimal allocation

of resources, which is achieved when prices are not distorted by movements away from perfectly competitive markets or by government interventions in the economy which might distort relative prices. Since real world economies are not perfectly competitive and governments have, at times, distorted relative prices, there should be some allocative inefficiencies whereby resources are misallocated yielding a lower than possible level of per person output. But the evidence suggests that allocative inefficiencies and their correction would not contribute much to economic growth (Leibenstein 1966; Frantz 1997). This being said, improvement in allocative efficiency can contribute to improving well-being through its positive effect of real per person GDP. However, what Leibenstein (1966) refers to as x-efficiency, a form of production efficiency, can contribute significantly to high levels of per person GDP and to higher levels of its growth. This

can generate higher levels of well-being. But the distribution of this increase in well-being depends upon on the process by which this increase in x-efficiency is realized.

It is important to note that other approaches to economic efficiency that focus on reducing labor inputs or cutting labor benefits will reduce the level of well-being of the target population. Also, an organization or firm leaders who engage in these types of efforts to improve efficiency often focus on the short run, whereby efficiency might be increased in the short run, but decreased in the long run. Organization leaders who are more forward looking assume that cutting labor benefits will not negatively impact on productivity and that cutting inputs (firing staff) will not negatively impact on productivity. If this assumption does not hold true, attempting to achieve higher levels of inefficiency in this manner might either not impact on efficiency or might actually reduce productivity. This would negatively impact on the well-being of the overall population.

X-inefficiency exists when productivity is lower than it can be given traditional factor inputs (labor, capital, land) and given technology. A key cause of x-inefficiency is lower levels of efforts in terms of quality and quantity than would be possible from employees and employers who were interested in maximizing their firm's productivity. Conventional economics assumes that effort per unit of labor is fixed and fixed at some maximum. Therefore, from this theoretical perspective x-inefficiency can't exist. But given the importance of x-inefficiency, how one increases the level of x-efficiency can positively impact on well-being.

There are different ways of increasing the level of x-efficiency. Economists have tended to focus on broad averages when converting improvements to productivity to improvements in well-being. But this makes the simplifying and incorrect assumption everyone benefits in some significant way from increases in productivity. One way of increasing productivity through increasing the level of x-efficiency is to incentivize management to work smarter and harder. In this case, if productivity increases as a result of management's

income rising and there is no flow-through to employees, well-being increases for management, but for no one else.

Evidence suggests that a more effective and sustainable method of increasing the level of x-efficiency is to incentivize all firm members, employees, and employers alike, to be more productive through increases in quality and quantity of their effort inputs. Managerial change and, more broadly, organizational change are required here, but this is in the context of a more cooperative and collaborative work environment. A key point here is that by increasing the level of x-efficiency in this manner, employees clearly benefit, which would facilitate increases in their level of well-being. And, from this modeling perspective there is no reason for employers (including managers) not to benefit as well. But it is the improved benefits to employees that contribute to incentivizing employees to work smarter and harder. At a macroeconomic level, this plays out into a more equitable economic growth path. Overall, how economic efficiency is achieved is fundamentally important in determining who captures the resulting increases in revenue and this affects the distribution of well-being improvements across the population.

A practical example of this more equitable x-efficiency growth path is in the important agricultural sector which, according to the FAO (Food and Agriculture Organization), contributes over 60% to world employment, but less than 10% to world GDP. This sector remains relatively low productivity in the developing economies of the world. But when farmers (small landholders, such as in China, post-Cultural Revolution) are incentivized to be more productive, such as providing farmers property with rights to their farm and output, this serves to increase their farms' level of x-efficiency. Where farmers control their output and its derived revenue, this increase in efficiency is to a significant extent captured by farmers and serves to increase their well-being and that of their families. A similar scenario arises when smaller landholders form cooperatives (member-owned organizations) to obtain scale economies and to garner more control of the revenue that they generate. This can further incentivize further

increases in the level of x-efficiency in a manner that yields a more equitable distribution of benefits.

The level of x-efficiency can also impact on the extent of technological change. Certain productivity enhancing technologies might be only profitable at a certain higher level of x-efficiency. Moreover, such more productive technologies can be induced by higher costs, such as increased employee benefits or the desire for a higher standard of living among farm families residing in family farms. These increased costs can both incentivize higher levels of x-efficiency and technological change. This pathway to increase economic efficiency yields more economic benefits to a wider array of firm members and therefore a more equitable distribution of improvements to well-being. This is a product of this type of technological change being incentivized by improved benefits accruing to employees (and farm families).

## Conclusion

Of the two main types of economic efficiencies, it is employee benefits-induced improvements to economic efficiencies that stand to generate the most assured and equitable improvements to well-being. This relates to increases in the level of x-efficiency. It is this type of efficiency improvement that lends weight to the argument that increasing real per person GDP growth will enhance the well-being of the population as whole, of all segments of the population. Improvements to allocative efficiency has the potential to improve, somewhat, the well-being of all segments of the population since it contributes to increasing the level of per person real GDP. But there are no guarantees. Much depends on the distribution of income and, relatedly, the bargaining power of labor, as well as how government invests its share of any increase in per person GDP that it captures through taxation. Overall, increasing per capita real GDP has played a vital role in improving the well-being of the world population. Improvements to

economic efficiency, especially x-efficiency, play an important role here, especially when combined with x-efficiency-induced technological change.

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## Economic Man

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## Synonyms

Homo economicus; Profit-maximizing firms; Rational economic man; Utility-maximizing consumers

## Definition and Introduction

The term “economic man” is narrowly defined to refer to the rational economic agents – producers and consumers – that are in orthodox theory the basis of a capitalist economy. The term *rational economic man* is often used in contemporary economics; less often used, but equally as relevant, is the term *homo economicus*. *Economic man*, *rational economic man*, and *homo economicus* are synonymous. The oldest form has its origins in the term *homo economicus* that can be traced to Maffeo Pantaleoni (1889) and subsequently and notably used by Vilfredo Pareto (1906) and Adolf Lowe (1935) (O’Boyle, 321–2). *Economic man* has often been attributed to J. S. Mill; however, Mill did not use the term in his work. As Persky (222) points out, it was J. K. Ingram in his critique of Mill who first referred to *economic man* when he wrote that Mill “dealt not with real but imaginary men - ‘economic men’ . . . conceived as simply ‘money-making animals’” (Ingram (1888), 218). The term *rational economic man* has also often been associated with the philosophical and economic critique of the concept by Hollis and Nell (1975).

## Evolution of the Term

The term *economic man* was used sparingly until the 1970s when it became commonly used to refer to narrowly defined rational economic agents – self-interested, independent individual consumers and producers. This was coincidental with Neoclassical economic theory becoming the mainstream economic doctrine of the latter half of the twentieth century and into the twenty-first century. Neoclassical theory, with its utilitarian roots, describes its agents as having common, innate characteristics that make them *economic men*. Like the taxonomy of species in biology, from the Neoclassical point of view, these common – asocial, ahistorical, apolitical – characteristics make them members of the “economic species,” *homo economicus*, where all members are powerless, classless equals.

There are some aspects of the interest in *rational economic man* as *homo economicus* in the latter-half of the twentieth century. Characterizing all economic agents as members of the “economic species,” *homo economicus* implies that their behavior – economic behavior – is like the biologically determined characteristics of *homo sapiens* – that is given, not socially acquired. This enabled Neoclassical economic analysis to analytically mimic biology, chemistry, and physics within the social sphere (Mirowski 1989).

While there is a clearly defined species named *homo sapiens* within the biological taxonomy, *homo economicus* is an abstract notion created by economists to describe economic agents, most often within the Neoclassical theoretical tradition. Neoclassical economists “work with a notion of abstract individuals, who choose among abstractly described alternatives” (Hollis and Nell, 1). Thaler offers that “many aspects of the standard [*homo economicus*] model are useful as theoretical special cases . . .” (Thaler, 137). While there is some recognition of the behavior of agents in the classical tradition of economics – e.g., the role of self-interested, profit-maximizing capitalists in Marx’s analysis – *economic man* does not play the central role it plays in the Neoclassical tradition.

Neoclassical economics clings to a prescribed version of rationality inherent in its agents; however, recent research of actual behavior, especially from psychology, has demonstrated that the orthodox version of rationality is more than an abstraction; it is an idealization that has little bearing on actual behavior.

With *homo sapiens* sustaining themselves through noncapitalist, social systems of production and distribution (i.e., social systems based on tradition rather than markets) long before the emergence of capitalism, it is worth noting that the notion of *economic man* was introduced only when the utilitarian-based description of the underlying forces of capitalism emerged. “It has been suggested that *homo economicus* produced capitalism, meaning roughly that human nature being what it is, the evolution of the capitalist



rules of the game is both likely and desirable. But this may be backwards, or at least one-sided; one could equally argue that capitalism produced *homo economicus*” (Bowles and Gintis, 96–7). Nevertheless, contemporary, mainstream, Neo-classical economic analysis relies heavily on its notion of *economic man*.

## Cross-References

- [Distributive Justice](#)
- [Feminist Economics and Agency](#)
- [Individualism](#)
- [Justice](#)
- [Libertarianism](#)
- [Property Rights](#)
- [Social License to Operate](#)

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## Economics, Ethics, and the Environment

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## Synonyms

Normative economics; Positive economics; Values; Virtues

## Introduction

Economics is the science of allocating scarce resources among competing ends (Dorfman and Dorfman 1993). It studies how and why individuals and groups make decisions about the use and distribution of valuable human and nonhuman resources (Field and Martha 2002). Economics can be categorized into positive economics – which is the study of what is – and normative economics, which is the study of what ought to be (Field and Martha 2002). Positive economics seeks to understand how an economic system actually operates by looking at the way people make decisions in different types of circumstances. It is objective in nature and can be verified. For instance, if we say that reducing land pollution from agricultural chemicals by adopting organic farming will increase production and number of species by an average of 20–25% over the next 3 years, this is an exercise of positive economics. Normative economics focuses on value judgments or opinions of how things should be. It is subjective in nature and is not subject to direct verification. For instance, if we opine that consumers can push companies to reduce land pollution from agricultural chemicals by reducing consumption or usage of a polluting product, that is normative in nature and an example of normative economics.

Ethics is a branch of philosophy which consists of moral principles that define what is right and



wrong for individuals and society. Ethical theory presents logical, defensible, and coherent arguments why one course of action or behavior is to be morally preferred over another. However, the lack of social consensus on what constitutes right or wrong calls for constant examination of moral values and searches for those that are reasonable, rationally defensible, and universally accepted. In business or any professional field, ethics play an important role in examining the ethical or moral principles and providing direction when dealing with complex organizational ethical dilemmas.

Environment generally refers to what constitute our human surroundings. The environment, in the context of economics, is viewed as a composite asset that provides a variety of services (Tietenberg and Lewis 2010, p. 15). Examples include land, water, air, animals, plants, etc. Human beings exist by relying on resources provided by the environment to satisfy their wants and needs. These resources are scarce and should be allocated in the most effective and efficient manner to maximize human satisfaction. However achieving that optimal level is a challenge because environmental resources are scarce, yet environmental resources are treated as public and/or common goods, meaning a resource from which all may benefit (Kollock 1998).

## Environmental Economics Versus Environmental Ethics

Environmental economics, considered as a sub-field of economics, has gained popularity since the early 1970s due to rising environmental problems. Environmental economic issues are often of an ethical nature. Environmental problems are interdisciplinary in nature and require a multi-dimensional approach (Sunstein 2005). The question is: “how do we allocate scarce natural resources or regulate human actions toward the environment in the most efficient and effective manner to achieve the common good?” Answering this question calls for moral thinking in/by the incorporation of both positive and normative economic perspectives (see Hausman and McPherson 1993, 1996; Sen 1999; Vickers 1997).

A good example that explains the social dynamics underlying many environmental challenges is presented by Garrett Hardin (1968) in an article in science titled “The Tragedy of the Commons.” The essay tells the story of how the management of a communal pasturage by a group of herdsman turns into an ecological disaster when each individual, upon realizing that adding extra cattle benefits him personally, increases his herd, thereby unintentionally causing the eventual destruction of the commons altogether (Hardin 2009; Ostrom 2008; Van Vugt 2009).

Actions such as cluttering the environment with wastes, disposing pollutants into rivers and lakes, emitting fumes and smoke in the atmosphere, or noise and smell nuisances seem free, as no one is individually responsible to pay, but are not without consequences to those who reside within that environment. At least in the short to medium term, destructive users of natural resources gain the benefits of their use by default (Olson 1971; Nordlund and Garvill 2003).

One way of dealing with the overuse of environmental resources is through the use of economic analysis of environmental policies. Policies, for instance, for dealing with issues such as land, air, and water pollution, biodiversity protection, energy regulation, climate change, management of natural and renewable resources, and waste management now mostly rely on positive economics. The design of environmental policy requires answering two central questions: what is the desired level of environmental protection? What policy instruments should be used to achieve this level of protection (Keohane et al. 1998)? Despite the use of policies that impose legal recourse and government intervention to regulate actions, they have not been entirely successful because it is hard to identify the persons responsible or to prove it in the court of law. A central issue is whether environmental policies in the positivist, neoclassical sense are sufficient to deal effectively with natural resource utilization or whether there additionally needs to be some form of moral obligation to curtail elicited use of these resources.

Opportunistic behavior can be regulated through voluntary adoption of environmental

ethical standards. The use of environmental resources can be based on the idea that the natural environment is of purely instrumental value to human beings alone and should be used accordingly or on the idea that the natural environment is noninstrumentally valuable, meaning that it is valuable in its own right and independent of any benefits it confers on human beings only (Booth 1994). For instance, a forest can be preserved because it is morally the right thing to do and because of its continuing usefulness to human welfare by providing clean air, preventing soil erosion, and providing habitat for animals who are a source of food for humans. Human individuals in this situation would be willing not only to defend the existence and well-being of one another but nonhuman natural entities as well and to defend them for their own sake, not for the instrumental value they deliver (Booth 1994).

The following examples indicate how economics and ethics can interact to solve environmental issues:

### **Cost-Benefit Analysis (CBA) and the Environment**

The increasing demands which society places on the natural environment call for different approaches to setting environmental standards. One way is through cost-benefit analysis (CBA) of estimating the monetary costs of environmental degradation so that they can be compared with the benefits of environmental protection (see Pearce 1971; Robinson 1993; Hanley and Spash 1993; Sunstein 2005).

Take the example of an oil refinery industry built to drill and refine oil. On one hand, the industry will provide jobs, boost infrastructure, and be a source of revenue to the government; on the other hand, it causes air and water pollution which threatens the lives of many people and animals in the area and negatively impacts with climate change. When the drilling for oil is done, the land will have been damaged and lost its value. Some of the damages on the environment will have long-term effects or be irreversible.

This is the ethical dilemma that confronts environmental economic issues. The question is how to determine what counts as a benefit and what

counts as a cost. Are benefits seen in terms of monetary value – jobs, infrastructure, or revenue the refinery generates for itself and the community – or non-monetary values in terms of happiness, good health, and intergenerational equity that accrues to society as a whole?

From the positive economics point of view, CBA demands that the advantages and disadvantages of a regulatory policy be analyzed, as far as possible, in numbers, and then further converted into monetary values of dollars and cents (Ackerman and Heinzerling 2002). This implies that in the example above, economists will look at how much revenue the refinery generates and the costs of production, for example, in the use of techniques for protecting human health and the environment through the use of pollution control devices. However, Ackerman and Heinzerling (2002) contest that such approach does not work well with government policies, regulations, and public spending because they do not face the test of the marketplace where the benefits to consumers are measured by consumers' willingness to pay for them, while they add significantly to the costs of production. Furthermore, it is often not possible to quantify qualitative aspects of risks society faces due to toxics in food, contaminants in drinking water, and effects of climate change.

A complimentary approach to CBA is called for that considers the welfare of society and not just monetary value. Freeman (1993, p. 7) poses that "society should make changes in environmental resource allocation only if the results are worth more in terms of individuals' welfare than what is given up by diverting resources and inputs from other uses." From a normative economics point of view, CBA aims to guide the decision-maker into channeling resources into projects which will yield the greatest gain in net benefit to society (Pearce 1971, p. 18). With regard to the environment and normative economics, it means that while each is responsible for their own self-development, we all have a duty to promote the happiness of others insofar as we do not impair our own ability to develop as human individuals (Booth 1994). In our example, it implies that the issues of health, happiness, and equality are

equally important to job creation, revenues, and infrastructure that the oil industry provides.

The deontological Kantian ethical approach that is consistent with the normative welfare economic framework for analyzing environmental problems states that individuals have a moral responsibility not to reduce the ability of others to seek happiness by damaging features of the natural environment instrumental to such happiness. He further argues that although damage to the environment cannot be ruled out, those who suffer as a result of this can be compensated for their losses in some fashion that would permit them to obtain an equivalent level of happiness by other means (Booth 1994).

Johansson-Stenman (1998) argues that policy recommendations of any kind should have some ethical foundation and that any specific action recommended to be undertaken should have some ethical motivations behind *why* we think it is good. He expounds that the costs and benefits to be included in welfare-oriented CBA are also intrinsically value-laden since these are *derived* from a social objective, which by definition must be ethical in nature (Portney 1992). Economists and moral philosophers since Adam Smith have observed that competitive market economies operate far better where shared values of honesty and integrity prevail than where they do not (Jones 1995, p. 12).

### Game Theory in the Form of Prisoner's Dilemma and the Environment

According to Sen (1999), the complex structure of "self-interested behavior" has three distinct and essentially independent features: *self-centered welfare* where a person's welfare depends only on his or her own consumption; *self-welfare goals* where a person's goal is to maximize his or her own welfare; and *self-goal choice* where each person's act of choice is guided by the pursuit of one's own goal. Such complex structures, especially when dealing with major issues of cooperation between economics and social matters pertaining to the environment, can be looked at in terms of game theory such as the prisoners' dilemma (see Shubik 1970; Hardin 1971; Dawes 1991; Nordlund and Garvill 2003).

The original dilemma involves two prisoners who are separately and without knowledge of the other's decision, given the choice between testifying against the other or keeping silent (see Luce and Raiffa 1957). It has been applied analytically in various fields.

Sen (1999, p. 82) explains that in prisoner's dilemma game, each person has a "strictly dominant" individual strategy in the sense that no matter what others do, each person's own goals are better served by following that dominant self-goal strategy. At the same time, everyone's goals would have been, respectively, better served had they followed a different and more cooperative strategy. Given a "self-goal" choice, each person will follow the noncooperative strategy, and thereby everyone will end up in a situation inferior in terms of payoffs to following a cooperative strategy. Such noncooperative individual choices have negative collective consequences that tend to accumulate until individuals are faced with a situation in which everyone would have been better off had they chosen to cooperate (Nordlund and Garvill 2003).

The prisoner's dilemma with regard to environmental issues is more of a social game that offers choices in social dilemmas involving individual and collective interests. It offers the choice of whether individuals should pursue their own interests because this leads to higher individual outcomes (at least in the short term) or should act together in the interest of the collective since everyone will be better off in the long run if everyone cooperates (Nordlund and Garvill 2003).

Using the example of air pollution, the options to cooperate and not to cooperate would become, to not pollute (cooperate) or pollute (not cooperate/defect), respectively. The optimal outcome would be for both players to cooperate and not pollute resulting in a cleaner air that benefits everybody. However, that option is not in optimal equilibrium because one would be better off by not cooperating and letting other people "clean the air" for him/her. This results from the commonly held assumption that one person's actions don't make a difference and is the reason that the final equilibrium is always the suboptimal option (both players end up polluting) ("Prisoner's Dilemma and the Environment 2012").

Jones (1995) supports Pruitt and Kimmel's (1977) comment that human beings, as subjects in behavioral experiments, also settle into mutually cooperative modes in iterations of the prisoner's dilemma game, albeit often only after several instances of non-cooperation on the part of one or both players. Eventually, the poor outcomes resulting from noncooperative strategies induce most people to cooperate. Jones (1995) concludes that human beings can be induced to make choices that are efficient in the long term, even though short-term self-interest seems to dictate beneficial outcomes. Axelrod's (1984, p. 110) prisoner's dilemma instructs us that when dealing with the ethics of environmental usage, individuals should (a) not be envious, (b) not be the first to defect, (c) reciprocate for both cooperation and defection, and (d) not be too clever by trying to maximize purely self-interested payoffs (Kollock 1998).

## Cross-References

- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Resource Extraction, Ethics, and Social Capital](#)

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## Economics and Business of War and Responsibility for Unjust Wars

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### Introduction

Wars, whether or not they are morally justified, require economic support. And if the war is justified, then businesses supporting such wars might be worthy of moral praise, contingent on the manner(s) in which they supported such war efforts. But if a war is not morally justified, then generally businesses supporting it are morally liable to blame and even responsible to be legally punished being that they are contributory causes of, or at least supporting, its untoward damages to the victims of the war. Moreover, wars can be unjust contingent on the extent to which they fail to satisfy conditions of a just war, and this holds true even if the cause of the war is just. Generally, for a war to be a just one, it must satisfy both the just cause (*jus in bello*) and justice during war (*jus ad bellum*) conditions of a just war.

Given that significant participation in an unjust war is itself a crime of war, then those who do so must be held accountable to the extent that they do so with intent, knowledge, voluntariness, etc., whether they are individuals or businesses. Just as Volkswagen and various other businesses supported the Nazi war effort during what eventuated in WWII, so too can certain US-based businesses and certain individuals in them be rightly held accountable for their economic or administrative support of unjustified military efforts of the US. However, what is required is a statement of the basics of just war theory in order to know the conditions both necessary and sufficient for a business responsibility for its economic support of a war effort (Corlett 2014).

It is important to note that the basic economic support for war comes from at least two sources: From the taxation of working citizens and from

businesses which can and are willing to contribute to the war effort. Without the taxation of individual citizens, it would be difficult, if not practically impossible, to compete in war, and because of the absent contributions of certain kinds of business industries, the machines or weapons of war would not be available for use by soldiers. These facts are morally neutral. The winning of a just war is not possible or likely without such support, and the winning or losing of an unjust war is not likely or possible without them either.

The economics of war is not, however, all about supporting war efforts, be they justified or unjustified ones. When wars are unjustified, reparations are owed to the victims of it. Those who are most responsible for the causing or sustaining of an unjust war owe substantial reparations to the victims of the said war. And, while reparations are in at least two forms, compensatory and non-compensatory, the focus herein shall be on compensatory reparations for unjust wars.

### Just War Theory

The particulars of just war theories are indeed hotly debated in academic circles. While the history and particulars of just war theories are rather complex, it will suffice for purposes of this brief article to summarize some of the major points of the tradition in order to provide a means by which to judge the moral status of a particular act of war or military attack. My aim is rather focused: I want to know what is required of a just war or military attack, and whether or not and how those responsible for it (be they individuals or businesses) should be punished, and why. By “punished” and its cognates is meant hard treatment or being forced to compensate victims of serious harmful wrongdoing, in this case, in the course of war. Thus, the “economics and business of war and unjust wars” in this article is multifold as it refers to those who are primary responsible agents in the causing and sustaining of unjust wars or other military conflicts, on the one hand, or to those who are punishable and/or owe compensation for their responsibility for the said wars, on the other hand.



Well-ordered peoples have no right to war in pursuit of their own interests that are unreasonable. There is only a right to war (*jus in bello*) in self-defense in order to protect and preserve peoples' own basic freedoms and constitutionally democratic institutions against attack from non-well-ordered or outlaw states. War is never justified in order to gain economic wealth or natural resources, power, or empire. These are reasons, however, unreasonable, for outlaw states to go to war. Reasonable and well-ordered peoples have a right to war only in self-defense because they honor human rights and are nonaggressive (Rawls 1999). In other words, the only just cause for going to war is self-defense of human rights, or the defense of others is dangerous of having their human rights violated.

When it comes to justice during the conduct of war (*jus ad bellum*), assuming a just cause for the war, the following considerations are vital. The aim of a just war waged by a well-ordered state is a lasting peace among peoples, including the society with which it goes to war. Well-ordered societies do not war against each other, but only against expansionist non-well-ordered states threatening the basic rights of other states that lead to war in the first place. It is important to distinguish between political leaders, soldiers, and citizens when determining parties responsible for war crimes. Since outlaw states are not well-ordered, citizens are not those who caused the war. Moreover, wars are caused only by leaders and those who influence them to war. They are war criminals when they cause an unjust war and they are responsible for it. Citizens are not responsible for the war even if they enthusiastically support it. They often, if not always, do so out of critical ignorance of its underlying causes. Soldiers do not cause the war and are not responsible for it. Well-ordered peoples must respect human rights even with regard to enemy civilians and soldiers, for such enemies have human rights, among them the right to not be treated indiscriminately. This implies the moral unjustifiedness of the atomic bombings of citizens (noncombatants) of Hiroshima and Nagasaki in retaliation against the Pearl Harbor attacks which was made against military targets only and the allied forces'

bombing of Dresden in retaliation against Nazis' carpet bombing of London in WWII (Rawls 1999).

The considerations of the previous two paragraphs serve as a reminder that the complexities of war are such that even in a morally justified response to unjustified war concerning the *jus in bello* condition of just war theory, factors of *jus ad bellum* may constrain our praise for the defeat of an evil enemy which began the unjust war. That the allied forces were justified in providing a military response to the aggressive Nazi regime does not imply or otherwise support the idea that the allies were justified in targeting civilian (noncombatants) even though the Nazi's began to do so before the Allied forces did. Unreasonable or unjustified evil is neither a reasonable nor justified response to unreasonable or unjustified evil. A more justified response would have been to issue and enforce an announcement to the Nazi leadership that every civilian target by the Nazis would result in the gruesome and torturous killings of twice the numbers of Nazi leaders. Given the basic mathematics of the ration of Nazi officers to European civilians, this would imply that from that moment on after the carpet bombings of civilians of London, each Nazi officer would be hunted down and tortured to death if they were found guilty of war crimes at Nuremberg.<sup>1</sup> As war criminals, at least most of them deserved death. Given the degree to which they were co-responsible for WWII and its horrendous evils, to express qualms for their being tortured to death (assuming this was done post the Nuremberg trials) would be to engage in a kind of dogmatic pacifism unworthy of serious consideration. For the co-responsibility of the said officers, considerations of proportionate punishment and the harms they inflicted on others imply the desert of such hard treatment. Assumed here is the idea that

<sup>1</sup> This suggested war policy is an ironic twist on the policy of the Nazi regime in various countries across Europe promising to kill several civilians of those regions for every Nazi officer who was targeted by them. While the Nazi policy was indiscriminate in targeting civilians, this policy is not insofar as it targets only Nazi military combatants.



such Nazi officers satisfy to some meaningful extent the conditions of responsibility for their actions, omissions, or attempted actions, as the case may be.

## Compensatory Justice for War Crimes

What are compensatory reparations and why are they important? *Reparations*, according to the seventh edition of *Black's Law Dictionary*, involve "payment for an injury; redress for a wrong done." They are payments "made by one country to another for damages done during war." Reparations involve restitution, which is the "act of restoring . . . anything to its rightful owner; the act of making good or giving equivalent for any loss, damage or injury; and indemnification . . . A person who has been unjustly enriched at the expense of another is required to make restitution to the other."<sup>2</sup> Reparations involve restitution, which is the act of restoring something to its rightful owner and the act of making good or giving equivalent for a loss, damage, or injury. One who is unjustly enriched at the expense of another owes reparations to the injured party. As Joel Feinberg states, "Reparations 'sets things straight' or 'gives satisfaction' . . . for redress or injury" (Feinberg 1970: 74–75).

The importance of reparations is complex. The economic value of reparations is that groups which have been wrongfully and seriously harmed are restored (however approximately) to their previous economic status so as to suffer them no undue financial burden. The political value of reparations is that the wrongfully harmed group retains or justifiably enhances its political power within a larger society, which in turn can have an effect on how the law functions in that society. The social value of reparations is that it respects the compensatory rights of groups so that they suffer no further undue social disadvantage. And

the moral value of reparations is that they support a system of rights which protects individual and collective autonomy and allows groups and their respective members to be able to predict when they ought to suffer conflict with legal, social, or political authorities. In other words, reparations provide a means to effect peace between parties, one of which has been unduly harmed by the other. In so doing, reparations can serve to support morally just political and legal institutions.

Moreover, reparations serve to protect the rights of those groups which would suffer at the hands of harmful wrongdoers. In so doing, reparations have a complex expressive function which is similar to the expressive functions of punishment articulated by Feinberg (1970). Like punishment, reparations disavow the harmful wrongdoings committed and state that the harmful wrongdoers had no right to perform such wrongs. Moreover, they, like punishment, state publicly that such harmful wrongdoings do not represent society's highest aims and aspirations. In democratic societies, reparations speak in the name of the people against such harmful wrongdoings, upholding the genuine standards of law in the face of past failures of the legal system to carry out true justice.

Furthermore, like punishment, reparations seek to separate a reasonably just society from its corrupt history, absolving it of at least some of its historic evils. Also, as Feinberg states about the expressive function of punishment, reparations "can express sympathy, benevolence, and concern, but, in addition, it is always the acknowledgement of a past wrong, a 'repayment of a debt,' and hence, like an apology, the redressing of the moral balance of the restoring of the status *quo ante culpum*" (Feinberg 1970: 76). More generally, the expressive function of reparations is to make public a society's or organization's own liability concerning the harmful wrongdoings it has wrought on a group. It is to offer an unqualified and unambiguous apology to the wronged parties (or their successors) without the presumption of forgiveness, mercy, or reconciliation. It is to acknowledge in a public way the moral wrongness of the act, along with its gravity. But it is also to remember the rights violation so as not to repeat

<sup>2</sup>Note the notion of reparations articulated by Bernard Boxill: "... Part of what is involved in rectifying an injustice is an acknowledgement on the part of the transgressor that what he is doing is required of him because of his prior error" (Boxill 1977: 274).

it, as George Santayana might caution. Reparations send a message to all that justice and fairness are top priorities for a reasonably just society or one seeking to become just. The value of reparations in a reasonably just society, then, is to protect and honor the rights of innocents. Insofar as reparations have their expressive functions, they send messages to citizens (and noncitizens alike) which seek to build and strengthen social solidarity toward justice and fairness within a society. In this way, the justification of reparations is forward-looking.

But the protection of rights of innocents implies further and deeper values of reparations. In protecting the rights of innocents, reparations promote self-respect, respect for others, and self-worth. These are features of rights more generally. As a remedial compensatory right, reparations (when respected by a viable legal system) send the message that innocents can depend on certain valid claims or interests withstanding the test of violation, providing a certain level of personal and social security for those in a reasonably just society or one that is attempting to be just.

Various businesses which supported an unjust war owe reparations as they served as contributory causes, insofar as they were responsible agents, to harms of the said war. As such, they should be forced by law to provide compensatory reparations to the victims of their war crimes. In the case of the 2003 military invasion of Iraq by the USA, various businesses, including Z (formerly known as Blackwater USA), owe substantial reparations to the victims of their killings during that ongoing occupation, and criminal charges have already been brought against the company and some of its employees. But numerous other businesses ought to be forced by law to provide their fair (proportionate) share of what is owed to Iraq by such US-based businesses. In so doing, each of the individuals in such businesses who are most responsible for that businesses' involvement in the war crimes in question should be forced by law to pay reparations in proportion to the war crimes she/he has committed before the business itself is forced to do so (Corlett 2014: Chapter 12).

The above considerations are not intended to discount the claim that the US government may

owe reparations to Iraq for its 2003 unjust invasion and occupation of it. Some estimate that up to one million innocent Iraqis have been killed as the result of the invasion and occupation. Iraq's infrastructure and cultural items have in large part been demolished, and the psychic toll on Iraqis today is immense. Approximate calculations must be made in order to determine how much the US government, many US-based businesses, and some of their business leaders owe to Iraq. Unjust wars are war crimes, and those who participate in war crimes as responsible agents must share in the responsibility to rectify their crimes. While each individual or business must be assessed for its own level and degree of culpability for its participation in the war crimes against Iraq from 2003 to present, one must also consider the possibility that there is a collective responsibility<sup>3</sup> for such crimes.

## Conclusion

There are at least two general aspects of the economic and business of war and unjust wars in particular. One pertains to how such wars are supported, that is, which entities/individuals provide resources for the said wars. Another is why some such business individuals and collectives ought to be legally forced to provide reparations to group entities wrongfully (and materially) harmed by unjust wars.

The costs of war are normally calculated in terms of human lives lost, whether civilian or combatant. And normally such mindfulness concerns only those of whom the person is concerned. Rarely do such considerations include the human and nonhuman lives lost on the "enemy" side and what one "side" of the war owes to the other if it started an unjust war. For if such calculations were made on a regular basis and taken seriously, it might alter the mindsets of many who tend to think of war in terms of how it affects them and the ones about whom they care. But that perspective, egoistic as it is, typically assumes the

<sup>3</sup>For a discussion of collective responsibility for reparations, see McGary (1999).

justness of their “side” being in the war to begin with. Yet it is precisely such a perspective which prevents so many from seeing the facts of the particular war in question for what they really are. Consideration of a broad range of factors about the economics and business of wars and unjust wars might possibly broaden our approach to war and how to assess its justifiedness. And perhaps if this is accomplished on a regular basis and with sufficient depth and care, the prospect of the serious implications of compensatory reparations owed for one’s “side” starting an unjust war might cause many more folk to reconsider their support for what they are told is the right thing to do by those having vested interests in going to war on a particular occasion.

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## Introduction

Wealth is a buffer to financial, health, and emotional distress and therefore is of importance in creating stable and flourishing economies and societies. Wealth can be used to overcome crises such as unemployment and illness; thus, it differs from income in meaningful ways (Hallsten and Pfeffer 2017). Therefore, it is important to pay attention to how it is dispersed across society. According to UNESCO, global poverty rates have decreased across the globe as a result of economic growth and the creation of wealth (UNESCO 2015). Yet this cheerful story obscures the fact that wealth inequality is growing across the globe. Fortunately, wealth inequality, while a pervasive global problem, has solutions. Since the accumulation of wealth is linked to educational success (Wai and Lincoln 2016), education is key in addressing wealth equity issues.

Personal wealth can be described as a person’s assets minus debts. Therefore, wealth equity can be described as people’s degree of access to the ability to create wealth, that is, whether people have comparable access to the skills, education, and sources of capital required to create wealth. Wealth equity can also be described as people’s *right* to access to those institutions and systems where they can develop the skills, the networks, and financial resources to accumulate wealth. Access to such things is not equitable in most societies.

## Education and Wealth Equity

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## Synonyms

Income equity; Income inequality; Wealth inequality

## Wealth Inequality

Since the 1970s only those households in the top 1% of wealth ownership across the United States have seen their wealth share grow (Fry and Kochhar 2014). This uptick in wealth inequality is linked to income inequality. According to Saez and Zucman (2016), the persistence of high-income jobs strongly influences the concentration of capital and wealth stores. Wealth and income differ in their distribution across an economy; wealth is much more concentrated than income. Moreover, wealth numbers provide more long-term insight into what resources people can access

and accumulate over time and indeed across generations than income rates. Income is subject to temporary shocks such as unemployment, bonuses, and so forth; wealth is more durable though less accessible (Conley 2001).

Americans underestimate the degree of wealth inequality in the United States and vastly underestimate the wealth gap between the rich and the poor. They also vastly overestimate social mobility available to people without wealth. Perhaps because of this, policies that might decrease the gap have little support (Norton and Ariely 2011). This does not bode well for those whose wealth remains constrained. The truth is wealth equity in the United States is on a downward spiral. Zucman (2016) describes wealth inequality in the United States as extreme. By 2012 the top 0.1% of the population held the same percentage of the nation's wealth as during the prior peak of wealth concentration in 1929. Wealth has grown even more quickly for the already wealthy. According to Shorrocks et al. (2016), "no other segments of the wealth pyramid have experienced as great a transformation this century as the millionaire and ultra-high net worth (UHNW) segments. The number of millionaires has increased by 155%, while the number of UHNW individuals has risen by 216%, making them by far the fastest-growing group of wealth-holders."

The wealth of the poor and middle class has eroded (Zucman 2016). The bottom 90% of society held 23% of wealth in 2012, up from 20% in the 1920s but down from a high of 35% in the 1980s (Saez and Zucman 2016). The bottom 90% of the population held a store of wealth equal to the top 0.1% in 2012. Pensions and home ownership drive much of the wealth of the middle class, but as Saez and Zucman point out, the mortgage, consumer, and student debt of the bottom 90% has grown at a faster rate than its wealth. Saez and Zucman (2016) report that wealth inequality within rich families is also increasing – that is, the gaps within the top 10% of society are increasing. Some groups seem to be especially susceptible to wealth fluctuations and inequities. For example, the Great Recession disproportionately hit two groups: adults under 30 (across races and

ethnicities) and African Americans (Zhan et al. 2016; Taylor et al. 2011).

The United States is not alone in experiencing growing wealth inequality. All OECD member countries have shown an inequitable concentration of wealth in the last four decades (Martin and Mira d'Ercole 2015). Like the United States, wealth distribution is also more concentrated than the income distribution in Europe. The top 10% of Europe hold 50% of total wealth, which is ten times more concentrated than income distribution (Martin and Mira d'Ercole 2015).

In 2015, the \$111,270 median family income for families headed by a four-year college graduate was more than twice the median for families headed by a high school graduate. The degree to which people accumulate wealth over the course of their lives correlates strongly with their education level, with people with higher education accumulating more (Mondragón-Vélez 2009). This suggests that increasing access to education will mitigate wealth inequality. But we cannot simply suggest that having an education has a direct positive impact on wealth equity, as there are aspects of the educational system that prevent this. On the one hand education has a positive impact on successful investment decisions and avoiding bankruptcy, loan default, remortgaging, and foreclosure (Cole et al. 2014); on the other hand, student loan debt constrains wealth creation. Education is a complex construct and it would be simplistic to suggest that education alone can eliminate barriers to wealth accumulation. But improving the system itself would greatly increase its power to address wealth equity and narrow the wealth gap.

## Limitations to Contemporary Education

Perhaps one of the more persistent issues with American education is its extremely hierarchical nature. There is the problem of the strata in the American college system. Beyond college and major selection, employability depends on factors that tend to align with class. For example, people with more family money are more likely to have social connections that help them get ahead. They

are also more likely to be able to work as interns for little or no money without starving or exhausting themselves with a second job. These factors compound disadvantage. Constructs like class and power are as important as education itself, especially for those lacking who lack class status and power. Education alone will not solve wealth equity issues because not all educational institutions are equal. The children of the wealthiest dominate the most selective schools. Being born into wealth facilitates the purchasing of education, learning support, and educational success, increasing one's ability to maximize the benefits of an education. It also can translate into a more valuable degree, as schools with higher tuition rates tend to produce higher incomes (Hallsten and Pfeffer 2017).

Even as the cost of college tuition has increased, financial aid to help pay for it has decreased (Cragg and Ghayad 2015; Zhan et al. 2016). This has put post-secondary education out of reach for many, with grave impact on low- to middle-income households (Cragg and Ghayad 2015). For many who do manage to attend college, the increased cost of post-secondary education has also put increased pressure on students to finance their education with debt. Average tuition in 2016 at public 4-year colleges was 3.1 times what it was in 1986. Tuition at private 4-year colleges grew 2.3 times over the same period (College Board 2017). The college board argues that a decrease in funding by the states are a major reason for this increase in price (state funding is cyclical, but indeed the trend is downward). In 2016 funding for eligible full-time equivalent students was 8% lower than in 2006 and 11% lower than 1986 (College Board 2017.)

Student loan debt in the United States quadrupled between 2004 and 2014, from \$260 billion to \$1.1 billion (Yellen 2014). Black students are twice as likely to have student debt as White students (Ratcliffe and McKernan 2013), and the negative impact of student loans on wealth is greater for Black graduates than White ones (Zhan et al. 2016) reflecting the disproportionate poverty of Black families. Across races, net worth is seven times lower for graduates with education-derived debt than for those with no student debt.

While this in part reflects selection effects – people from wealthy families do not take out as many loans, and parents may transfer wealth to young adults – it also means that the same factor that enables the accumulation of wealth incurs a barrier to wealth building. In addition to draining finances, student loans make it difficult for graduates to access credit to purchase assets, which makes it difficult to accumulate assets, such as a home, upon which to base wealth accumulation (Zhan et al. 2016).

Beyond negatively impacting the credit scores of graduates, education-based debt is negatively correlated with initial wage in comparison to similarly educated students, and education loans are negatively related to growth in salaries over a lifetime (Zhan et al. 2016). This suggests that the financial pressure to repay loans leads students to take jobs that they perhaps would be unwilling or less likely to take, were they not under pressure to get to work as quickly as possible. The lower salary level of these jobs suggests they may not require the degree new graduates have just earned, which may suggest they are not good steps in the pathway to stability that a college degree should confer. Furthermore, Zhan et al. (2016) argue that the difficulty of qualifying for a mortgage when one carries high student debt is not the only reason that education-derived debt blocks wealth accumulation. They suggest that people with high student debt have an aversion to taking on new debt for the purchase of assets to build wealth. This psychological barrier is likely further exacerbated by the fact that student loans cannot be discharged in bankruptcy, which makes it particularly risky (Cragg and Ghayad 2015).

The relative value of different majors also reduces the role education can play in improving wealth equity. A nation should value different types of education equally, including different undergraduate majors. The actors and influencers associated with the education system have not upheld this principle. While the people who oversee the education system should be those who are best positioned to take a holistic approach to learning, who prioritize the creation of an educational system as a foundation to build a flourishing society, economy, and political system, including



government actors, this is not the case. Special interest groups like business interests that are not experienced in education have exerted increasing control. Business has become ever more influential in the educational landscape and the strategic and curriculum focus of colleges and business schools in particular. This has driven a focus on work related skill sets, sometimes at the expense of broader skill sets like creative and critical thinking, as well as interest in the common good. This affects wealth equity in a circular way as a lack of students with interest in the common good bodes ill for the future.

For many, education has been reduced to job preparation, leading to a view of higher education as a product in which students and families invest for future employment (Natale and Doran 2012). Because of the financial burden post-secondary education imposes, students and their families often focus on financial return on investment in seeking out degrees. This placement of increased importance on practical oriented education and practical learning outcomes affects students' and student families' perception of what constitutes a worthwhile education. Many place pressure on students to avoid liberal arts degrees and in particular humanities degrees. Liberal arts degrees and perhaps education degrees to a lesser extent are not valued by society to the same extent as business or science degrees. Disparities in earnings, the markets' way of signaling value, between business and liberal arts graduates reflect this. History graduates should be able to look forward to the same financial reward as their business or science school peers after graduation.

Clamoring for an education that imparts skills that promote employability, students' interest in professional education began outstripping interest in liberal arts education in meaningful ways in the 1970s. The growth of majors such as accounting, business administration, and nursing speaks to increasing orientation toward the utility of education across many campuses. From 2000 to 2015, undergraduate enrollment increased by 30%, and for all races and ethnicities, business was the degree pursued most often. Between 2004 and 2015, the number of students graduating from college with a business degree grew from

312,000 to 364,000, while the number of social science or history graduates grew from 157,000 to 167,000 (NCEAS 2017).

Simply put, some majors do not lead to jobs that increase wealth building and misrepresenting them is an error.

The rigid distinction between an education for thinking and caring and an education for doing does not exist. But the myth that one exists encourages students to study fields for which they have no passion. This can lead to a deficiency of needed workers in fields that advance the public interest, such as nonprofit work. It also perpetuates the cycle of wealth inequity. Furthermore, by equating value to earning potential, our culture denigrates necessary fields such as teaching. Not only does this deprive one of the most important fields in the country of highly talented students but it also supports the underpayment of teachers. The supply of teachers is falling as fewer students are choosing this as a career (Allegretto and Mishel 2016), and while the simple supply and demand mechanisms would predict teachers' wages should increase with a contraction of workers, they have not. Public school teachers earned 17.0% less in 2015 than did comparable workers (as opposed to 1.8% less in 1994) (Allegretto and Mishel 2016). More generally, in 2015, the median annual salary of graduates with a bachelor's degree in engineering- or computer science-related degree ranged from \$60k to \$72k, business-related degrees ranged from \$45k to \$58k, and fine arts, education, humanities, or history degrees ranged from \$36k to \$41k (NCEAS 2017).

## Conclusion

Americans are too optimistic about the upward financial/wealth mobility of disadvantaged Americans (Norton and Ariely 2011). The same optimism could lead to excessive optimism about the role of education in fixing issues of wealth equity. This overly optimistic perspective on the efficacy of contemporary education could block needed reform. There are other issues at play, and education, while important, could do much more to fix



the wealth equity issue were the issues outlined here addressed. Some students are constrained in their wealth building capacity by where they study, others are constrained by what they study, and others are constrained by how they pay for their studies. None of this should continue. College for all would be a great step, but it will not close the wealth gap without reform.

## Cross-References

### ► Distributive Justice

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## Educational Ethics

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## Synonyms

Ethics of teaching; Professional ethics in teaching; Teacher ethics

## Introduction

Educational ethics, understood both as an area of scholarly inquiry and a subject taught in university- and college-based teacher training, has a history that is very distinct from the way ethics emerged as a concern in recent decades in classical professions like medicine and law. According to the standard narrative, starting in the 1960s, a decline in public trust towards traditional authorities fueled a demand for greater accountability among the professions. Confronted with a new situation in which public trust could no longer be taken for granted, the professions responded by introducing more stringent and transparent mechanisms to regulate professional conduct. These mechanisms included enhanced ethical codes, formal disciplinary committees, and mandatory training in ethics. In teaching, by contrast, it has long been recognized that ethical concerns permeate and guide every aspect of educational practice. Like other professionals, teachers are expected to adhere to standards of ethical conduct themselves. But they are also called upon to impose ethical standards on students by enforcing school rules, participate in the promotion of collective values through instruction and the curriculum, and act as a positive influence on students by modeling ethical conduct, both on and off duty. How to best prepare educators to assume the multifaceted role morality of the teaching profession is a perennial concern among educationalists as well as a source of contention. Inspired by discourse on professional ethics emanating from the classical professions, some emphasize that teachers are subject to a set of common norms of professional conduct that exist primarily to ensure that teachers provide the highest quality of public service and exercise the authority granted to them by society in a responsible way. This perspective on educational ethics, however, is but one among at least three conceptions that vie for dominance in educational scholarship, practice, and preparation. There is also the moral education perspective, which centers on preparing teachers to foster positive ethical traits and dispositions among young people, and the social justice agenda, which centers on raising

teachers' consciousness about the fact that schools can be a motor of both exclusion and social justice, and preparing educators to act as agents of civic equality. To understand these unique contours of educational ethics, one needs to understand how teachers' role morality differs from that of a classic profession and how teachers' role morality as it is currently conceived contains layers that reflect the historical development of teaching as an occupation.

## Role Morality in Teaching

As soon as teaching began to emerge as a livelihood – historians of Western education typically trace this moment back to ancient Athens – the teacher's main task was to shape their students by instilling in them certain desirable ethical and social qualities. Although the exact combination of traits teachers were expected to foster has shifted over time and in relation to their students' place in the social order, the basic purpose of teaching has overwhelmingly been to facilitate the acquisition of socially desirable traits among students. This moral orientation of teaching influences not only the curriculum, or the subjects and skills in which teachers are asked to provide instruction, but also the standards of conduct they are held to in their interactions with students and their families as well as in their private lives. Today, the teacher's role is centered on providing instruction in taught subjects as a way to prepare students to enter a competitive job market and meet the needs of a rapidly changing society. From the vantage point of the present, it is easy to forget that this is a rather new conception of teaching. Until very recently in historical terms, instruction was a means to another, ethical end of the holistic forming of persons. In this context, the primary responsibility of teachers was to incarnate and model the kinds of personal characteristics the education system was designed to foster and promote.

As any historian of teacher education can readily confirm, preparing future teachers to assume the role of moral models for their students was a primary concern of teacher education in Europe,

North America, and Australia from the beginning of formalized teacher education. Traditionally, teacher educators were very much preoccupied with impressing on prospective teachers the need to adhere to strict moral standards of personal conduct as much in their private lives as in their work with children and young people in schools. Over roughly the first half of the twentieth century, as teacher training was handed from religious groups to normal schools and then finally to universities and colleges, its focus gradually moved from ensuring that candidates possessed the ethical qualities associated with morally upright people to helping them develop the skills they would need to provide effective instruction (Labaree 2008).

Despite this radical reorientation of teacher preparation, contemporary analyses of teachers' role morality continue to regard standards of conduct that set ethical limits on the exercise of professional skills as merely one facet of the role morality of the teaching profession. Ethical concerns surface in teachers' work in four additional ways that make the professional relationship between teachers and the public they serve fundamentally different from the standard professional-client relationship (Forster and Maxwell 2022). First, teachers are expected not only to adhere to standards of ethical practice themselves but they must also, through setting and enforcing school and classroom rules and regulations, impose ethical standards on the primary recipients of their services: students. Second, what teachers teach, the act of including and excluding classroom material via the curriculum, sends implicit but powerful messages about which knowledge and perspectives are valued and which are not. Third, how teachers teach, the manner in which teachers carry themselves in the classroom in terms of their attitudes towards content, students, and student behavior sets a standard for students of intellectual integrity and interpersonal conduct. Finally, because teachers are in such close social proximity with students – as it is often observed, many primary school students spend more time with their teachers than they do with their own parents – society demands that teachers model social values and good personal conduct, an obligation that

extends to their private lives. Teachers are held to higher ethical standards off-duty than other professionals. The way teachers behave in their private lives can, it is claimed, influence young people and parents need to know that teachers are the kinds of people to whom they can entrust their children. Because of these multiple ways in which ethical concerns interpenetrate teaching practice, it is still very difficult to wholly separate being an ethical teacher from being an ethical person, as much for the public as it is for teachers themselves.

## Professionalization of Teaching

The emergence of the professionalization of teaching movement in the 1980s added an additional layer of nuance to the already complex issue of teachers' role morality. Mirroring the professionalization process of other semi-professions like nursing and social work, teaching's struggle for recognition as a profession pursued two main strategies. One strategy focused on modifying the institutional framework of teaching and teacher education so that it came to mirror those of a typical profession. An example of this strategy is the massive and successful drive to bring teacher education into universities and colleges. The other more radical approach involved trying to modify the very nature of teachers' work so that it became more analogous to the kind of "knowledge work" that defines the classical professions. The exponential growth of educational research, ostensibly aimed at providing the requisite evidence base for effective instruction, exemplifies this strategy. In this context, two discourses in teacher education appeared to converge, making it clear to many that a renewed prioritization of the ethical dimensions of teaching in teacher education was an urgent, if not a forgone conclusion.

The first discourse, widely associated with Tom's (1984) celebrated book *Teaching as a Moral Craft*, centered on the idea that "the act of teaching is moral" in the sense that education inevitably involves attempting to transform people in ways that are considered to be good or worthwhile. What incited Tom and other scholars

of this period to embark on a renewed exploration of this ancient idea was a concern about the future of teacher education when it is increasingly focused on evidence-based instruction. In a critique that still seems fresh today, Tom argued that the newly dominant “applied-science metaphor” of teaching highlighted the technical aspects of teaching while rendering obscure to those involved in teacher education that teaching is necessarily as much about transmitting values and social ideals as it is about transmitting knowledge and skills.

The second discourse, which emanated from the reform movement in teacher education launched by the landmark 1983 report on the state of public education, *A Nation at Risk*, was concerned about aligning teacher education with broader trends in ethics education in the professions. In the immediate wake of *A Nation at Risk*, two major commissions on teacher education were struck: the Holmes Group initiative and the Carnegie Task Force. Both groups’ analyses of teacher education in the United States, as well as their recommendations about how to improve teacher education, took as a touchstone the model of professional education that had emerged in medicine over the course of the twentieth century. The reports of both groups, for instance, advocated for the abolition of undergraduate degrees in education to be replaced by “clinical schools” under the auspices of local school districts, and both reports urged trustee institutions responsible for overseeing teacher education to work towards a field-wide consensus on the “knowledge base of teacher professionalism.” In the short term, the impact of these reports was to lend a great deal of credence to the idea that teacher education in the future would look more and more like medical education and hence include training in professional ethics.

In the teacher education literature, then, a new idea began to be taken very seriously by a number of high-profile educationalists. This idea was that the basic conception of professional ethics education that had emerged with the modernization of medical education – focusing on familiarizing students with codes of ethics, the ethical concepts embedded in practice, the inherent ethical

complexity of professionals’ work (and the attendant ethical dilemmas), and so on – now had a place in teacher education. Following the introduction of the National Education Association’s code of ethics in 1975, and against the background of the drive to professionalize teaching mentioned above, there was a period of confidence that before long educational ethics would have a central place in teacher education programs, either in the form of a dedicated course or as integrated curriculum (Goodlad 1990). During this period, a literature on the ethical and moral dimensions of teaching began to appear and efforts got underway to align how ethics education content was handled in teacher education with broader trends in professional education (Warnick and Silverman 2011).

## Educational Ethics and Teacher Training

By the 1990s, however, teacher educators had already begun to raise doubts about the progress made in this direction and attempts were underway to account for why teacher education, as Glanzer and Ream (2007) put it, had “missed the ethics boom.” To gain an empirical perspective on mostly anecdotal claims that teacher education has resisted the ethics movement in higher education, and following the lead of similar work aimed at tracking the progress of ethics education implementation in other professions, survey work was undertaken to take stock of the state of ethics education in teacher education (i.e., Maxwell et al. 2016).

In terms of the question of how common it is for future teachers to receive dedicated training in the ethical dimensions of the profession, the main finding of this research was that 24%, or 97 of the 401 teacher education programs surveyed across five OECD countries, included at least one mandatory course dealing with educational ethics. When compared with the cross-disciplinary data on the frequency of an ethics requirement in professional formation in fields including medicine, business, dentistry, engineering, this finding suggests that initial teacher education is in no way exceptional. Teacher education may be far from

the top of the league tables with regard to the structured teaching and learning of ethics in the form of a dedicated course. However, the finding that roughly a quarter of the programs leading to teaching certification surveyed contained a mandatory ethics-related course places teacher education above engineering but still well below the 50% frequency figure found in medicine, the field often considered as being at the vanguard of the ethics education movement in higher education.

Another significant feature of ethics education for preservice teachers revealed by the survey was just how many different forms ethics courses on educational ethics take. On one hand, there seems to be broad agreement among teacher educators the educational objectives of ethics training for teachers. Over 90% of respondents affirmed that developing teachers' ethical sensitivity, raising their awareness about professionalism, promoting professional values, developing professional qualities like honesty, fairness, and empathy, and practicing reasoning skills are important teaching and learning objectives of a course on educational ethics. On the other hand, the educational strategies put in place by particular academic units to pursue these goals vary considerably.

Ethics courses for future teachers tend to adopt one of three approaches that allign roughly with the three aspects of teachers' professional role morality, presented above: the social justice approach, the moral work of teaching approach, and the professional ethics approach. The social justice approach prioritizes raising teachers' awareness about and how teachers and schools can contribute to social exclusion and what they can do to change that (see Clausen and Logan 2020). The moral work of teaching approach prioritizes preparing teachers to help foster character, virtues, or values in young people, often through promoting virtues, values, and professional ideals among future teachers themselves (see Sanger and Osguthorpe 2015). Finally, the professional ethics approach prioritizes initiating future professionals into a community of practice defined by a shared conception of what it means to act ethically and responsibly in the provision of educational services (see Campbell 2008).

In the abstract, the way these approaches to educational ethics articulate with one another is bound to generate normative friction. In practice, however, they are complementary. The professionalism agenda in ethics education, for instance, is routinely critiqued by proponents of the social justice agenda. By focusing narrowly on teachers as individual actors responsible for their own conduct and the immediate well-being of their clients, critics argue, the professionalism approach risks obscuring crucial macroethical issues in professional practice. From a practice perspective, however, establishing a rigid hierarchical ordering of these agendas in teacher education seems artificial and counterproductive. To illustrate with a simple example, when teachers treat their pupils fairly, they are respecting norms of ethical professionalism *and* promoting equality as a moral and social value through modeling *and* acting to minimize discrimination in the school. Preparing ethically accountable practitioners versed in the collective standards of teacher professionalism, supporting new teachers' capacity to act effectively as moral educators and models of good citizenship, and raising teachers' awareness about how the school systems can reinforce deep seeded social injustices may be distinct objectives of teacher development, but they are all important.

## Conclusion

Teachers' role morality is multifaceted and comprised of historically layered ethical expectations that society and the teaching profession impose on teachers. In light of this reality, it should come as no surprise that the problem of the professional socialization of teachers into the collective ethical norms of the profession is contested terrain. The rich variety of approaches to dealing with ethics, values, and morality found in teacher education – and the heated debates among teachers themselves about which approach serves students, society, and teachers best – is not just an attempt to “catch up” with trends in higher education or “normalize” teacher education by making it resemble more closely that of the classic professionals. Instead, it is the reflection of continuing

efforts among teacher educators and the teaching profession to find an appropriate educational response to the unique ethical contours of teachers' work.

## Cross-References

- ▶ [Academic Business Ethics in the United States](#)
- ▶ [Academic Ethics and Academic Integrity](#)
- ▶ [Academic Integrity and Business Ethics Teaching](#)
- ▶ [Business Ethics as an Academic Discipline](#)

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## Ego Depletion: Overview and Implications for Ethical Choices

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## Synonyms

Depletion; Ego depletion; Regulatory depletion; Self-control; Self-regulation

## Introduction

This entry provides an overview of ego (“regulatory”) depletion (or, simply, “depletion”), including potential triggers and implications. Then it explores implications of ego depletion in ethical settings. Finally, the entry concludes with suggestions on how to mitigate the potential depletion effects.

## Overview

Consider walking into the grocery store after a long day. You have made many decisions throughout the day and have just challenged your self-control by bypassing the ice cream aisle. You are now facing a wall of cereal boxes and your favorite brand is sold out. . . what do you do? Do you leave? Do you pick the closest one? Do you take the time to review the boxes to find a healthy alternative? Research suggests that when your regulatory resources are depleted, you will become a “cognitive miser” and focus on whatever dimension of the current choice demands the least amount of your regulatory energy. For some people that choice becomes focused on price; for other people it might be taste – in fact, research finds that many depleted people will simply stop



buying when there are too many options (Baumeister and Tierney 2011).<sup>1</sup>

Whether called ego depletion (Baumeister et al. 1998), self-control depletion (Muraven and Baumeister 2000), self-regulation depletion (Muraven et al. 1998), or some other form of regulatory depletion terminology, the concept focuses on one's ability to self-regulate (regulation). Regulation is the activity whereby individuals "seek to exert control over their thoughts, their feeling, their impulses and appetites, and their task performances" (Baumeister et al. 2006, p. 1773). It is the regulation of self-control that provides the resources necessary to get up in the morning instead of hitting snooze one more time, restrain from eating the last bite of dessert, work when it is a beautiful day, and so on. According to Baumeister et al. (2007), "self-control refers to the capacity for altering one's own responses, especially to bring them into line with standards such as ideals, values, and social expectations, and to support the pursuit of long term goals" (p. 351). However, research finds that the ability to regulate one's self-control is finite – the act of utilizing self-control depletes this limited supply of regulatory resources, which then leads to conservation of the remaining regulatory resources – which then impacts performance in any task requiring further regulation (Baumeister et al. 1998, 2000, 2007; Baumeister and Vohs 2007). From an ethical perspective, depleted individuals have reduced resources available to manage their ethical decisions.

## Regulatory Resources

Imagine you are about to face a parole board; would you want this to occur before or after

lunch? The board's decision should be based solely on laws and facts made in a "rational, mechanical, and deliberative manner" (Danziger et al. 2011, p. 6889). In theory, the time of day shouldn't matter. However, research by Danziger et al. (2011) suggests that it might. Their study finds that parole board members default to the more passive decision of denying parole before lunch or at the end of the day, as opposed to granting prisoners with similar profiles parole more frequently at the beginning of the day or after lunch. They attribute these differing decisions to regulatory depletion. In essence, they find that taking breaks replenishes the judges' regulatory resources and influences their decision patterns.

## Why Do People Become Depleted?

Research suggests that self-regulation operates similar to a muscle. That is, once the "muscle" is fatigued from exertion, it must be given time to replenish (Baumeister et al. 2007). Similarly, the act of utilizing regulatory resources leads to "an effort to conserve remaining resources" (Baumeister et al. 2000, p. 130). Thus, when depleted, individuals are limited in their ability to engage in tasks requiring self-regulation until these resources are replenished (Muraven and Baumeister 2000). Baumeister et al. (2006) outline the distinctions between the impacts of regulatory depletion versus mental fatigue and conclude that depletion impacts a higher level of cognitive ability requiring regulatory resources in a way that is distinct from mental fatigue.<sup>2</sup> In fact, they note that when an individual is fatigued, stimulation tends to increase performance on a related task, whereas when individuals are depleted, their performance on a second task requiring depletion (regardless of domain) is negatively impacted.

While the impact of regulatory depletion is likely not attributable to mental fatigue, there is likely some physiological impact related to the

<sup>1</sup>In addition to the citations included in this entry, I encourage those who are interested in further reading to review the following books: *Willpower: Rediscovering the Greatest Human Strength* by Baumeister and Tierney (2011); *Self-Regulation and Ego Control* edited by Hirt et al. (2016); and *Self-Regulation and Self-Control: Selected Works of Roy F. Baumeister* edited by Baumeister (2018).

<sup>2</sup>I encourage the reader to refer to page 1777 of Baumeister et al. (2006) for a more detailed discussion and examples of the distinction between regulatory depletion and mental fatigue.

processing of glucose. This phenomenon isn't completely understood, but Baumeister (2018) suggests that glucose is depleted as one utilizes self-control, leading to self-regulatory depletion. This raises the question: can the human body really run out of glucose? Baumeister cites work by Beedie and Lane (2012) who suggest that while the body may still have adequate resources, it will rely on a resource-allocation model for self-control. In essence, the body estimates the current resource demands and decides whether the given (and future) task is worth investing in. This leads to a situation where the current expending of regulatory resources (glucose) leads to the conservation of future resources until such time that the resources are fully replenished.<sup>3</sup> Thus, "restoring glucose to higher and optimal levels should replenish the ability to exert self-control" (Gailliot et al. 2007, p. 326). In essence, this means that one should maintain a healthy caloric consumption during tasks that require self-control. Since individuals do not typically eat continually, nor do they always know when they are depleted (Baumeister et al. 1998; Muraven et al. 1998), they succumb to the effects of depletion.

## Potential Triggers

Early regulatory depletion studies find that resisting temptation leads to a decrease in self-control resources. For example, Baumeister et al. (1998) find that individuals are depleted when they are instructed to eat radishes while fresh cookies are available but they are not allowed to eat them. In addition, Baumeister et al. (1998) find individuals become depleted when they are forced to present counter-attitudinal speech on a disagreeable topic or where individuals are asked to cross off all "e"s in a passage of meaningless text. Further, Muraven et al. (1998) find that restricting participants' emotions during a sad movie, instructing participants' to not think

about a white bear during a writing assignment, and completing hard math problems all lead to depletion. Beyond resisting temptation, research finds that activities such as making active choices (Vohs et al. 2008), switching mindsets (e.g., "how" versus "why") (Hamilton et al. 2011), and delaying gratification (Buccioli et al. 2013) all also cause ego depletion.<sup>4</sup> In essence, research finds that any activities requiring active regulatory resources lead to a depleted regulatory state.

## General Impact

Research has found that the depletion impacts a wide spectrum of activities – from not being able to withstand physical efforts (holding a hand in cold water, drinking sour liquids, enduring physical stamina tasks, etc.) to cognitive tests (completing puzzles, completing problem-solving tasks, duration of watching boring movies, etc.) (Muraven et al. 1998; Baumeister et al. 1998).

One unifying theme related to the impact of depletion is that, as depleted individuals attempt to conserve their remaining self-control resources, they default to the decisions that are the least impactful on remaining self-control resources (Baumeister et al. 2000; Pocheptsova et al. 2009; Evans et al. 2011) or to situational cues (Banker et al. 2017). For example, if someone is naturally risk-averse, they might default to choices consistent with less risk (as exemplified in the earlier parole scenario). However, if someone is more risk-seeking, they may engage in riskier behaviors. Interestingly, this can be situation specific. Thus, building on the earlier parole board scenario, one parole board member could default to not providing parole before lunch but might then drive in a risky manner on his/her way to dinner. In both settings, the parole board member is depleted. However, the individual follows a conservation strategy that leads to seemingly opposite outcomes where the parole board

<sup>3</sup>For a more detailed discussion related to the likely impact glucose has on self-regulatory depletion, see Baumeister (2018), pp. 4–6, 81–83.

<sup>4</sup>For additional reference see de Ridder et al. (2012), who provide a general summary of the extant research, and Hurley (2015), who provides a summary as it relates to auditing research.

member is acting in a risk-averse manner when judging a parolee but in a risk-seeking manner when driving (s.f.e. Unger and Stahlberg 2011; Freeman and Muraven 2010).

Schmeichel et al. (2003) find that outcomes are conditioned on the nature of the decision process. They find that depletion only affects complex thinking (e.g., logic and reasoning tasks), as opposed to simpler, route-type thought processes (e.g., general knowledge questions). They find this effect is caused by the need for active processing when engaged in complex thinking, which utilizes the limited pool of regulatory resources. Further, Hurley (2017) finds that the impact of depletion can accumulate over time and lead to an exacerbating effect on the within-day depletion effects.

### Impact on Ethical Decision-Making

As a thought exercise, consider the following: if we accept the precept that depleted individuals make decisions to conserve their regulatory resources, what is the default decision when someone faces an ethical decision? Mead et al. (2009) observe that there is “motivational conflict” between the short-term gains earned through a dishonest act and the long-term rewards earned through social acceptance. Their research reconciles this conflict by testing and finding that depleted individuals have less resources available to dedicate the self-control necessary to act honestly. Thus, they find that not only does dishonesty increase with higher depletion, but also individuals will be more likely to expose themselves to situations with temptations to cheat – thus, exacerbating the situation.

In addition, Reinhard et al. (2013) find that depleted individuals are less accurate at detecting deceptive messages than those who are non-depleted. Possibly more disturbing, but maybe not surprising, is that depleted individuals are also found to feel less guilty than non-depleted individuals (Xu et al. 2012). Thus, not only does research suggest that individuals will act less honestly and more easily find themselves in morally complex situations but that they will feel less guilty when they do make an unethical decision.

However, if we return to the precept that individuals act to conserve regulatory resources, then these findings raise the question of how depletion will impact someone who is naturally inclined toward honesty. Gino et al. (2011) explore this question. They find that individuals measuring high in moral identity are less dishonest when depleted than individuals who are lower in moral identity.<sup>5</sup> They conclude that those who are naturally more honest do not need to expend the same level of regulatory resources in making an honest decision, which moderates the impact of depletion.

Finally, Yam et al. (2014) explore when depletion can lead to *decreased* unethical decisions instead of *increased* unethical decisions. In their setting, they focus on whether the unethical behavior has high or low social consensus. They argue that because high social consensus unethical behavior is generally agreed to be unethical, it requires a significant amount of initiative to act on the unethical decision, which requires the engagement of self-regulation resources, thus leading to a decrease in unethical behavior. Conversely, low social consensus unethical behavior is more ambiguous as to the moral impact. Thus, a depleted individual lacks the regulatory resources to overcome the moral conflict making short-term rewards seem more beneficial than long-term gains of following their moral principles and leading to an increase in unethical behavior.

In summary, when the choice requires regulatory resources to actively decide to follow an unethical path, depleted individuals will default to an ethical decision. However, when the choice is ambiguous and choosing the ethical decision requires regulatory resources, then a depleted individual will default to an unethical choice, contingent on their level of moral identification. Thus, when considering the impact of depletion in an ethical setting, it is important to consider what the least effortful choice (in a regulatory sense) will be as that will likely guide an individual's

<sup>5</sup>Gino et al. (2011) observe that, “Individuals high in moral identity have strongly internalized moral standards and thus do not need to expend cognitive resources when thinking through the decision of how to resolve ethical dilemmas.”

decision – whether they realize it or not. In the next section, we explore some tools for mitigating the effects of depletion.

## Mitigating Regulatory (Ego) Depletion

Think about the last time you worked out. If you are like me, your muscles wore out quickly and needed time to recover. As discussed earlier, depletion research often uses the analogy of a self-control muscle: performance declines over time and needs time to recover (Muraven and Baumeister 2000). However, with frequent exercise of self-control, individuals can train themselves to better resist the effects of depletion (Muraven and Baumeister 2000). In fact, research finds that self-control can be improved even with regular exercise. Research supports the idea that the self-control necessary to engage in exercise on a consistent basis also builds a greater reserve of this regulatory “muscle,” which then translates into other, unrelated, tasks requiring similar regulatory resources (Baumeister 2018).

In addition, as mentioned earlier, individuals likely do not know when they are depleted. Thus, another line of literature explores ways to address depletion through various strategies to enhance an individual’s ability to self-regulate their behavior. For example, Webb and Sheeran (2003) find that forming implementation intentions prior to the depleting task helps minimize the impact. Implementation intentions take the form of specifying when, where, and how to act. In this way, they circumvent the need for cognitive control by creating specific behavioral cues *prior* to the need for self-control. Thus, if one knows that they are going to be tempted with unethical decisions, she/he could create personal decision cues that would automate their decision process. Consider someone who is about to take a test in a crowded setting. She/he could decide ahead of time that anytime they needed to look away from their test, they would only look up. That way, they would not have the temptation to look at a neighbor’s exam.<sup>6</sup>

It should be noted, however, that setting a personal implementation intention is distinct from expectation of a future depleting task. Muraven et al. (2006) find that someone who is currently depleted, and expects that they will be required to perform in a future depleting task, will perform worse on a current task than someone not knowingly facing a future depleting task. Thus, the act of attempting to conserve resources actually *decreases* performance in the current task. Muraven et al. (2006) observe that “self-control performance is related to how much self-control participants exerted previously and the amount of self-control they expect to exert in the near future” (p. 536). While warning someone about a future depleting task may be counterproductive to the current task, Janssen et al. (2010) find that by forewarning someone about an impending situation where they are likely to be influenced, they conserve resources such that they can more effectively avoid complying with the persuasive request. And Martijn et al. (2007) find that providing a positive exemplar (“a person or thing to be copied”; Savur 2017, 22) seems to increase performance in depleted individuals. In their setting, they provide a vignette about a famous ice skater who didn’t give up or quit. They suggest that this simple motivational example provided an adequate prod for participants to expend additional self-control resources.

Taken together, these results suggest that individuals can decrease the potential for making unethical decisions when depleted. For example, helping individuals identify specific situations where they may be tempted to engage in unethical situations and then helping them role play decision cues that can short-cut their need for self-control in those settings are likely to increase adherence to positive ethical decisions. Further, providing examples of others who have successfully navigated these settings likely would help as well. In general, research suggests that for someone facing an unethical setting, it is important not to simply focus on the challenge generally but

<sup>6</sup>This is consistent with Mary Gentile’s “Giving Voice to Values” (Gentile 2019). Future research could explore

whether this (or similar practical) system for ethical integration provides an adequate foundation that would lead individuals’ ethical choices to be less impacted by depletion.

rather focus on the impact of situations on self-control resources – preferably *prior* to the individual becoming depleted.

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Business Case for Business Ethics](#)
- [Ethical Blind Spots and Accounting](#)
- [Ethics Audit](#)
- [Implications of Mindset Theory for Ethical Decision-Making](#)
- [Meaningful Work](#)
- [Teaching Business Ethics](#)
- [Work-Life Balance](#)

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## Egoism and Libertarian Ethics

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### Synonyms

Laissez-faire; Libertarianism; Self-interest; Selfishness

### Introduction

Although not a concept contemplated in ethical terms by either Murray Rothbard or Ludwig von Mises, egoism is strongly present in libertarian philosophy through the work of Ayn Rand: “The Objectivist ethics holds that the actor must always be the beneficiary of his action and that man must act for his own *rational* self-interest” (Rand 1964:

8). Rand also developed this idea in her fiction, which is chronologically anterior to her philosophy. Her literary work gives context to her philosophy and makes it possible to associate psychology with normative objectivism.

Historically, Rand’s thought was significantly influenced by the political context of the Cold War, which explains both its development and its popularity, in particular in the USA. Against the backdrop of a philosophy of the state rendered as important as the philosophy of the individual, egoism appears as the salutary asceticism needed to resist the state.

### Egoism in Libertarian Doctrine

Rand’s philosophy and fiction are so closely intertwined that, in her essay entitled *The Virtue of Selfishness: A New Concept of Egoism* (1964), she introduces her approach to values by quoting her literary characters:

I quote from Galt’s speech: ‘Man has been called a rational being, but rationality is a matter of choice and the alternative his nature offers him is: rational being or suicidal animal. Man has to be man by choice; he has to hold his life as a value – by choice; he has to learn to sustain it by choice; he has to discover the values it requires and practice his virtues by choice. A code of values accepted by choice is a code of morality’ (Rand 1964: 19).

Although individualistic, egoism is not asocial. It does not separate the individual from others: “There is a fundamental moral difference between a man who sees his self-interest in production and a man who sees it in robbery” (Rand 1964: 7). Furthermore, freedom is collectively exercised through communities where people share norms of living. Friendship and love are important aspects of social life. Friendship is a way to relate to others – but, in Rand’s view, it is evaluated by reference to emotional cost. This cost is unavoidable because it is the uncontrolled price paid for the support of others; it has to be evaluated because “man must live for his own sake, neither sacrificing himself to others nor sacrificing others to himself. To live for his own sake means that *the achievement of his own happiness is man’s highest moral purpose*” (Rand 1964: 23).



Nozick (1971) questions whether Rand has succeeded in demonstrating that life is a value. To illustrate the fragility of Rand's argumentation, he examines the behavior of John Galt in *Atlas Shrugged* and points out that Galt is prepared to sacrifice his own life if his beloved Dagny Taggart is threatened with torture. There are internal conflicts here which run counter to rational behavior as defined in Rand's own philosophy. According to the latter, emotions are not denied, and they are also closely related to values: "Emotions are estimates of that which furthers man's values or threatens them, that which is *for* him or *against* him – lightning calculators giving him the sum of his profit or loss" (Rand 1964: 23). Measuring effective involvement, which is a characteristic of friendship and similar relations in Randian philosophy (Saint-Andre 2007), is an aspect of libertarian egoism. There is a constant concern for measurement here, while there is also an acceptance that human rationality is fallible. The impact of emotions on value is measured in order to control and adapt one's behavior and thus exact more personal profit. This permanent control and adjustment of one's behavior is a property of asceticism, which reflects "voluntary, personal practices intended to cause a transformation of the self" (Hadot 2002: 276).

Selfishness is emotional, and emotions are seen as a signal of the existence of values. Although emotions are not regarded as directly productive of personal benefit, as indicators for ascetic practices they are nevertheless indirectly productive, in that they relate the individual to society. In sum, Nozick highlights the contradictory effects of emotion in Rand's novel: instead of acting as a signal guiding toward rationality, as suggested in Rand's own philosophy, emotions overwhelm Galt and lead him to act irrationally. Thus, the ideal of free society that Rand presents as "only rational, productive, independent" (Rand 1964: 102) appears difficult to reach.

## Business Ethics and Egoism

Rand's difficulty in arguing and demonstrating her own theory of value might be due, according

to Nozick (1971), to the incompleteness of her philosophy. In addition, her philosophy is first and foremost a philosophy of the individual against the state – a feature that allows it to articulate so well with libertarianism. Any individual should be able to live according to the basic value of self-accomplishment; and the government should grant all individuals the freedom to act in alignment with this value. Government and private individuals are symmetrically positioned on either side of social norms: "A private individual may do anything except that which is legally *forbidden*; a government official may do nothing except that which is legally *permitted*" (Rand 1964: 104).

Objectivist philosophy is attractive to business ethics because it deals with self-confidence in a context where institutions and competitors can be a threat to the individual business decision maker. In the libertarian view, institutions constitute threats by definition, while other individuals may be, depending on circumstances, either threats or sources of support. Under the assumption that industry is production and government is force (Rand 1964: 107), government is regarded as having a tendency to jeopardize individual freedom – through various means such as discourse, propaganda, and direct action on people. Consequently, communities have to protect themselves from the dominant agency of the state.

From a libertarian point of view, utilitarianism is not acceptable because it assumes a renouncement of the self for the common benefit: "The philosophers who attempted to devise an allegedly rational code of ethics gave mankind nothing but a choice of whims: the 'selfish' pursuit of one's own whims (such as the ethics of Nietzsche) – or 'selfless' service to the whims of others (such as the ethics of Bentham, Mill, Comte and of all social hedonists, whether they allowed man to include his own whims among the millions of others or advised him to turn himself into a totally selfless 'shmoo' that seeks to be eaten by others)" (Rand 1964: 26).

Egoism is, therefore, the most effective shield that the individual can hold against the state, an instrument of self-defense against the aggression of the state. Hence, as resistance to the pressure

of society, selfishness is at the center of entrepreneurial ethics. Business does not wait for any entrepreneur, and self-confidence is the first asset an entrepreneur should possess. While in Mandeville (*The Fable of the Bees*, 1724), egoism is regarded as a psychological trait, Rand's interest in egoism is associated with the influence of emotion on human behavior. Rand's appeal to egoism provides capitalism with an ethical context. Her chronic aversion against the state draws her to libertarianism, and she complements the latter by proposing an asceticism of self-confidence. The State may weaken the citizens and make them lose self-confidence in order to better control them. To hold one's life as a value, as Rand recommends, presupposes strengthening one's self-confidence.

The entrepreneurial ethics inspired by Rand's ideas is distinctive in that it insists on this strengthening of self-confidence. As Wilson (1993: 784) mentions, the manager has to find internal fortitude to resist changes in the context of their managerial projects and decisions. However, business ethics cannot be reduced to the colloquium of one single author with their fictional characters. Organizations are complex phenomena that profoundly influence business behavior, in many ways. In this context, it can be said that the ethics of egoism is not about the defense of universal moral principles but about the vital preservation and nurturing of one's life, when one's life is understood as the central value of that life. Egoism, therefore, cannot be limited to resistance. It is, inevitably, a driving force for self-development.

## Cross-References

- [Ayn Rand's Ethics](#)
- [Capitalism](#)
- [Economic Man](#)
- [Individualism](#)
- [Liberalism](#)
- [Libertarianism](#)
- [Liberty](#)

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## Emerging Trends in Socially Responsible Investment

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## Synonyms

Environmental, social and governance (ESG) investing factors; Ethical investing; Impact investing; Responsible investing; Sustainable and responsible investing; Sustainable investing

## Introduction

### What Is in a Name?

In the USA and the UK, the term “socially responsible investment” (hereafter SRI) dates back to the 1970s and was primarily associated with selecting a portfolio of equities that screen out companies that on some basis violated the beliefs of the portfolio creators. So-called negative screening might omit,

for example, firms involved in nuclear power, weapon manufacturers, or major polluters. Also called “ethical investment,” negatively screened portfolios could and did vary in the actual content of what one considered ethical based on the creators’ political, moral, or religious belief systems. By the late 1990s (again in the UK and somewhat later in the USA), such negative screening did not disappear but was supplemented and overtaken in assets under management by additional (and sometimes exclusive) systems of portfolio creation. Thus, for example, rather than necessary excluding a major polluting firm, shareowners (as well as nonowning stakeholders) might engage with the management and directors of the firm to attempt to mitigate the offending conditions.

Such engagement (also known as corporate governance activism) sought less to ensure a given portfolio was ethically “pure” but rather focused within some set of limits on changing corporate behavior. The earlier forms of SRI became known as the ethical case, while the later became known as the business case, which additionally argued that firms that do “good” also do “well.” (However, it should be noted that many “ethical” SRI portfolio managers also engaged with corporate leadership.) Over time, the “business case” SRI came to distinguish itself from the “ethical” SRI as new terms and categories were developed, in part to developing a “mainstream” business case SRI. The most important among these terms is the acronym ESG, which stands for environmental, social and governance investment factors.

As of this writing, so many terms and categories have been developed with multiple meanings and usages that it is often difficult to know what the user means if one does not query for his or her specific understanding. Thus, for example, even the abbreviation “SRI” can have its original meaning (socially responsible investment) or a newer meaning, and even more recently “sustainable responsible impact” investing, which often tilts toward the “business case.” Similarly, “SRI” can also mean “responsible investing,” “sustainable investing,” or including in investment decision-making environmental, social and (corporate) governance (ESG) factors. This entry uses SRI and ESG to

encompass all these terms with multitudes of various meanings.

## Emerging Trends in SRI

As of this writing, the growth of SRI is exemplified by, for example, the London-based Principles for Responsible Investment (PRI) that is composed of about 1,600 global signatories with approximately \$60 trillion in assets under management. ESG has become the new normal as an investment factor integrated increasingly into benchmarks against which to measure a portfolio’s performance. It increasingly encompasses non-equity asset classes, e.g., bonds, private equity, real estate, infrastructure, and commodities, as well. In addition to the focus on ESG factors, there is an emphasis on long-term investment ownership horizons, in contrast to a shorter-term trading. The former is increasing also characterized by an explicit investor stewardship concern, which is seen as implicit in the categories of social and environmental foci. Some large investors (e.g., CalPERS, the largest US public pension fund) have begun to formulate investment principles or philosophies emphasizing, for example, three forms of capital: financial, physical/environmental, and human/social, the latter two corresponding to E and S.

While there are numerous foci in the E and S and G categories, the following indicate some typical specific examples:

- E:** carbon emissions, energy efficiency, waste management, clean technology
- S:** labor management, human rights, employee safety and working conditions, product safety
- G:** corporate board structure and practices, compensation disclosure and structure, board diversity, ownership engagement

As ESG has become the new and increasingly global normal as a core investment factor, one major challenge is the interrelated problem of how firms disclose their ESG factors and how those factors should be defined and by whom. In short, what is the firm-specific composition of

SRI? Thus, disclosure, standardization, and third-party authentication (auditing) have emerged as key issues. The global current state of affairs lack agreement on factor definition, disclosure standards, and/or metrics and third-party auditing.

There are a number of systems in use or proposed for disclosure, such as the Global Reporting Initiative (GRI) and the US-based Sustainability Accounting Standards Board (SASB); the former aimed at both investors and stakeholders, while the latter is focused only on investors. SASB models itself on the US Financial Accounting Standards Board, and its proposed disclosures are based on governmental reporting requirement for publicly listed firms. A major challenge for both the GRI and SASB is that disclosure by firms is entirely voluntary and far too often highly selective, rather than comprehensive. Indeed, many large corporations receive more than 500 requests for disclosure on a myriad of topics per year. Questionnaire fatigue has become widespread. What constitutes completeness is not yet determined. From an investor point of view, for example, SASB focuses its disclosure standards using its materiality yardstick, basing its analysis on US Accounting and Disclosure Standards. Other stakeholders (e.g., animal rights or environmental activists) may have other standards, but the one that is emerging from increasingly large number of investors and among corporates themselves is some version that uses a materiality standard for disclosure.

### **Materiality**

Materiality from an accounting and legal point of view is usually closely related to regulatory regimes, which can vary among jurisdictions. But in regards to ESG and SRI, various regimes have much in common. The US SASB's materiality standard is defined based on the Supreme Court decision which held that if there is "... substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available" it is a material omission (TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976)). A critical element here is the nature of the

"reasonable investor" and what such an investor considers "reasonable." This is a moving target. For example, corporate governance was not considered "material" prior to the Enron and WorldCom crises in the beginning of the twentieth century. But the "reasonable investor" came to consider governance a critical value component of a firm and as such emerged as "material." Similar developments among the E and S factors have emerged and are rapidly also becoming central to what is considered materially reasonable. For example, the US Security and Exchange Commission recognized that certain firms' carbon emissions should be considered material and therefore publicly disclosed.

As significant actors in investment markets come to consider a host of E and S and G factors important, and the market, or significant segments of it, comes to take note of these views, these factors become material. That is, they are seen by the "reasonable investor" as adding or detracting from the value of corporate assets and financial instruments.

To put this process another way, to the degree that a particular belief comes to be widely held in a country, regionally or globally, it may become a material factor if those beliefs are significantly and "reasonably" shared among market actors. Thus, there is not necessarily a black-and-white partition between the "ethical" and ESG as material views. Indeed, oftentimes, ethical/SRI investment foreshadows (sometimes by decades) what later becomes "common knowledge" or common beliefs. The ethical and material approaches are often linked over time through looking at reputational risk (to individual firms or whole industries), market risk, and political risk. Ethical investment has often been called the "canary in the coal mine," as it can be and often has provided early warnings and red flags of problems afoot.

A driving factor behind the emergence of a materiality standard is that many if not most corporate ESG disclosures are not, in fact, useful for investment decision-making. For example, most banks release carbon data for their operations, but this is definitely not material to their value; it is entirely irrelevant from a material point of view. In sum, what the "reasonable investor" find

reasonably material has long since undergone and continues to undergo profound change.

### **Fiduciary Duty**

Closely related to the specification of materiality is the changing scope of fiduciary duty. While fiduciary duty as legal obligation is common to both many civil and common law jurisdictions, it is in the latter that it is more deeply and historically rooted. While particulars of fiduciary law vary by country, common law countries (e.g., the USA, Canada, South Africa, UK, Australia) all undergo an expansion of what fiduciary law entails. What is too often called “nonfinancial” (ESG) information is in fact better thought of as emerging financial (or not as yet financial) information since if it is material by definition it has financial value to the reasonable investor. As such if ESG is material, fiduciary obligation involves due diligence consideration as to its relevance in specific circumstances. For example, part of the fiduciary duty of care is the duty of impartiality, to treat one cohort of investors or pension fund beneficiaries equal to another. Thus, older individuals cannot be favored at the expense of younger ones. Therefore, climate change is likely to impact younger people more than older ones over their respective life spans. Investment strategies that ignore potential climate impacts would violate the duty of care. In sum, the duty of impartiality is an emerging fiduciary duty directly related to ESG factors.

### **Reporting Standards and Integrating Reporting**

As the desire for standardized reporting increases, it intersects with the development of integrated reporting (IR). IR is the joining of a traditional annual corporate report with an ESG-SRI sustainability report. Some corporations have begun this, although the content of these IRs varies dramatically, from truly integrated reporting attempting in a few cases to integrated relevant (material) E and S and G data into specific financials, operating and risk/opportunity metrics, to simply appending an ESG-SRI section to a traditional annual report. In either case, the underlying problem remains: what ESG-SRI sustainability data and developments should be disclosed and in what form(s). While

financial reporting varies across jurisdictions and with different accounting protocols, such data is broadly comparable. This is far from the case with ESG-SRI sustainability data. Consequently, integrated reports are only as good and comparably useful as is the standardization of the relevant (material) data.

As mentioned, in the USA, SASB has concretized and focused a form of disclosure based on US parameters, as SASB interprets them, of ESG materiality. Parallel developments have yet to develop in other jurisdictions, although in the EU there is mandatory ESG disclosure for large firms. Lacking are both standards and forms for such disclosure, effectively making comparisons difficult or impossible. Nevertheless, there are indicators that this may be a first regulatory step to fuller disclosure and standardization.

A related emerging challenge will be the third-party authentication and auditing of ESG disclosures, whether voluntary or mandated by government or other authorities.

### **ESG Data: Analysis and Analytics**

A significant challenge is emerging focused on the very nature of ESG/SRI data itself. This has at least two elements. The first is that ESG data providers, both major ones (e.g., Sustainalytics, MSCI, Thompson-Reuters) and more boutiques ones (e.g. Viego-Eiris, Reprisk), have radically different methods and category definitions for their data, making comparisons very difficult, if not impossible. There is a very low correlation among the different providers for both overall ratings and many of the specific categories (e.g., labor conditions of supply chains). Underlying this element is that the way data is collected and analyzed and a ranking/score developed is mostly a proprietary black box. The second challenge is time frame. Most data providers issue reports annually, with topical updates as judged important. Consequently, the analysis and rankings are typically 6 months to over year old when published. This is because most data providers use human analysts, which is both slow and relatively expensive and difficult to scale up.

An emerging alternative to human analysts is data analytics. This approach uses the existing

artificial intelligence (AI) technology to sift through the vast amounts of data on corporate behavior available on the web, most of this data being in the form of “unstructured” data, that is, text. Technologies can read this data using natural language processing, analyze it algorithmically, and create a numeric data point for each individual piece of data. The result is a time series for various categories making various quantitative analyses useful in a manner previously not possible using human analysts. Using AI is highly scalable and far less expensive than the human analyst approach and is potentially much more transparent as to sources and methods. TruValue Labs/Insight360, a new ESG data provider, is currently taking this approach to ESG data analysis, but one would expect others to adopt a similar approach as a major emerging trend.<sup>1</sup> Yet common to both the human and the AI analytics approaches (or some amalgam of the two) remains the problem of categories and weighting, as discussed above. This problem is likely to be the focus of stock exchange listing requirements, accounting standards organizations, and regulatory actions by government.

### ESG Investment Strategies

A recent white paper by the Principles for Responsible Investment (PRI) enumerated five major emerging ESG investment strategies:

- *Fundamental* focused on topics such as labor standards’ impact on revenue and discount rates, ESG’s impact on beta (the market as a whole, its “ESG efficiency”), and materiality and its impact on tax avoidance.
- *Quantitative* focused on issues such as ESG’s correlation with volatility and returns and ESG portfolio construction and risk mitigation using a materiality profile (e.g., based on SASB).
- *Smart beta*, that is, factor investing, focusing on specific E or S or G elements such as a smart water index or using corporate governance insights for investment. This approach is also called alternative beta or strategic beta.
- *Passive (indexation)*, that is, using some form of ESG to weight or exclude specific firms such as a low carbon index. This can easily overlap with a smart beta approach.
- *Impact investing* which is highly focused on a specific project to produce both investment (either at or somewhat below market risk adjusted) returns and a social benefit. Example would be low-income housing and clean energy access for low-income communities.

In addition to these five PRI approaches are some emerging variants such as ESG momentum investing which attempts to identify specific firms likely to make significant progress on achieving specific E or S or G goals but currently may underperform some ESG benchmark. A version of ESG smart beta is an ESG tilt that overweighs high(er) ESG performing firms in a portfolio and/or underweights poorly performing ones (e.g., fossil fuel producers). It should also be noted that the current trend to significantly underweight certain sectors (e.g., fossil fuels) or specific industries (e.g., coal) or to entirely exclude them from an investment portfolio is growing.

In addition to ESG investment strategies, an important trend is the large growth of ESG investment across asset classes, e.g., green bonds, private equity, and infrastructure.

From a different and significant angle, there is an emerging among some ESG proponents (as well as the US Federal Reserve in Boston and San Francisco) a focus on ESG and systemic issues. Some of this so-called investment integration approach overlaps with trends already discussed, so this will only briefly mention additional three areas. The first is a focus on how to achieve long-term value creation, rather than shorter-terms gains (e.g., ESG alpha seeking). The second is the adoption of a universal owner perspective (for larger institutional investors), which means in particular viewing the investment portfolio holistically. Thus, explicitly taking into account, for example, of how externalities generated by firms in a portfolio impact other firms held, and finding a means to calculate this and account for it. It also suggests that large diversified (and especially passively held) portfolios in

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the long-term cannot outperform the economy as a whole, so they have a financial and economic interest in how the economy performs. The third factor is a focus on what has been called investment stewardship, a form of oversight aiming the long term, bringing together corporate governance engagement, proxy voting, ESG integration, and a universal owner perspective.

Underlying these elements, the systemic issues of concern are climate change and global financial stability (as well as the role of the financial sector in sustainable economic development generally). The idea is that to date, much ESG analysis has not adequately taken into account systemic issues. This system approach sees an evolution in the management philosophies of large diversified portfolios from the early twentieth century. At first, the focus was to avoid “risky” securities/equities; then changing by the mid- to late-twentieth century to a focus on diversification and risk management informed by modern portfolio theory. Currently the investment integration approach considers feedback loops between portfolio investment decisions and systemic issues which in part may be the result of those very decisions.

### **ESG and Performance: Correlations and Causation**

In the last few years, an increasing number of both academic and practitioner ESG studies examining investment and financial performance and returns have been published. The large majority of these studies, using a variety of methods, definitions, and data universes, have reached parallel conclusions that at minimum ESG/SRI investing does not harm financial returns, and in some cases ESG (or E and S and G, disaggregated) outperform relevant risk-adjusted benchmarks. Taken together, these many dozens of studies (as well as meta-studies) have had significant impact helping to propel ESG into mainstream investing. This is obviously a complex topic, but two examples are illustrative. Academic research indicates that strong governance structures in a firm have led to

reduced default risk (e.g., lower credit default spreads) and lower bond yields, therefore less expensive access to capital. Similarly, other academic researches suggest that when using a SASB materiality lens, firms’ equity price and volatility (beta) are superior over a 20-year period than those with lower materiality-based ESG scores. The same study found cost of debt lower for higher rated (materiality based) ESG.

There is currently much debate about whether such findings are correlations (albeit very important ones) or whether ESG factors themselves may be causative. Evidence to date is highly incomplete, complex, and debatable. We would expect to see the growth of a variety of studies approaching this important topic in a host of ways.

### **ESG and “Beta Activism” (Corporate Governance Activism)**

Governance engagement (or activism) began in the late 1980s in the USA (and somewhat earlier in the UK). On the whole, this meant that an individual investor (usually institutional and usually very large ones) takes action using a variety of means (e.g., publicity, proxy voting and initiation, meeting with top executives and independent board members.) Far more often than not, institutions acted on their own, at best loosely communicating and occasionally coordinating among themselves. This form of corporate governance activism was effective in some regards and less so in others. What are emerging are forms of more coordinated engagements and other governance actions. It is often termed “beta activism” or “beta engagement” because it either aims to or has the effect of impacting the whole market (beta). The goal is to coordinate actions among investors, both in one country and increasingly across nations. Not only is greater coordinated action growing, but the scope of such actions is as well. For example, issues such as board diversity and problems associated with long-tenured board members move to the forefront in addition to the older issue such as proxy access and board declassification (staggered board terms rather than

annual elections). Many of the newer focus issues are long(er) term in nature, e.g., pay gaps between the top executives and the median employee pay, climate change.

As most equity ownership is highly concentrated among the largest institutional owners (e.g., Blackrock, Fidelity, Vanguard), these institutional investors often hold critical voting power on proxy issues. As some of these investors (e.g., Blackrock, Fidelity) typically vote with management on all proxy issues well over 95% of the time, there is emerging pressure on them to vote in accordance with their published ESG policy statements, according to many of their critics. For example, voting for climate disclosure or accounting proposals at major fossil fuel firms (e.g., Chevron, ExxonMobil). In response to this criticism, some of these large investors dismiss the concerns as based on political, ethical, or social and not be imposed on their clients' interests, as these institutions view them.

## Conclusion

SRI/ESG since 2014 in the USA (and earlier on, e.g., Europe, Canada, and the UK) was at a tipping point. Having been a growing niche in the investment markets prior to 2014, it has not merely become (more) mainstream but increasingly has come to be regarded as a means to achieve financial outperformance. It has also become a way to invest in or construct portfolios with lower volatility (and on a risk adjusted basis) yielding greater return (in some cases) as well. Although such empirical findings run head long into the investment trope that greater volatility (a proxy for risk) brings greater return, such evidence is emerging that there is more to SRI/ESG than at first meets the eye. This in turn may suggest a rethinking of traditional investment understandings. This essay has reviewed major trends in the emergence of SRI/ESG as increasingly not only in the mainstream investment world but likely having a significant impact on that world, changing elements of received wisdom.

## Empathic Leadership

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## Synonyms

Emotional intelligence; Empathy; Leadership; Social intelligence

## Definition

To garner the essence of empathic leadership initially requires an individual to discern the meaning of empathy. Empathy, which necessitates a deeper understanding toward others, is the ability to identify with their perceptions, feelings, and encounters (Batson et al. 1995). In relation to leadership, empathic understanding is the capacity to be aware of the needs, feelings, and motives of others and to develop the appropriate advancement plan to facilitate the fulfillment of those identified needs (Goleman et al. 2002; Goleman 2006). Concomitantly, empathic leadership enhances the leader's capacity to comprehend, to experience with, and to be perceptive to all internal and external stakeholders' concerns and feelings, which in turn builds trust, collaboration, and connectivity in relation to the overall organization. The interest in empathy within the leadership dynamic fosters a paradigm shift from the traditional theories that emphasized the rational basis of leadership, as opposed to its humanistic construct.

## Description

In the last quarter century, a paradigm shift has occurred in business, whereby the utilization of empathy in leadership decision-making has proven to be beneficial to organizational

effectiveness. However, early leadership theories disregarded or dismissed the application of empathy in leadership decision-making in favor of a more objective and measurable approach (Pink 2005). Accordingly, empathy is viewed by other researchers to be a combination of both a cognitive state and an affective state, whereby leadership decision-making is skewed toward baseless feelings and perceptions (Batson 2010). This disregard for empathy as a value-adding leadership construct is due to the need of many organizations to pursue tangible metrics such as shareholder value and maximization of profits (Freedman 1970). Patnaik and Mortensen (2009) assert that the mentality of “profits over people” with regard to leadership decision-making and policy-shaping has led to the neglect of understanding people’s underlying interests.

Recently, the advancement of neurobiological and psychological studies provided deeper insight into the nature of empathy and its symbiotic relationship to leadership. Neuroscience research has been paramount in demonstrating the power of brain functioning in enhancing empathic practices. The ability to empathize with others has been tied to more biological functions, such as the brain and limbic system, whereby empathy is impacted by mirror neurons and brain circuits that enable individuals to innately express empathy (Brothers 1989; Patnaik and Mortensen 2009). From a psychological perspective, Salovey and Mayer (1990) introduced empathy as a component of emotional intelligence, allowing one to “gauge accurately the affective responses in others” and react appropriately to those aforementioned responses. Daniel Goleman, who is considered to be the foremost advocate of and expert in the area of emotional intelligence, furthered the research on the subject by both highlighting and emphasizing the interdependent relationship between empathy and leadership. Through his seminal work, *Emotional Intelligence*, Goleman (1995) shone a spotlight on the importance of taking a more humanistic approach to leadership. In his work, Goleman suggests that empathy is the most important facet of emotional intelligence with regard to management.

## Dimensions

Goleman’s research introduced a holistic foundation with regard to empathy and the leadership dynamic. Goleman and his colleagues assert that leaders with the capacity for empathy in their decision-making can assist with fostering a sense of “social responsibility” and “social awareness” (Goleman 2006; Goleman et al. 2002). Goleman further examines the dimension of empathy in leadership by discussing the notion of “the empathy triad” and the pivotal role the triad plays with regard to effective leadership decision-making (Goleman 2017). Components of the triad entail the following: “cognitive empathy,” the leader’s ability to intellectually be aware of others’ feelings; “emotional empathy,” an affective state whereby the leader relates to the feelings of others; and “empathic concern,” which entails a leader’s ability to recognize the needs of others and to establish an action plan to satisfy these needs. Effective empathic concern enlists leaders to maintain a controlled response in addressing the feelings and needs of others. Goleman suggests that the holistic framework of the triad creates connectivity, trust, and loyalty that ultimately enhances the organizational leadership construct.

Goleman (2017) posits that “executives who can effectively focus on others are easy to recognize. They are the ones who find common ground, whose opinions carry the most weight, and with whom other people want to work. They emerge as natural leaders regardless of organizational or social rank.” In a much broader dimension, the leader’s quest is to incorporate the empathic paradigm throughout the organization in order to create and sustain the relationship with stakeholders to achieve organizational success (Patnaik and Mortensen 2009). Recently, it has been illustrated through various case studies (Natale et al. 2011, 2014) that the application of the empathic dimension underlies the success of a number of today’s significant leaders. In sum, these case studies have shown that the capacity for empathy created a deeper connectivity between leaders and their stakeholders, whereby the stakeholders felt that all of their concerns and needs were considered and mutually understood.

Furthermore, the case studies demonstrated that the application of the empathic dimension enabled those leaders to develop the open communication necessary for their organizations to enhance its brand and differentiate itself from the competition. In his book *Leading Matters: Lessons from My Journey*, John Hennessy (2018), former President of Stanford University, asserts that “empathy should always be a factor in making decisions and setting goals. Empathy represents a crucial check on action – placing a deep understanding of and concern for the human condition next to data can lead to decisions that support the well-being of all.”

## Importance

The capacity for empathy in leadership impacts today’s work environment in a number of ways. A leader’s use of empathic thinking in decision-making can assist with the retention of skilled subordinates, have a direct impact on organizational performance, and promote general “business health,” which is crucial in today’s business environment (Goleman 1998a; Higginbottom 2018). Further, empathic leadership promotes effective collaboration and teambuilding (Goleman 1998b).

Deutschendorf (2018) asserts that empathic leaders have more loyal, better-working, and highly engaged staff. Loehr 2016 further indicates that inculcating an empathic focus to the leadership construct results in building strong relationships, reducing conflict, inspiring others, and understanding how others perceive you. Furthermore, relationship building through empathic leadership allows the leader to understand the viewpoints of outgroup members, which is necessary for the inclusion of all perspectives in organizational decision-making (Northouse 2018). In a research study performed by the Center for Creative Leadership (Gentry et al. 2007), it was found that increased empathy in leadership is positively correlated to job performance. The study concluded that “managers who show greater empathy toward direct reports are viewed as better performers in their job by their bosses.”

The importance of empathy in decision-making at a leadership level has been exemplified by significant leaders from diverse fields. Recently, comparative case studies have explored the practical benefits of interpreting empathy in leadership (Natale et al. 2011, 2014). These case studies have illustrated that a leader’s people-centric focus that emphasized an “empathic engagement orientation” can prove to be highly beneficial to the financial well-being of the organization. More notably, the case studies have demonstrated that “significant financial rewards and the use of an empathic approach to leadership are not exclusive.”

## Limits

In lieu of the benefits and importance attributed to empathy in the leadership construct, recent research have examined the limited nature of empathic leadership. Korn Ferry Institute, in its studies, found that executives who overemphasize empathy while disregarding other elements of emotional intelligence have noticeably less engagement than those executives who have a more balanced EQ (Lewis 2015). The study goes on to propose that executives who overstress empathic understanding are more likely to lose sight of core goals/objectives. Overall, if a leader puts too much emphasis on empathic understanding, they may not be able to dedicate the appropriate time to all of their organization’s needs.

Waytz (2017) further explored the limitations of applying empathy to the leadership dynamic by highlighting three key limits that entail the following: as empathy burnout resulting from “compassion fatigue,” as a limited resource whereby less empathy is available for other individuals or situations, and as a loss of ethical focus caused by the need to connect with and protect “insiders.” If a leader is overly invested in understanding the needs and perspective of others, they may overlook bad behaviors in favor of sharing interests. As a result, leaders who are overly empathically attached toward others may produce unintended negative results, especially when decision-

making involves issues such as organizational change and performance reviews.

## Developmental Dimensions

Empathy as a complex phenomenon is somewhat challenging to teach. Nevertheless, Goleman (1998a) indicates that empathy is not simply inborn but can be developed with awareness, understanding, patience, and deep commitment. During the past 25 years, emotional intelligence development programs have explored various methodologies to enhance a leader's empathic capacity.

The Center for Creative Leadership indicates "leaders can develop and enhance their empathy skills through coaching, training, or developmental opportunities and initiatives" (Gentry et al. 2007). Research contends that empathy can be improved upon with the implementation of several distinct practices, such as "radical listening," forming bonds, seeing things from another's point of view, and seeking "entrepreneurial adventures" (Krzmaric 2014; Stobierski 2018). In addition, other developmental methodologies have been suggested to be effective in enhancing leadership with empathy, such as mentoring, coaching, and mindfulness/meditation practices (Goleman 1998a, 2011; Atkins 2014; David 2016; Harvard Business Review 2018). Ultimately, the type of methodology utilized by a leader for his or her empathic leadership development will be the one that works best for that leader's unique learning style.

## Conclusion

In conclusion, the symbiotic relationship between empathy and leadership becomes significantly important due to the factors of "rapid pace of globalization, the increasing use of teams, and the growing need to retain talent" shaping today's complex business environment (Goleman 1998a). More specifically, this complexity requires human connectivity and networking capabilities,

whereby empathic engagement enhances decision-making by leaders at all levels within an organization in order to achieve positive outcomes. As the business environment becomes further influenced by fluctuating macro- and microenvironmental forces, the continued exploration of empathic leadership and its effectiveness toward attaining organizational objectives is to be expected.

## Cross-References

- Ethical Leadership
- Humanistic Management
- Leadership Development

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## Employee Perceptions of Organizational Justice and Corporate Social Responsibility

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## Synonyms

Business citizenship; Conservation behavior; Corporate philanthropy; Corporate social performance; Corporate sustainability; Fairness; Organizational justice perceptions

## Introduction

Organizational Justice and Corporate Social Responsibility (CSR) both have important effects on the functioning of organizations and the well-being of their workforces (Colquitt et al. 2013; Rupp and Mallory 2015). This entry briefly defines and reviews the foundational research on organizational justice (perceptions of fairness) and CSR (organizational actions taken to benefit stakeholders and influence the triple-bottom line of social, economic, and environmental performance; Aguinis 2011; Jones and Rupp 2018). Historically, organizational justice research has been conducted at the individual level of analysis while CSR has been traditionally studied at the organizational level of analysis. However, this entry takes an approach similar to that of Rupp (2011), which brings these constructs together within an employee-centered perspective. Such a perspective recognizes that employees (including potential employees) “look in” to consider how they themselves are treated by their employers; “look around” to consider how



the organization treats workers in general (i.e., justice climate); and “look out” to consider how their employer treats various stakeholder groups (such as local communities and the ecological environment; p. 80). This framework organizes the entry’s review of justice and CSR from the employee’s perspective.

This entry begins by defining organizational justice before covering its consequences, the reasons why individuals are concerned with organizational justice, and the factors that dictate the formation of justice judgments. Following this, it defines CSR and discusses why employees might care about CSR initiatives. Finally, it discusses the antecedents of employee CSR perceptions, as well as factors that mediate and moderate their effect on important outcomes.

## Organizational Justice

### Defining Organizational Justice

Organizational justice is commonly defined using four factors or dimensions: distributive, procedural, interpersonal, and informational justice (Colquitt et al. 2013). *Distributive justice* is concerned with the allocation of outcomes and is most commonly defined as equity of outcome allocations, which refers to the rewards and punishments that are distributed based on individuals’ contributions (Adams 1965). *Procedural justice* is concerned with the processes used to allocate outcomes and is typically defined through characteristics such as the control and voice individuals have within a process; the consistency of procedures; bias, accuracy, and ethicality within procedures; and opportunities to appeal outcomes of the procedures (Leventhal 1980; Thibaut and Walker 1975). *Interpersonal justice* refers to employee perceptions of fair treatment in social interactions (Bies 2015) and has been guided by criteria such as respect and propriety. *Informational justice* refers to fairness of communication and includes criteria such as truthfulness and justification for decisions (Greenberg 1993).

Justice researchers have argued that in addition to these four justice dimensions, the source of the just or unjust treatment also matters (Lavelle et al.

2015). While previous research has assumed specific justice dimensions were connected to a specific source (e.g., distributive justice was seen as stemming from the organization, while interpersonal justice was seen as stemming from one’s supervisor), more recent evidence suggests that different sources (i.e., supervisors, coworkers, customers, etc.) can influence perceptions about outcomes, procedures, and interpersonal treatment in the workplace (multi-foci justice; Rupp et al. 2014). This approach recognizes the different relationships employees can have with different parties at work and recognizes the complex ways in which perceptions can interact and be aggregated over time to form overall perceptions of organizational justice (Ambrose et al. 2015).

Finally, justice research has been described as taking either a social entities or events perspective (Cropanzano et al. 2001). The events perspective involves specific reactions to outcomes, processes, or interpersonal relationships that occur in the workplace. This approach reflects state-like reactions to justice events. In contrast, the social entity perspective reflects reactions to how one feels they have been treated in the aggregate (over time) by particular sources of justice (e.g., one supervisor, coworkers). This distinction fundamentally changes the questions that researchers can investigate and reveals the importance of understanding justice events, justice sources, and the dimensions that influence each.

### Outcomes of Organizational Justice

When expectations associated with any of the justice dimensions mentioned above are not met, injustice is perceived, and negative outcomes can follow (Colquitt et al. 2013). For example, justice perceptions are often positively associated with job satisfaction, performance, positive affect, organizational identification, trust, perceived support, and social exchange; and negatively associated with counterproductive work behavior, negative affect, and turnover intentions. Additionally, justice perceptions about a particular source are often associated with subsequent attitudes about and behaviors targeting that source, such as perceptions of supervisor fairness predicting leader-member exchange, perceived supervisor

support, and citizenship behaviors directed at the supervisor (Lavelle et al. 2015; Rupp et al. 2014).

### Content (Motivators) and Process Models of Organizational Justice

Content models look to evaluate why organizational justice is important to employees (i.e., the “why”) while process models refer to how justice judgments are developed (i.e., the “how”).

#### Content Models

Major content models include the *instrumental model* (Thibaut and Walker 1975), which argues that individuals care about justice since it allows them control over their outcomes and allows them to maximize benefits to the self; the *relational model* (Lind and Tyler 1988), which argues that fair treatment (or lack thereof) provides information to individuals about their standing in groups; and the *deontic model* (Folger and Cropanzano 2005), which argues that individuals also value fairness for fairness’s sake, and will punish transgressors even when they themselves are not involved in the situation. Cropanzano et al. (2001) further classified these theoretical perspectives in terms of human needs, spanning from instrumental to relational to moral (deontic).

#### Process Models

Process models focus on the justice perception formation process. Justice perception formation can include both conscious and automatic processing (Colquitt and Zipay 2015). Conscious processing requires a great amount of cognitive effort in evaluating the details that contribute to justice judgments. Conversely, automatic processing requires little effort because employees rely on cognitive heuristics and shortcuts to make justice judgments, making mistakes in judgments more likely. The degree to which an individual is likely to rely on conscious or automatic processing depends on the context. For example, if individuals are unable to obtain the information required to make a conscious judgment, then it is useful to rely on heuristics and previous experiences to form their justice perceptions. Additionally, in contexts where there is not a high level of urgency, individuals have time to evaluate all

sources of information available to avoid making inaccurate judgments.

An example of a specific process theory that relies heavily on automatic processing is *fairness heuristic theory* (FTH; Lind and van den Bos 2002). This theory states that individuals use any (incomplete) accessible fairness information to form their justice perceptions and that these justice perceptions, in turn, are used as a heuristic to aid employees in determining future attitudes and behaviors. These heuristics allow employees to mitigate uncertainty and stand in for assessments of trust, which are more challenging to determine. An example of a process theory that relies more heavily on conscious processing than FTH is *fairness theory* (Folger and Cropanzano 2001). Fairness theory argues that an injustice event prompts individuals to consider different counterfactuals (possible alternative events). Specifically, employees are thought to consider whether a different outcome that *would* have lessened harm was possible; whether the party being held responsible for the injustice *could* have influenced the outcome; and whether the outcome *should* have been different based on moral or ethical standards. Together, these counterfactuals allow employees to determine if a party can be blamed for an injustice.

#### Third-Party Justice Perceptions

Research has also found that individuals do not need to be experiencing mistreatment themselves to have strong reactions to observed mistreatment. For example, Turillo et al. (2002) found that study participants chose to punish individuals who previously intended to distribute outcomes to others unfairly or treat others in an interpersonally unfair manner even when the study participants had no reason to identify with the unfairly treated party and when the punishment required a sacrifice on the participant’s part. This line of research is important because it provides a lens that merges organizational justice and CSR. Specifically, this perspective discusses how individuals who are not involved in justice events can be influenced by these events and how employees can form judgments about the organization’s externally directed behaviors.

## Corporate Social Responsibility (CSR)

### Defining CSR

CSR refers to voluntary organizational acts that benefit society and are not included in the organization's mission or required by an authoritative entity (McWilliams and Siegel 2001). While previous research has largely focused on macro-CSR (i.e., organizational level outcomes), research is amassing on employee perceptions of and reactions to CSR. Inherently, the responsible source for CSR behaviors is the organization; however, the target or beneficiary of CSR behaviors can change (Farooq et al. 2017). Specifically, this refers to two dimensions of CSR that have been explored in past research, internal and external CSR. Internal CSR refers to behaviors that benefit employees; conversely, external CSR refers to behaviors that benefit external stakeholders, such as the community, environment, or consumers (El Akremi et al. 2019). Externally focused CSR can include contributing to social causes, engaging in environmentally conscious behaviors, or providing support for consumers.

### Antecedents of Employee CSR Perception

Agunis and Glavas (2019) developed a conceptual framework that identified the factors that influence how employees make sense of CSR (experience CSR and find meaning through it), organizing these into intra-individual, intra-organizational, and extra-organizational factors. At the intra-individual level, they suggested that factors such as values (environmental and communal), work orientation, and moral identity allow for employees to make sense of CSR behaviors. At the intra-organizational level, the structure of the organization can influence employee perceptions of CSR. Specifically, employee perceptions can vary based on whether CSR is present in organizational strategy (i.e., embedded vs. peripheral) or from where the initiatives are being implemented (i.e., top-down vs. bottom-up). At the extra-organizational level, factors included national culture, family, and external stakeholders.

### Outcomes of Employee CSR Perceptions

Research has suggested that employee CSR perceptions predict a number of important employee-relevant outcomes. Examples include organizational attractiveness, job pursuit intentions, organizational identification, job satisfaction, work engagement, creativity, organizational commitment, organizational citizenship behaviors, and performance (see Rupp and Mallory 2015).

### Motivators, Moderators, and Mediators

Similar to the motivators for caring about organizational justice, Gond et al. (2017), building off the work of Aguilera et al. (2007), reviewed the motives that drive employees to care about and engage in CSR, grouping them into instrumental, relational, and moral categories. That is, individuals engage in CSR to maintain power and control (instrumental drivers), to interact with people and obtain recognition (relational drivers), and to contribute to the greater good, such as to their community or the environment (moral drivers). Jones and Rupp's (2018) review of the literature utilized this framework to identify mediators (e.g., expected treatment, organizational pride, perceived value fit, which represent instrumental-based, relational-based, and moral-based drivers, respectively) and moderators (e.g., communal orientation, distributive justice, collectivism) that explain and influence the relationship between employee perceptions of CSR and work outcomes.

To give an example of an important moderator of CSR perceptions, Jones and Rupp (2018) identified culture as a relational-based moderator of the relationship between CSR and employee outcomes. Agunis and Glavas (2019) also suggested that the relationship between CSR and experienced meaningfulness through work would be stronger for collectivistic cultures as compared to individualistic cultures. Empirical work has suggested that the specific manner in which collectivism and individualism moderate CSR effects depends on the type of CSR. Specifically, Farooq et al. (2017) found that collectivism moderated the

relationship between external CSR and organizational identification, where greater levels of collectivism increased the effect. Conversely, individualism moderated the relationship between internal CSR and organizational identification, where greater levels of individualism increased the effect.

Finally, some research has suggested that specific moderators can also influence which mediators are relevant. Farooq et al. found that pride in the organization mediated the relationship between external CSR and organizational identification, while perceived respect mediated the relationship between internal CSR and organizational identification. El Akremi et al. (2018) found that perceived organizational support positively mediated the relationship between CSR and organizational affective commitment.

## Conclusion

This entry discussed organizational justice and corporate social responsibility. After defining each construct, it discussed the outcomes of each in addition to the motivators for caring about each. The organizational justice section discussed the factors that influence the steps through which organizational justice perceptions are formed (process theories); and the corporate social responsibility section discussed the potential antecedents of CSR perceptions and the mediators and moderators that influence their effects. The research reviewed demonstrates the importance of both organizational justice and CSR as organizational constructs for both research and practice.

## Cross-References

- [Compensatory Justice to Groups](#)
- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility Assurance](#)
- [Corporate Social Responsibility in Business Groups](#)

- [Corporate Social Responsibility Reporting Frameworks](#)
- [Corporate Social Responsibility: A Bibliometric Research](#)
- [Corporations as Moral Entities](#)
- [Distributive Justice](#)
- [Ethics and Corporate Social Responsibility](#)
- [Evolution of Corporate Social Responsibility: A Historical Overview](#)
- [Human Rights, Capability Approach, and Corporate Responsibility](#)
- [Impact of Board Diversity on CSR Practices](#)
- [Justice](#)
- [Social Responsibility and Business: The Milton Friedman Position](#)

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## Employer Loyalty

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## Introduction

Loyalty is a quality by which one party upholds the interests of another whether the other party is present or absent. At the very minimum, it means fulfilling what one owes to others explicitly or implicitly. While loyalty is not always acknowledged when present, the lack of it is quickly tagged as disloyalty. A loyal building contractor would work to fulfil the terms of the construction. A loyal employee would maintain confidentiality about the company's trade secrets even if offered



money by the competition. Going beyond the minimum, loyalty means standing by the other person even when it is not a duty or when it means going out of one's way. Beyond the minimum, it often includes some form of affective commitment, or adherence and devotion (Coughlan 2005). A loyal friend would try to avoid publicizing negative information about his or her friend even if it is true. A loyal customer might buy a particular company's products or services even when they are more expensive than a competitor's. Whether from the perspective of employers or from that of employees, loyalty would ordinarily be expected at both levels (Ogunyemi 2014).

Notwithstanding the foregoing, it must be clarified that loyalty is not necessarily a good thing especially when it is blind; rather it is a quality that needs to be qualified by the extent to which its cause or its recipient is noble. Thus, for example, being loyal to a gang of thieves could only be admired in an abstract manner. And loyalty that prevents an employee from blowing the whistle to the appropriate authorities, when all internal resources have been exhausted to counter a harm being done to the common good by a company, is questionable. Similarly, the loyal agent's argument remains unacceptable as an ethical position when proffered in the defense of criminal or unethical actions, as shown in the famous example of the Nuremberg trials where the justification of "I was only following orders" was found inadequate and could not absolve an individual of personal responsibility. These considerations clearly indicate that loyalty has limits and that senior administrators especially cannot escape being held responsible for wrongdoing by appealing to a duty of loyalty to their employer.

In general, however, and keeping in mind these restrictions, employees have usually been called upon to display loyalty to their employers. If their loyalty fails, the business usually suffers. Yet, possibly the most effective spur for employee loyalty is employer loyalty. Employers who exhibit no loyalty to their employees should not be surprised if their employees are not loyal to them. In this entry, loyalty is discussed with an

emphasis on employer loyalty and ways to demonstrate it, to identify and address its vulnerable points, and to build it by bridging gaps in communication. Toward the end of the entry, some costs of employer disloyalty are flagged. The more familiar concepts of employee disloyalty and loyalty serve as a starting point for the discussion.

## Employee Loyalty

Among the most commonly found instances of employee disloyalty are deliberately not cooperating with their work teams, leaving the employer in the lurch, refusal to be creative at work, information hoarding, reluctance to go the extra mile, apathy in the face of a crisis, non-dependability, lack of interest in self-development, lack of willingness to develop subordinates, lack of dedication at work, and choosing personal over organizational goals when faced with situations where the two interests conflict.

Employees who quit without notice, who only do their routine jobs and would not apply their minds or their imagination to the task at hand in order to avoid extra work, who show no concern when the company is going through a tough crisis, who cannot be relied on to do their best for the company if there are customer complaints or if a query comes from regulatory authorities, who deliberately dampen the mood of others at work, who are sent to training programs and avoid learning, who try to keep down their subordinates as if these were competing for their jobs, and who have their own agenda to carry out and spend company time and resources pursuing it – all these are identifiable as cases of disloyalty that could hamper organizational progress.

Yet, it is difficult to encourage employees to take care of the interests of the company at possibly their own cost, if they are not reasonably sure that their own interests are also the company's interests. The above is one of the reasons why it is important that employers are loyal to their employees.



## Loyalty from Employers

Instances of disloyalty of employers to their employees are as common if not more common, yet much less attention is given to them. These incidents undermine employee morale and productivity. Employer loyalty, as explained in the introduction, should mean going beyond merely fulfilling contractual obligations and should extend to some understanding of shared value, in a long-term transaction which leads to mutual adherence and devotion (Coughlan 2005). The following 11 subtopics depict ways employers should show loyalty; their headings could also serve as a list of the characteristics of employer loyalty which show the employer's concern for the legitimate interests of the employee.

*Solidarity:* Employees expect their employers to back them up when there are problems with customers or with suppliers. Whether these stakeholders are internal or external to the organization, they expect "dirty linen to be washed at home." Even when they may be at fault, they count on the boss's loyalty not to upbraid them publicly, much in the same way as employers expect employees not to whistle-blow without exhausting all internal remedies before resorting to a public disclosure. Employees are happy with superiors who support them in front of clients or clarify issues on their behalf when there are disputes with clients.

*Fairness and Consistency:* Employees expect their employers to provide adequate resources for the tasks to be done and, if these are not available, to tailor their expectations of the output in proportion to the input and not ask the employees for a miracle. Employees also expect that loyalty to them will make the employers acknowledge and appreciate it when they have actually wrought a miracle by producing output with less than ideal input.

*Goal Alignment and Fit:* Employees expect their employers to be interested in promoting a fit between their personal goals and the organizational goals. When one person is out of alignment, it could affect that person's engagement with the job and, consequently, others who work with him or her as well as the organization's goals are negatively affected. Employees would find it

difficult to continue to invest themselves in organizations that do not invest in them in return.

*Recognition:* Employees expect their employers to acknowledge effort even when the results do not come. When organizations reward only results and never the effort put in, it can lead to a perception of injustice. Organizations that measure effort as well as results find ways to be fair to all their workers. When people's contributions are not acknowledged or rewarded for long, they could become bitter and indifferent to the organizational goals.

*Honesty:* Employees expect their bosses to be honest with them when communicating. For example, they expect employers to admit mistakes when appropriate and not blame their subordinates instead. Also, employees expect their bosses to acknowledge, where appropriate, great ideas that have come from employees rather than themselves. Nothing undermines trust in this relationship more than situations when an employee comes up with a brilliant solution to a problem and the boss takes all the credit (and glory) for the idea without acknowledging its source. Berkley and Watson (2009) speak about accountability as owed to employees by the organization and the need to have it reinforced by legislation.

*Sincerity and Directness:* Employees expect their employers to tell them things directly, to be straight with them, and to tell them the truth. If an employer gets at the employee through a third party rather than directly, the employee may feel betrayed.

*Development and Freedom to Create:* Employees expect to be treated as intelligent beings, to have their ideas listened to, acknowledged as good when they are, implemented when reasonable, and appreciated as their contribution to the firm. Employees expect to grow on the job, that is, to be given opportunities for professional and personal development. They sometimes also expect to be given an opportunity to be moved from one job to another, so as to avoid the monotony of repeating the same operations year in year out. Thus, a global leading firm goes so far as to regard enjoyment of work as an "actionable right of every employee" (Simon 2009, p 262), and Rosanas and Velilla (2003) suggest that

employers should be interested in employees' career progress and personal development.

*Respect:* Employees expect their employers to address them respectfully. Non-respectful language is noise to communication and obstructs it. Everyone knows how critical clear and unambiguous communication is in a relationship. Mutual respectfulness, both verbal and nonverbal, breeds cordial interaction, and this is good for the climate of the organization. The more acrimonious a relationship is, the more difficult it is to elicit loyalty from the employee.

*Representation:* At meetings or other interactions with higher-level officials of the company, employees expect their bosses to be their voice, so that, whether it is resources, responsibilities, or culpabilities that are being allocated, they have someone to represent their interests. Similarly, they expect loyalty from those who represent them at the top-level meetings where promotions or protection may be at stake.

*Discretion:* At times, employees may say something to their employers in confidence. Even when they lack the temerity to indicate that such communications are confidential, they do expect their bosses to be discerning enough not to later use such communications to the employee's disadvantage.

*Dependability:* Employees expect their employers to be there for them in times of crisis, much in the same way their employers expect them to remain committed during the company's difficult moments. When the employer does not support an employee when there is a problem, it may strengthen turnover intentions if the employee has some alternatives.

The above 11 points provide some insights as to ways in which employers can show loyalty to their employees. Through each one of them, a basis is established for the employee to reciprocate with loyalty.

### **Reciprocity: The Need to Recognize and Resolve Loyalty Risks and Conflicts**

The importance of having a reciprocal link between the expectations of employers and

employees cannot be overemphasized. While knowledge of how employer loyalty fuels employee loyalty is essential (Ogunyemi 2014), awareness of the converse is also instructive. Employer disloyalty fuels employee disloyalty, and, therefore, employee loyalty is difficult to sustain when it is not reciprocated. Realizing the importance of meeting employee loyalty expectations, employers should be quick to recognize opportunities to display loyalty and make use of them. Loyalty risks and conflicts resulting from gaps in employer loyalty should therefore be quickly flagged and resolved, thereby reassuring employees. For example, a football coach should look out for potentially difficult relationships between him or her and the team members and attend to things immediately. A leader does not allow wounds to fester.

### **Clarity and Consistency in Communication: A Tool to Foster Mutual Loyalty**

Communication is belied by action when the two are inconsistent. Employees that do not observe behavior that they would ordinarily expect in a climate of trust and loyalty will adjust to what they find in reality with reservations about the degree of loyalty they should owe to the firm in return. In order to communicate the clear and unambiguous message of employer loyalty, employers may need to smoothen out any inconsistencies that may inadvertently exist in their current messaging patterns within the organization. They need to confirm whether they are saying what they want to say.

Moreover, employees expect their bosses to be loyal not only to them but also to the company's avowed culture, values, and principles. Any perceived betrayal of loyalty expectations due to incongruence in verbal and nonverbal messaging leads to cracks in employee loyalty. Some instances of such messages are discussed below:

The "we are customer-focused" message. Companies sometimes insist on the need for employees to have an "internal customer" focus, meaning that they should attend to their

co-workers as if they were their customers. However, this concept is usually emphasized horizontally but not vertically, such that among themselves, employees are pushed to see their colleagues as customers to whom they owe good service, but bosses are not asked to look at their subordinates as customers whom they have to serve. The message become increasingly ambiguous if the leaders fail to walk their talk.

The **“customer feedback is important to us”** message: The customer or employee should be asked – how did we serve you today? If employers pass the test, the benefit of having well-served employees will be transferred to the customer. If they do not, it becomes clear that the top management are not role models and that employees are somehow expected to have split personalities: wolf for their colleagues/subordinates and lamb for the customers.

The **“when something has gone wrong, admit it”** message: Seldom do managers admit their mistakes boldly without fear of losing face. If they are unable to articulate statements such as “I was wrong...” then it is also difficult for employees to reciprocate.

The **“everyone is equal; it does not matter who you know, we judge on merit”** message: Bosses who try to pass across this message and yet fill the company’s vacancies based on personal recommendations can also create an atmosphere of distrust and disloyalty in the organization. When nepotism becomes the norm, once a new employee comes in, the old ones try to find out “who does he or she know?” in order to know how to treat him or her. The grapevine fills in communication gaps with gossip, while bootlicking and backstabbing flourish and undermine mutual loyalty.

The **“we are fair minded”** message: It is important to watch out for lapses of fairness or incidents of discrimination, e.g., in workload distribution. It is also good to watch out for the temptation to label employees and not give them second chances after a first impression is made. Every effort should be made to limit subjectivity in appraisal systems even if it cannot be eliminated.

The **“we care about you”** message: This message is underscored by making available the tools

and other resources that each employee needs to get his work done, and by giving explanations whenever this is not possible. It also involves active interest in the employee’s development. If employees never hear of a plan for their development, they will find it difficult to believe that the company cares about them. Companies that take the trouble to give feedback to people who are not hired after a recruitment process already stand out as companies that empathize and go an extra mile. These companies are more likely to find loyal employees that will go an extra mile for them.

In the same vein, the manner in which layoffs are done can show both to outgoing employees and to those left behind how much the company cares. For example, a certain company invited targeted employees for a meeting outside the office and informed them that they were being let go. As they talked, codes and passwords were already being changed and, shortly after, their personal effects would be handed to them at the front gate. This approach showed little respect for the persons involved and little or no sense of loyalty toward them. The dismissed employees felt they had been used for as long as they were useful. Furthermore, their colleagues, who did not receive this treatment, were nevertheless affected. A loyalty poll taken before and after would have gauged the effect empirically. Badly handled layoffs have adverse effects on knowledge management resources, on the perception of how ethical the organization is, and on the loyalty of those left behind.

The **“people are our most important assets”** message: Over time, people tend to experience greater adherence to leaders whose actions reflect their words and therefore command respect and commitment. Employers can earn the commitment of employees by taking concrete steps to show that they care for employees rather than only saying it.

## Costs of Employer Disloyalty

The costs of employer disloyalty are real though not easily quantified. Cases abound of disgruntled employees using company resources for their own private practice and stealing clients from the

company. Sometimes employees abstract cash and materials, as happens in beauty salons, pharmacies, household help, or cooking in institutional kitchens. Other times employees take away customers, either selling their own wares within the employer's premises (e.g., CD shops) or outside the premises (e.g., photographers; opticians, tailors). The latter option is often also accompanied by stealing the employers' materials. These acts are not always or solely caused by employer disloyalty; however, it is easier for an employee to dispense himself from putting his employer's interest above personal preferences when he perceives that the employer does the same to him. It is also easier for badly behaved employees to excuse their bad behavior and to persist in it when they feel badly treated by their employers.

Time spent off the job is also time lost to the organization: employees selling goods to colleagues during worktime, doing online jobs, answering unnecessary emails, browsing for general information or visiting online social networking sites, chatting on social media with friends for hours, searching for jobs, rewriting their CVs, etc. At a less tangible level, brand theft could happen when the employees use official connections for personal purposes, e.g., to get preferential treatment for themselves or their families. It would be difficult, however, to accuse such an employee of disloyalty in cases where the office also uses the employee's personal networks for selling their products and/or services.

When employers steal employees' private hours with the use of intrusive devices such as smartphones and tabs, weekend work schedules, and late closing hours, employees may rebel, consciously or unconsciously, by frittering away the actual working hours and taking sick leave as often as possible. Consequently, employers have to spend time and energy scaling the walls of internal resistance thrown up by non-loyal and disloyal employees, and this can be a significant cost to the company.

Employees may leave the organization without being guilty of disloyalty, much the same as employers may terminate the employment contract without such an accusation being levelled. The critical factor may lie in the way the

severance/separation is effected. If the manner of disengagement does not reflect employer loyalty, the employee leaves bitter, takes with him knowledge acquired in the course of employment, and does not care about transmitting it to the next person. Moreover, he may transmit it to a competitor, without a thought about the possible harm to his previous employer. Recruitment, on-boarding, and retraining expenses also matter. They affect productivity, continuity, customer loyalty, and many other variables that have a direct impact on the company's bottom line.

These are some of the costs that a company incurs when it chooses, strategically or negligently, to be disloyal to its employees.

## Conclusion

Within this entry, the employer-employee relationship has been acknowledged as one where mutual loyalty is expected, and that can be enhanced by experiences of loyalty or damaged by experiences of disloyalty. In the latter situation, many problems may ensue. Employees may have good ideas and conceal them. Knowledge sharing, transfer, and management become difficult, especially in knowledge-intensive companies such as those in the consulting industry. People may shirk work when they can get away with it. Staff foment may have difficulties within their areas of control and obstruct the work of other team members, other teams, or the whole company. Some may leave the organization, causing recruitment and comprehensive training to become necessary. The organizational culture may be negatively affected.

In conclusion, loyalty expectations are not a one-way road to be traversed only by employees; reciprocity in loyalty is beneficial to both parties. Since employer disloyalty can have a negative impact on productivity, it is useful to be able to identify the types of employer actions which may be perceived by employees as disloyal and which may reduce employees' loyalty to the organization. Organizations could also assess their levels of loyalty as employers and take action to raise these levels. For more general purposes, a code of conduct for employers can serve as a professional

guide to the forms of loyalty that all employers could identify with, while perhaps giving specified guidelines for what would constitute best practice within each industry.

## Cross-References

- [Ethics of Meaningful Work](#)
- [Humanistic Management](#)
- [Work-Life Balance](#)

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## Employment Relationships and Ethical Leadership

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## Synonyms

Employer-Employee relationships; Ethical management; Labor management relations; Relations with employees

## Introduction

Incidences of industrial unrest continue to exist across the world (e.g., China Wal-Mart strike in 2016) and are a reflection of still-existing hostile relationships between employers and employees, which are harmful to the interests of all parties involved. People and the relationships between them and the employer for whom they work are, and always have been, however, a crucial aspect for organizations' competitiveness, and the main goal of any employment relationship strategy is to improve these relationships in the workplace. In this regard, given that managers at all hierarchical levels frequently interact with employees, their daily behavior and leadership may be pivotal in guiding the relationships between employer and employees in a good direction in which all the parties involved become highly benefited by giving their best.

Employment relationships are defined as the efforts made in an organization to efficiently manage the relationships between employer and employees. In other words, employment relationships are understood as exchanges arising from the behaviors of both employees and employers (Tsui and Wu 2005), between the inducements offered by employers and the expected contributions of the employees. These relationships may not be successful for all the parties in all cases, yet the objective of any employer is to seek employment relationships in which all parties are satisfied and give their best in a sustainable, long-term manner (Tsui and Wu 2005). To this end, shaping employees' positive perceptions of these relationships is critical, and the fair treatment, care, respect, ethical behavior, setting of ethical standards, and transparent decision-making of managers in any organization (i.e., the practice of ethical leadership, Brown et al. 2005) may help in this endeavor. Ethical leadership refers to “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al. 2005: 121). The practice of such leadership imply that individuals live as moral persons

(i.e., holding strong moral principles and traits and performing ethical behaviors) as well as act as moral managers, exhibiting visible behaviors (e.g., communicating ethics, Brown et al. 2005) with which to make employees act responsibly and protect the rights and needs of all parties involved in their interactions with others. It is of no surprise then that, by engaging in ethical leadership, managers encourage employees to “go above and beyond” in order to help the manager and their organization” (Brown et al. 2005). As such, encouraging ethical leadership at all managerial levels may be a successful strategy to improve or elevate employment relationships in organizations.

### Employment Relationships: Nature and Typology

Management scholars have studied employment relationships for many decades. This interest is based on the need to understand the behavior of employees in organizations as responses to the perceptions of the exchange relationships that occur between the employer (the organization or its representatives) and the employees themselves. Positive, valuable behaviors and attitudes (job involvement, likelihood of staying, low absenteeism, and productivity or job effectiveness) are expected to be displayed by employees in organizations where such relationships are perceived as good. Hence, there is a growing interest in studying these relationships and particularly the factors that can help make them a competitive advantage for organizations.

To analyze employment relationships in organizations, Tsui et al. (1997) proposed a model (Table 1) in which they combined an organization’s “offered inducements” and “expected employee contributions.” Tsui et al. (1997) defined “offered inducements” as the economic and developmental rewards that employers offer to induce employees to contribute to the organization. “Expected contributions” are, instead, defined as employers’ expectations of employees contributing to the organization with previously designated and desirable behaviors, goals, and

**Employment Relationships and Ethical Leadership, Table 1** Model of employment relationships

| Offered inducements | Expected contributions |                      |
|---------------------|------------------------|----------------------|
|                     | Low/Narrow             | High/Broad           |
| Low/Narrow          | 1. Quasi-Spot Contract | 2. Underinvestment   |
| High/Broad          | 3. Overinvestment      | 4. Mutual Investment |

**Source:** Based on Tsui et al. (1997) and Tsui and Wu (2005)

attitudes (e.g., performance, new organizational improvement ideas, and commitment).

When the “offered inducements” coincide with “expected employees’ behaviors,” employment relationships are balanced, which means that both actors (employees and employers) agree on the provision of services and on the compensation offered and received, with both employer and employee coexisting in balance with one another. There are two balanced employment relationships: “**Quasi-Spot Contract**” and “**Mutual Investment**,” each having contrasting implications, as described below.

Balanced “**Quasi-Spot Contract**” relationships represent pure economic exchanges, where the organization adopts an “economic-utilitarian” approach in the design, implementation, and development of its HR (human resources) management system. In these relationships, the organization offers a narrow set of inducements, such as poor remuneration systems, little job security, and few social benefits. In return, employees are expected to offer a minimal return, largely characterized by low bonding and low commitment. This relationship therefore has a clearly short-term orientation, as none of the parties expects inducements or contributions beyond those specified. “**Mutual Investment**” employment relationships, meanwhile, endure in the long term. In these relationships, the high level of investments made by the organization is compensated for by the high level of “expected employee contributions.” In this case, employers consider their employees as a source of competitive advantage and offer them attractive incentives (e.g., high



salaries, job security, and social benefits) while expecting in return a high level of contributions, i.e., the provision of broad open-ended obligations and of high performance and commitment to their organization's mission.

As Table 1 shows, in addition to the aforementioned "balanced" employer-employee relationships, two unbalanced employment relationships can also emerge. These are termed "**Overinvestment**" and "**Underinvestment**," such that when either of these situations occur, there is said to be no balance between the organizational offer of inducements and the expected employee contributions.

"**Overinvestment**" is, for example, characterized by the organization offering its employees manifold valuable incentives that are likely greater than the contributions employees are expected to offer. The employer, based on their trust in the employee's future expected contributions, offers open-ended and broad-ranging rewards, including training and strong commitments to provide the employees with career opportunities. However, the employee performs (or is expected to perform) only a well-specified set of job-focused activities. In this scenario, the organization is ahead of the results and assumes certain risks, given the high investments in its employees' development. Some civil service jobs or jobs protected by a union contract may fall under this approach. On the other hand, "**Underinvestment**" relationships are characterized by the imbalance between the low investment made by the employer in the human aspect and the high demands the organization makes of its employees. The "inducements" offered to employees are poor (e.g., precarious work conditions, low salaries, lack of incentives, and no investment in training or professional career), yet the organization expects much more from employees than what it offers. Employees are likely to accept this minimum level of inducements provided they have no better employment options. However, potential consequences of such a situation include high turnover and absenteeism, and labor conflict. This relationship is unbalanced and unsustainable (Tsui and Wu 2005).

The fundamental contribution of Tsui et al.'s (1997) employment relationships perspective to HR management is that it identifies the critical processes that link HR management practices to organizational outcomes. Tsui et al.'s (1997) model of employment relationships is a broader HR management conceptualization than the model of high-performance work systems (HPWS). The former includes not only the appropriate variety of practices and procedures an organization can implement to achieve employment relationships which they can make the most of (e.g., employee engagement and employee motivation) but also expectations about potential employee contributions to the organization (Tsui and Wu 2005). Under this model, the typical recommendations offered are that a "fit" between "offered inducements" and "expected contributions" can generate better results for organizations. Thus, workers from whom the employer expects high contributions must be managed through "**Mutual Investment**" employment models and workers from whom the employer expects low contributions must be managed through transactional HR management practices to produce their expected short-term, specified outcomes (Quasi-Spot contract). Furthermore, these recommendations also include the short-term oriented "**Underinvestment**" and "**Overinvestment**" employment relationships models being corrected and transformed into balanced situations (Tsui et al. 1997). However, the target of achieving a similar or superior situation to that produced by a "**Mutual Investment**" approach should be set (Tsui and Wu 2005), for which ethical leadership at all managerial levels is likely to help.

Indeed, Tsui et al.'s (1997) model analyzes employment relationships in organizations from the employer's perspective. This widely recognized model explains these relationships through the lens of the employer, who seeks to maximize the benefits of these relationships according to the specific HR management strategy that is (or will be) implemented. However, given the high level of daily interactions between managers at hierarchical levels and with their employees, their leadership style in day-to-day dynamics is likely to

play a role in “how” these relationships are perceived by employees. Through ethical leadership, managers may be key in bolstering employment relationships with a strong ethical component, where people are considered as ends in themselves and not just as means to an end, thus steering all possibilities of employment relationships toward their maximum level. By building high-quality social exchanges with and between the employees (social exchange theory, SET, Blau 1964), by leading employees to learn the right behavior to perform (social learning theory, SLT, Bandura 1977), by providing employees with abundant resources (e.g., support, caring behavior, integrity, honest communication, and safety net) or the perception that their current set of resources will not be lost, but rather expanded (conservation of resources theory, COR, Hobfoll et al. 2008), and by aligning employees’ identity to that of the organization (social identity theory, SIT, Tajfel and Turner 1986), managers’ ethical leadership can leverage and boost employees’ efforts toward achieving organizational objectives.

**Ethical Leadership: How Does It Elevate Employment Relationships?**

Scholars have widely demonstrated the positive outcomes of ethical leadership at individual (e.g., extra effort, willingness to report problems to management, job involvement, organizational commitment, job satisfaction, and affective well-being, Brown et al. 2005; Den Hartog 2015) and unit/team level (e.g., team performance, team citizenship behavior, low team deviance behavior, and low relationship conflict; Den Hartog 2015). A number of theories (SET, Blau 1964; SLT, Bandura 1977; COR, Hobfoll et al. 2008; and SIT, Tajfel and Turner 1986) provide theoretical explanations for this. SET, for example, argues that due to the care, support, and fair treatment provided by an (ethical) leader, employees feel an obligation to reciprocate with positive outcomes directed toward either that leader or other more general targets (i.e., team, unit, and organization) (cf., Blau 1964). SLT argues that employees are

attracted to their leaders and may see their ethical leaders as role models of correct behavior in the workplace, such that this guide for good behavior (consistent with ethical standards and the practice of virtues, e.g., being fair, having the best interest of others in mind, and serving the common good; see Table 2) should lead employees to flourish as humans, and therefore excel in the workplace (Aristotle 2004, 1098a). Meanwhile, according to COR, an ethical leader can be conceptualized to be a source of resources, such that any fear employees may have of losing their current resources is likely reduced (cf., Hobfoll et al. 2018). Furthermore, under an ethical leader, employees may feel they gain abundant resources (e.g., support, honesty, caring behavior, fair and transparent treatment, and safety net), which should compensate for any other drawbacks and help them to obtain other valuable resources and feel less stress and greater affective well-being (cf., Hobfoll et al. 2018). Finally, SIT argues that individuals identify with organizations evoking positive values (Tajfel and Turner 1986). Consequently, since ethical leaders work to instill ethical values in their teams, employees may see positive characteristics in these teams, likely leading them to identify and feel oneness with their teams, thus

**Employment Relationships and Ethical Leadership, Table 2** Ethical leadership: characteristics

| Characteristics                                  | Description                                                                                                     |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Role modeling in ethics                          | Principled performers who show strong ethical traits in their personal lives (integrity, honesty, and fairness) |
| Moral managers                                   | Settlers and enforcers of ethical standards. Communicators of ethics and their importance                       |
| Employee oriented                                | Caring and fair who have the best interest of employees in mind                                                 |
| Common good and broad ethical awareness servants | Servants of the common good who see a call to account for, and comply with, all stakeholders’ needs             |

**Source:** Adapted from Treviño et al. (2003) and Brown et al. (2005)

being intrinsically motivated to do their best for the collective good of the organization (cf., Tajfel and Turner 1986).

Ethical leadership can therefore inspire employees in the need to do their best for the leader, the team to which they belong, and/or their organization. This brings an interesting nuance to the understanding of Tsui et al.'s (1997) employment relationships model. Their four types of employment relationships are based on the employer view, yet the day-to-day leadership of the managers of the organization, including that of the employer, could make a difference in what can be achieved in any of these four relationships, regardless of whether they are balanced or unbalanced. Indeed, while “**Mutual Investment**” employment relationships involve mutual, long-term, sustainable benefits for employers and employees, the other types of employment relations can also be transformed into beneficial relations for both employers and employees, especially if all managers within the organization practice ethical leadership. Table 2, which describes the characteristics of ethical leadership, can help appreciate the key role of managerial ethical leadership in qualifying the possibilities of Tsui et al.'s (2005) four employment relationships model.

In line with previous research, ethical leaders present a series of positive characteristics (Table 2), such that they may lead employees to change their perceptions of the inducements they perceive as being provided by their organization, and even, of the efforts they should make for their leader, team, unit, or organization. Indeed, the presence of an ethical leader who is a principled performer, enforces ethical standards, is caring and fair, and serves the common good (Table 2) is a factor that can lead employees to perceive multiple positive inducements and can lead them to contribute more than expected. These leaders will motivate the employees to do their best for them, the team, and, as a result, the organization in which they work.

Thus, the possibility of a “**Quasi-Spot Contract**” employment relationship appearing in an organization is lower when managers practice

ethical leadership, as employees are unlikely to view their contract with their organization as a pure economic exchange. Rather, they will see it as a social exchange or as a relationship through which they gain resources, feel oneness with their team or organization, or perform behaviors that are “the right thing to do.” An “**Underinvestment**” employment relationship is also unlikely to appear, as employees will probably not perceive their organization is offering low-quality inducements, rather they will perceive they are receiving more than expected (e.g., multiple resources, social exchange, and social identity), which should lead them to reciprocate with positive outcomes. Additionally, an “**Overinvestment**” employment relationship in which the employees are only expected to perform a reduced set of job activities – despite the multiple positive inducements offered by the organization – is unlikely to emerge under the supervision of an ethical leader. Because these leaders embody a purpose that is compelling and morally rich (one of serving society and the common good) and inspiring (Table 2), employees’ endeavors are likely to be aligned with fulfilling the organizational objectives and mission in a way that exceeds expectations. Finally, ethical leadership will further enhance the positive outcomes expected for both employees and the employer in a “**Mutual Investment**” employment relationship situation. This is in line with Aristotelian thinking that suggests the provision of moral goods in any relationship is what most matters to make it sustainable (Aristotle 2004, 1156b), such that it can lead the parties involved (employer and employees) to pursue the greatest good for each other.

Overall, the inclusion of managerial ethical leadership in the equation can influence Tsui et al.'s (2005) model of employment relations. By promoting a culture of respect (i.e., treating employees as ends in themselves), trust, honesty, and support in the team, managers engaging in ethical leadership at all levels in an organization is likely to positively shape employee perceptions of employment relationships and build such relationships to maximize employee contributions and ensure collective benefits for both the employer and employees.

## Conclusion

Employment relationships and ethical leadership intersect when these relationships produce that all the parties involved can flourish as humans. On the one hand, the practice of ethical leadership by managers affects the inducements (or the perception of the inducements) offered by the organization. Thus, by practicing ethical leadership, managers may transmit that the company clearly offers plentiful positive inducements. Importantly, they may also show that the organization is seeking respect for employees' dignity, even when the offer of inducements, for technical and organizational reasons, is precarious (as may happen in cases of **"Quasi-Spot Contract"** and **"Underinvestment"** relationships), which should positively shape employees' perception of the inducements offered by the organization. On the other hand, ethical leadership should affect the expected contributions of employees, driving their endeavors to the highest level. By displaying the moral manager dimension, ethical leaders are expected to provide moral goods, as well as promote ethical behavior and communicate the importance they attach to ethics and to meeting stakeholders' needs (humanity's needs). This should help employees perceive the broader purpose of their daily work, one that likely induces workers to flourish as humans and thus provide, in return, the highest performance and commitment possible to their teams, units, or organizations. Overall, then, as it was reasoned in this encyclopedia entry, ethical leadership may make a significant difference in making employment relationships as beneficial as possible to both parties (employers and employees).

## Cross-References

- ▶ [Ethical Citizenship and Business Ethics](#)
- ▶ [Ethical Leadership](#)
- ▶ [Human Dignity and Business Ethics](#)
- ▶ [Humanistic Management](#)
- ▶ [Social Identity Theory](#)

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## Enron Scandal

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## Definition

At the end of the twentieth century, Enron was an admired and often praised energy supply and trading conglomerate based in Houston, United States of America. The subsequent scandal at Enron was a scandal of toxic leadership and fraud involving the systematic and prolonged portrayal of a healthy financial picture at the corporation which

was completely unrelated to the reality of its actual trading and profitability status (Boddy 2015).

Enron went bankrupt in the first year of this century (2001) as the largest bankruptcy and auditing failure in United States history at the time, involving over \$63 billion in corporate assets. The fraud also caused the destruction of Enron's auditors, a (top 5) global accountancy firm (Arthur Andersen), as other clients lost confidence in them. Enron had reportedly bullied and pressured the auditors at Arthur Anderson to ignore financial reporting issues. During the legal investigations into the scandal, Arthur Anderson was found guilty of illegally destroying documents relevant to the investigation of Enron and it lost its license to audit, its reputation, and its customers and went out of business.

The Enron scandal entailed toxic leadership, fraud, grandiose lying, personal greed, and a lack of concern by the agents involved, over the consequences of their actions on the employees, shareholders, or any other stakeholders of the corporation.

## Description

Enron is an attention-grabbing example in business ethics studies as it has been described as being a perfect example of an unethical (Culpan and Trussel 2005) and systemically psychopathic business. Lauded by Fortune magazine, among others, as one of the most innovative and admired corporations in America (Van Niel and Rapoport 2004), Enron was a very large United States energy corporation, and it was ranked about fifth biggest in the Fortune 500 list by the year 2000.

Various investigators have presented explanations for why Enron went bankrupt. However, many of these explanations are mechanistic in nature. They answer the question of how events unfolded rather than why, and do not address the behavioral root causes of the events which underpin the technicalities of the failure. Enron may well have failed because it booked profits up to 20 years ahead of when those profits could reasonably be expected to be realized, or because it

was very much in debt and too short term in orientation or was fraudulent or persuasive in presenting a false illusion of financial accomplishment. However, personal attributes like avarice, ruthlessness, and an unethical approach to business underpinned Enron's approach to management. There was reported to be a huge amount of personal greed involved in the Enron fraud.

Enron went bankrupt in December 2001 after losing money for years and finally declaring losses of \$1.2b in an off-balance sheet equity fund. Enron is linked to unethical behavior, toxic leadership, and corporate psychopathy for many reasons, one of which is that Fastow, the Chief Financial Officer at Enron, was described as displaying several of the traits of the corporate psychopath. These included setting up fraudulent entities with which to make deals with Enron in order to keep various financial liabilities off the official company books, thus displaying untruthfulness and a cheating personality.

Corresponding with the theory that corporate psychopaths create chaos and confusion in their immediate environment so as to hide their true intentions from view, Enron fashioned a web of special purpose financial entities whose transactions were not appropriately reflected in the balance sheet. This made for a lack of transparency in the accounts and represented a structure that was "an extraordinarily complex piece of financial engineering." Further, many of Enron's transactions appeared to be designed to enable the manufacture of flattering financial statements rather than to describe authentic business transactions. For example, Enron created a complicated web of over 700 related companies and deals to hide the true extent of their debt. These dealings allowed Enron to obscure market losses and mislead analysts. It has been noted that this obfuscation via organizational complexity may be a common characteristic of corporate psychopaths.

Enron and its leaders demonstrated several of the traits of toxic leaders, for example, they were narcissistic in that they overtly sought praise and admiration and referred to themselves as the world's greatest corporation, even though this was largely pretense. Enron was also Machiavellian as an organization as it manipulated events at



the expense of others to further its own interests. Corporate psychopathy was also evident as Enron and its leaders lied without conscience, remorse, or regret and at the expense of others to gain personal wealth and power. The culture within Enron was ruthless and intra-personally competitive and, for example, 15–20% of the “worst performing” employees were dismissed every year, creating a vicious culture of brutal in-fighting (Van Niel and Rapoport 2004). This led to a cruel, immoral, and venomous corporate culture where employees attacked one another rather than supporting each other. Theoretically corporate psychopaths, like other toxic leaders, use divide and conquer tactics such as this to divert attention away from their self-serving activities which may include fraud. An anxious, in-fighting workforce is easier to dominate and manipulate and less likely to speak out against malpractice.

Corporate psychopaths employ close control of their environment, and Enron was also marked by enforced conformity and the penalizing of dissent (Tourish and Vatcha 2005). Meanwhile, Enron’s manipulation of the United States energy markets led to large reported profits for that part of the business, while clients for that electricity paid unprecedented amounts for it. Further, customers such as schools, businesses, and households suffered from power disruptions and complete blackouts (Clarke 2005). This demonstrates ruthlessness and a lack of care for others such as customers, at Enron; these are among the characteristics of psychopathy. Enron was further characterized by its selfish and rude culture, and the leadership can be described as toxic because the tone at the top of Enron was reportedly one of ruthlessness, arrogance, bullying, stage management, and lying; further, it was one where unethical practices were encouraged and rewarded (Tonge et al. 2003). Enron was also reportedly well known for bullying those analysts who disagreed with its own optimistic estimation of Enron’s prospects. Objectors and whistle-blowers were persecuted or forced out of their positions and, in the face of this mistreatment, very few internal or external accountants, auditors, or analysts raised any suspicions concerning

Enron’s inflated revenues. Internal whistle-blowers were reportedly demoted or transferred to other posts. Subordinates cannot often do very much to defend themselves against bad managers, and an examination of Enron appears to confirm this because whistle-blowers were easily reassigned and silenced.

Enron was manipulative and untrustworthy, creating illusory revenues and profits. Ken Lay (the Chief Executive Officer) similarly encouraged employees to believe that the stock price was buoyant while simultaneously selling (2001) millions of dollars of his own shares in Enron. Lay had also previously cashed in \$123.4 m in stock options in 2000. The scale of deception at Enron was so great and so stage managed that it fooled investment analysts for years. Lay repeatedly hosted Wall Street analysts to the sixth floor of the Headquarter building where a fake trading floor of energy services dealers was set up. Computer screens were connected to receive bogus data, dealers talked to each other in teleconference rooms and by telephone, making pretend deals whereas no real business was conducted (Boje et al. 2007). Analysts were both hoodwinked and impressed despite the fact that Enron’s lack of financial clarity was well known on Wall Street.

Of the top managers at Enron, Ken Lay, Jeff Skilling, and Andy Fastow, all three have been mentioned as candidates for psychopathy. Enron’s Skilling was described by Frank Perri in 2013 as possessing the traits of a corporate psychopath being manipulative, glib, lying, bullying, egocentric, and lacking in remorse. Fastow has also been described as displaying many of the traits of a corporate psychopath. Correspondingly, Enron’s tone at the top was depicted by inside managers as being one where acceptable practices included lying and deception as long as money was being made, and top executives were reported to be aggressive and greedy. Further, when Lay was confronted with one executive who questioned the reality of Enron’s financial statements, that executive was replaced. This applied to external critics as well and an external auditor who questioned whether Enron’s business was



supported by sound financial performance was removed from the audit team.

Thus, Enron as a corporation arguably displayed all the signs of being a toxic and psychopathic entity while its Chief Executive Officer, Lay, also displayed many of the same signs himself. That Enron ran a regular employee dismissal scheme demonstrates a callous and cold indifference to the fate of others; again this is a characteristic of corporate psychopaths. It also demonstrates ruthlessness, as does Lay's misleading of investors in claiming that Enron was fundamentally strong when Lay and the Chief Financial Officer were aware that financial cataclysm was approaching. The example of Enron illustrates how toxic, irresponsible leadership can bring down the largest of corporations as well as one of their multinational partners. This case also illustrates the devastating destructiveness of toxic leaders.

## Cross-References

- [Corporate Crime](#)
- [Corporate Psychopaths](#)
- [Corporate Psychopathy](#)
- [Machiavellianism](#)
- [Narcissistic Leadership](#)
- [Toxic Leadership](#)
- [Workplace Bullying](#)

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## Environmental Accounting

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## Synonyms

Accountability; CDM; Community; Corporation; EMA; Environment; Legitimacy; Performance; Reporting; State; Sustainability

## Introduction

Environmental accounting is a broad term which covers both national- and corporate-level environmental performance activities and associated stakeholder interactions. It includes the processing of both financial and nonfinancial information regarding environmental and ecological impacts. At a corporate level, environmental accounting can be defined as a set of organizational activities that deal with the measurement and analysis of the environmental performance of corporations and the reporting of such results to concerned groups, both within and outside the corporation. At a national or regional level, environmental accounting is that branch of accounting dealing with activities, methods, recordings, analysis, and reporting of environmental and ecological impacts of defined economic systems.

The exact scope of environmental accounting remains contested, however, and definitions and applications vary; environmental accounts usually

include a mix of financial and nonfinancial terms and can be prepared for internal and/or external use. Nevertheless, two major subsets of environmental accounting can be identified: environmental management accounting (EMA) and environmental reporting.

### **Environmental Management Accounting (EMA)**

*Environmental management accounting (EMA)* is a comprehensive approach to management accounting aimed at assisting internal organizational calculations and decision making regarding environmental matters. EMA includes recording and analysis of both the physical processes for material and energy consumption, flows and final disposal (including release of emissions), and the monetized procedures for costs and benefits related to activities with potential environmental and ecological impact. At the corporate level, EMA typically focuses on the cost and associated control structure of environmental and ecological impacts of a company. At a national level, EMA (which can be used for both internal and external purposes) records the flows of raw materials (such as water, energy, minerals, and fossil fuels) from the environment to the economy while also recording shadow prices for these materials and environment protection expenditures. EMA is, however, a flexible approach, and there are substantial differences in the scope or boundary of its application.

### **Environmental Reporting**

Environmental reporting deals with the disclosure of environmentally related information by an organization. This can include (but is not limited to) contingent environmental liabilities/risks, asset revaluations and capital projections as they relate to the environment, cost analysis in key areas (such as energy, waste, and environmental protection), investment appraisal to

include environmental and climate change factors, carbon emission and related control measures, ecological impacts, levels of support for community environmental projects, and levels of emission reduction support (such as the Clean Development Mechanism) for developing countries.

The disclosure of environmental information can be viewed as part of an organization's responsibility to its stakeholders and/or a response to stakeholder expectations. Environmental reporting, at both national and corporate levels, is a voluntary activity, and organizations make use of a diverse range of reporting media. These include annual reports, stand-alone sustainability reports, integrated reports, special purpose reports, websites, and social media to communicate environmental information to the wider community.

### **Motivation for Environmental Accounting**

Both positivist and normative approaches have been suggested to explain the underlying motivations for environmental accounting. Positivist approaches include agency theory and political cost theory, legitimacy theory, stakeholder theory, and institutional theory. Normative approaches primarily include accountability theory and critical theory. Each approach offers particular systematic assumptions, preconceptions, and insights, and each has its limitations and critics.

Agency theory and political cost theory suggest that organizations take environmental actions in order to maximize managerial and shareholder interests, and these theories rely upon the economic-based assumption that all action is driven by individual self-interest (tied to wealth maximization). According to legitimacy theory, stakeholder theory, and institutional theory, however, environmental accounting is a tool used to respond to stakeholder and community expectations and maintain legitimacy. Unlike agency and political cost theory, stakeholder,

institutional, and legitimacy theory do not rely on the central assumption that all action must be driven by individual self-interest.

The normative theories (accountability and critical theory) typically reject market-related solutions, consider all stakeholders to be morally deserving, and argue that one stakeholder group (such as shareholders) should not benefit at the expense of other stakeholders (such as the community or employees). Accountability theory, in particular, suggests that an organization has a duty to provide an account of the actions for which it is held responsible, with critical theory suggesting that organizational actions should play a pivotal role in reducing social inequality and injustice. While there are different branches of accountability theories and critical theories, they are helpful in understanding the critical basis of environmental accounting. The Gaia hypothesis, for example, posits that the effect of an organization's activities upon externalities is the organization's concern and hence a proper concern for accounting; organizations are accordingly accountable for any environmental and ecological impacts on the society in which they operate. As a critical theory, it thus represents a radical departure from economic-based assumptions (that underlie agency theory for instance).

Both accountability theory and critical theory are significant in regarding environmental accounting practices as a moral discourse to satisfy a larger range of accountability relationships. However, as these theories seek to prescribe how accounting should be practiced (or perhaps, should not be practiced), empirical support is limited.

## Cross-References

- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility Assurance](#)
- [Environmental Assessment and Resource Extraction](#)
- [Environmental Ethics and Sustainability](#)

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## Environmental Assessment and Resource Extraction

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## Synonyms

Environmental impact assessment

## Introduction

Environmental assessment (EA) is a planning tool used to systematically consider the potentially serious environmental and social effects of projects, programs, or policies on societal values in order to inform decision-making. In some jurisdictions, project-specific EA is legally required for major land and resource developments and results in a “go” or “no go” decision with final decisions resting with the highest order of governments. A substantial part of EA involves the public, interest groups, local governments, Indigenous peoples, and provincial and federal government agencies

weighing evidence and information in order to defend alternative preferred futures.

The most commonly applied EAs today are those required by legislation to assess large or complex development projects and inform decisions on whether or not such a project will proceed. There is no similarly strict legislative requirement for governments to consider environmental and social effects of other kinds of decisions. Instead, strategic assessments designed to consider government policies, programs, or plans are adopted on a much more informal basis and lacks systematic approaches and methods. Regional cumulative effects assessments are also increasingly being used in some jurisdictions to consider regional scale and longer-term effects of multiple developments. These kinds of assessments are discussed in the section at the end of this entry, but the focus of this entry is on project-level EAs and is organized into four sections that outline (a) the EA process, (b) the emergence of EA, (c) common criticisms, and (d) new approaches.

## The EA Process

Project EAs tend to apply to large or complex projects that meet or exceed particular characteristics. For example, a new hydroelectric generating station with production capacity of 200 MW or more requires a federal EA in Canada. Due to this clear legal requirement, EAs are one of the most frequently used processes to make decisions about development. In Canada and other jurisdictions with Indigenous populations, this legal requirement also makes EA one of the most frequently used mechanisms for governments to address their legal duty towards Indigenous peoples. Internationally, this duty is best defined in the *United Nations Declaration for the Rights of Indigenous Peoples* and the principle of free, prior, and informed consent. Public participation is also a central element of the process and is used more or less depending on factors such as level of public concern about a proposed development.

In general, the project-level EA process begins when a developer proposes to build, expand, or decommission an extractive, industrial, or infrastructure project. While every EA is different due to jurisdictional requirements, level of concern, type of development, among other reasons, the process is composed of a set of steps that are typical of most EAs. These steps are:

- Proponent provides description of proposed project components to initiate the process.
- Detailed process and information requirements are defined.
- An assessment of individual effects of the project is completed on specified valued ecological and socioeconomic components and their understanding of significance of each effect.
- Gaps in information are identified and additional information and analyses may be requested before accepting the assessment application.
- All parties deliberate on adequacy of information and present new information to include in the assessment until regulator determines that there is enough information to make a decision.
- Regulators consider all information provided by the proponent and other parties and present their understanding of significance of each effect with justification, which includes a set of measures that the proponent and regulators must commit to, with recommendations to decision-makers (e.g., federal Minister of Environment).
- A decision is issued with reasons, where a “go” decision may require additional information, monitoring, and compliance measures, and a “no go” decision results in the process ending.

All of these steps involve Indigenous governments and the public to greater or lesser degrees, with requirements for engagement oftentimes defined in policy and law. For example, Canada’s laws requires that consultation with Indigenous groups take place in order to identify seriousness of impact on constitutionally protected Aboriginal rights so that any infringements on these rights can be identified and accommodated. The scope of the assessment can either be

narrow or broad, depending on several factors, including the level of engagement and concern raised by interested parties, the depth of information and analysis in the assessment of each effect, the temporal boundaries of assessment to include historical change over time, and the comprehensiveness of the selected valued components (VCs). VCs are defined as the aspects of environment, society, economy, culture, or heritage that are valued by the government, Indigenous peoples, scientists, or the public likely to be affected by the proposed development.

EAs are also coordinated in various ways, depending on project complexity and jurisdiction. In Canada, the federal government may appoint a three-member, independent panel to coordinate and assess large and complex projects, like mines, for example, and make recommendations to cabinet. EAs in the provinces of British Columbia, on the other hand, tend to rely on government staff to coordinate the process and make recommendations to their responsible Minister(s).

Every EA, though, requires multiple government agencies to cooperate on addressing interdependent environmental, social, cultural, and economic issues that arise from large developments. This kind of integration and whole project kind of decision makes EAs distinct from single-agency, permit-based environmental decisions, and allow for broad objectives like sustainability and reconciliation to be considered. There are few processes that legally require interagency and interjurisdictional cooperation and engagement to discuss mutual issues and concerns in relation to development across landscapes, including with Indigenous governments. There are also few process available to discuss development of the public. Despite the intention of integration and engagement, however, decisions often come down to weighing the importance of localized negative effects to national policy imperatives. For example, when significant adverse effects are identified, the decision maker must consider if these effects are justified in the circumstances. Policy imperatives like economic development and job creation may overshadow

uncertain effects expected to occur on a local population of salmon, for example. Despite these limitations, however, EA remains an important tool for influencing development outcomes by creating rare public opportunities for deliberating over preferred futures.

## Emergence of EA

Before EA was introduced, resources were managed with little to no consideration of ecological and social values. Forestry and fishing, for example, were extracted at a rate of maximum sustained yield to, theoretically permit future use, and non-renewable resource deposits like oil and minerals that were continuously being discovered. Unlike holistic Indigenous approaches that managed resources in a way that considered the interconnections of social and ecological factors across a territory, western resource managers more narrowly focused on rates of extracting a single resource sector at a time. Environmental and community costs were deemed to be externalities to the primarily economic goals of development. As industrial mechanization and other methods led to increased rates of extraction, however, the public became increasingly concerned over environmental and social impacts of development. In the 1960s and 1970s, governments established departments related to environmental protection and introduced the first environmental assessment laws.

The first EA laws passed in the United States in 1969. Canada established the *Environmental Assessment Review Process* in 1973, but the Province of Ontario, the James Bay Cree, and Inuit of Northern Quebec first formalized EA law in Canada in 1975. The Cree and Inuit through the James Bay and Northern Quebec Agreement was the first of several modern treaties with Canada that establish comanaged EAs. While the federal government did not introduce EA legislation until the 1990s, the federal Mackenzie Valley Pipeline Inquiry led by Justice Thomas Berger is often referenced as a good example EA. The Inquiry

took place between 1974 and 1977 and was broadly scoped to include strong Indigenous engagement, regional considerations such as cumulative social and cultural effects, a broadly defined pipeline corridor concept rather than a specific pipeline proposal, as well as strong consideration of accidents. The EA resulted in policy-level recommendations to government asking that outstanding land claims be settled before development proceeds.

## Common Criticisms

Since EA was first introduced, it has been subject to immense criticism from industry proponents, environmental groups, Indigenous peoples, and scholars alike. Common criticisms include:

- Unpredictable process and timelines, creating uncertainty for all parties involved.
- Central concerns like sustainability, ecosystem stewardship, and cumulative effects are avoided despite the stated purposes of EA to include these concerns.
- Cumulative effects are done poorly, with assessments focused on contribution of a project to a cumulative effect without serious consideration of ecological thresholds that may already be exceeded or, for Indigenous communities, historical activities that have already seriously eroded a culture and way of life.
- Expert judgment tends to be relied upon without adequate scrutiny and verification of these judgments.
- Developer is responsible for compiling the evidence and, in turn, process is heavily biased towards their interests.
- Process relies upon lawyers and creates an overly bureaucratic process that is intimidating for public to participate.
- Regulators and proponents lack of experience in integrating Indigenous traditional knowledge, especially when it may conflict with scientific information.
- Funding and time is too limited in the EA, placing pressure on communities and governments experiencing capacity constraints.
- Social impacts are often overlooked in favor of economic benefits, especially social impacts to vulnerable populations.
- Once EAs are complete, very little is done to follow-up and verify effect predictions or monitor seriousness that could be used to improve EA practice.

These problems with EA have been discussed at length in the literature and responses have emerged in theory and in practice, such as socio-economic impact assessment that is now a common part of many EAs. More recent approaches responding to EA criticism are described below.

## New Approaches

**Streamlining EA:** The most common changes to EA practice have involved streamlining that aims to make EA more efficient and predictable for government and for developers. Mechanisms for improving speed of EAs include introduced timelines, narrowly scoped EAs, and reduced time for public participation. Streamlining also involves centralizing decisions, so decisions rest with (a) less dispersed authorities, (b) higher orders of government, and (c) reduces influence of public and other parties in the process. This approach runs contrary to other emerging approaches that often require more time, integration across governments and agencies, and public deliberation.

**Strategic environmental assessment:** This approach is not new but is often identified as a tool that has potential to improve upon several of the deficiencies of project EAs. Strategic environmental assessment is a systematic approach for considering environmental effects of plans, policies, and programs. The European Union adopted a directive that aims to introduce the process as it pertains to plans and programs that affect land use. However, the institutional or methodological



foundations of the approach are not well understood and rarely implemented systematically.

**Regional cumulative effects assessment:** As industry sectors experience fast-paced growth, intensive development in one region may place strain on regional ecosystems and human communities. Typical project-specific EAs may include cumulative effects assessment as one consideration, but regional cumulative effects assessment functions to consider regional environmental change and stressors on valued components using scenarios, trends, and defining desirable futures in light of historic, ongoing, and future development pressures, as well as more strategic considerations like policies and programs. These assessments share many similarities with strategic environmental assessment.

**Collaboration and consent models:** As Indigenous rights are increasingly gaining recognition in decisions over development, Indigenous governments are pushing for collaborative EAs and implementation of the principles of the *United Nations Declaration of the Rights of Indigenous Peoples*, including free, prior, and informed consent. Where rights are a central consideration, new methods for cultural impact assessment, Indigenous rights assessments, and assessments on traditional use practices are being developed and adopted by Indigenous communities that allow for development of novel management and regulatory regimes, including development of unique mitigations and follow-up measures negotiated through impact management benefit agreements.

## Conclusion

EA is nearly 50 years old and has emerged today as one of the more important tools used by many governments to ensure environmental and other considerations are included in decisions about development. EA remains a central decision tool for development across the landscape in many parts of the world. A wide variety of issues can be considered in any EA, from culture and Indigenous rights to ecological and economic issues. Unlike strategic assessments designed to consider

government policies, programs, or plans, project-level assessments are often legally required for major projects. Strategic and regional cumulative environmental assessments, however, have an important role to play when governments choose whether or not to adopt specific policies and programs.

While EA practice is well-established, the process remains subject to important and longstanding criticism. Effects on vulnerable populations, Indigenous traditional knowledge, and cumulative effects tend to be assessed and considered poorly in most EAs. Practitioners continue to test new approaches to address these problems both in theory and practice with some success. Like all decisions that aim to manage development, however, governments and populations are often divided over priorities such as job creation and environmental conservation. Practitioners and citizens alike deserve a rigorous and transparent EA process to ensure government accountability when EAs are used to rationalize these difficult choices.

## Cross-References

► [Economics, Ethics, and the Environment](#)

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## Environmental Change in the Arctic

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### Synonyms

Environment; Ethics; Justice; Responsibility;  
Sustainability

### Introduction

The intersection between ethics and politics in the Arctic region has become an important issue under international discussion. One main topic to which this relates is environmental change and the sustainability of the Arctic region which is linked to the use and exploitation of natural resources. This raises questions about how we should define environmental ethics, environmental change and sustainability as a general principle for the Arctic region, as well as how we define the problem in relation to participating stakeholders. With the ongoing climate crisis and damage to the environment, new possibilities and dilemmas have emerged. Many countries seek to benefit from the natural resources of the region and there is an ongoing debate about who has legitimate rights there. Accordingly, we need to discuss the future of environmental ethics and sustainability as a general principle as well as ethical challenges for the Arctic region. What are the different ethical issues that are at stake? Who owns the Arctic? (Schönfeldt 2017).

Ethical challenges for the Arctic region include issues related to interventions by technology and natural science in order to preserve human and environmental sustainability (Hough 2013). Given our Anthropocene age, the protection of human beings and flora and fauna within the context of nature and the geological landscape is critical. This is particularly challenging given the rapid rate of environmental change in the Arctic and ongoing economic concerns which put

pressure on this region (Johnstone 2015). The issues involved are complex. Political and economic issues are critical. What is considered “good politics” of the region as opposed to “power politics”? What is the most appropriate way of dealing with natural resources in this area (Powell and Dodds 2014)? What is the moral responsibility of corporations doing business here? Legal issues are an important part of the debate as discussed in the “Yearbook of Polar Law” which is a major reference work in this field (Alfredsson 2008–2016). One challenge has been how international law protects the Arctic region (Schönfeldt 2017). Further challenges are posed by considering sociocultural factors relating to the peoples living here.

### Case Study: Uranium Mining in Greenland

In terms of ethical theory, we can address this as a problem of the relationship between business, society, and the state (Rendtorff 2018). One case study highlighting this relates to the recent debate in Denmark regarding uranium mining in Greenland. This case is pertinent as it links to the important issues of social responsibility and environmental ethics currently faced in the Arctic region. Greenland has been self-governed since 2009 following the 2008 Self-Government Act and referendum, and there is an official policy in place with Denmark regarding environmental and social sustainability. According to this Act, Greenland has full authority over its natural resources. As environmental change in the Arctic accelerates the melting of the ice, Greenland’s natural resources including uranium, iron ore, lead, oil, and diamonds are becoming more accessible. Greenland has identified resource extraction as a means of becoming economically self-sufficient but this has posed significant challenges for the young government which has sought international assistance in developing this. In particular, the issue of uranium mining has proved contentious for relations between Greenland and Denmark. Denmark is decreasing its reliance on nuclear energy and is still responsible for international safeguards agreements on the export of

uranium. Denmark has done little towards fulfilling its responsibilities in this regard despite their legal agreement with Greenland to do so. Despite the fact that Greenland does have rights over its natural resources including uranium, it relies on Denmark for issues relating to security and foreign policy. Due to its use in nuclear energy and technology and the demand for this worldwide, uranium is, therefore, an issue requiring the active participation of both Greenland and Denmark. This equal engagement has not always occurred. For example, although Greenland has decided to adhere to the Treaty on the Non-Proliferation of Nuclear Weapons in 2004, Denmark has done little to ensure that the issue of uranium mining in Greenland is submitted to the relevant international conventions.

### The Concept of Responsibility

The case of Greenland and uranium mining can be used as an example of the changing conditions posed by ethics, law, and responsibility in the Arctic in this global age. In his 1979 book “The Imperative of Responsibility,” Jonas focuses on the social and ethical problems caused by technology and defends a global and metaphysical concept of responsibility. He poses the argument that technological and scientific development implies a need for the increased responsibility for humanity and the environment more than at any other point in history. The responsibility of humanity is made that much greater due to the ability of humankind to destroy the world. Jonas proposes a new understanding of bioethics and the ethics of science in relation to technological civilization to ensure the survival of the human species. Jonas’ rallying cry was “Act in this way that there will always be human life on earth” (Jonas, p. 15). The concepts expressed in his work implied expanding the concept of responsibility that embraces the future of the biosphere in its totality. This concept of responsibility may have beneficial applications in international politics particularly relating to the implementation of sustainable development.

The concept of “sustainable development” was outlined by the 1987 Brundtland Commission as

the fundamental aim of the international community (World Commission on the Environment 1987). It is defined as “meeting the needs of current generations without compromising the ability of those in the future to meet their own needs.” Elkington (1997) expanded on this with his introduction of “the triple bottom-line” in which a corporation or organization focuses on profits and gains as well as on environmental impacts, social relations of its employees, the relationship between the corporation and the local community, and other related factors. In this context, it is the general intention of the concept of sustainable development to integrate the social, economic, and environmental concerns within an overall policy of responsibility for sustainable development in the world. This can provide the basis for discussions about governance in the Arctic (Byers 2009, 2013; Molenaar et al. 2013; Rothwell and Stephens 2016; Nord 2016).

The debate about the social responsibility of the corporation is highly relevant given the potential impact on Arctic businesses caused by environmental change. It moves beyond the responsibility of the individual and the community to include the institutional responsibility of a corporation (Rendtorff 2009, 2018). Thus, the corporation is a political and moral actor that must respond to its duty as a good citizen with respect for its duties to the community and world at large. In “Valueshift” (2002), Paine contends that there is a change of values in the modern capitalist economy when we no longer consider the corporation solely as an instrument for profit maximization but as a responsible moral actor with values and ethical principles. Carroll’s work on ethics and the responsibility of the corporation distinguishes between economic, legal, ethical, and philanthropic responsibilities (Carroll 1979). In this context, it is possible to distinguish between the institutional responsibility of the corporation, the responsibility of the corporation’s directors and managers, and that of the employees. The concept of the responsibility goes further than a specific legal responsibility and includes a large number of obligations that are ethically defined in relation to the stakeholders of the corporation.

Thus, the shift in the definition of the concept of responsibility relates to the emergence of collective and institutional accountability. It is a collective responsibility that can and should be taken by groups or by individuals in common and is of tremendous importance in the Arctic region given the changing economic, political, social, and environmental landscape (Ricoeur 1990). With this collective dimension, we have found the link between individual and institutional responsibility with regard to the common good of present and future generations.

## Cross-References

- [Corporate Social Responsibility](#)
- [Corporations as Moral Entities](#)
- [Environmental Ethics and Sustainability](#)
- [Political Philosophy and Business Ethics](#)
- [Sustainability Reporting](#)

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## Environmental Conflict/ Access to Natural Resources

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## Synonyms

Contested development; Environmental (in)justice; Politics of place; Resource wars

## Introduction

Environmental conflict<sup>1</sup> emerges directly over differential access to (and control over) natural resources, or differential exposure to environmental degradation. Natural resources are commonly understood as biological and geo-chemical inputs

<sup>1</sup>As opposed to the environmental damage wrought by military conflict.

into economic production – including renewable resources (water, soil, timber, plants, and animals) and nonrenewable or finite resources (Earth minerals and metal ores, fossil fuels, groundwater in aquifers). However, a broader conceptualization of natural resources would include ecosystem services – the elegant functioning of still intact ecosystems to sequester carbon, cycle nutrients, decompose waste, pollinate plants, and stabilize climate, while providing myriad other ecological, cultural, spiritual, and recreational benefits. Environmental degradation implies either resource depletion (deforestation, mineral extraction, species extinction) or loss of ecosystem integrity or quality (habitat fragmentation, air and water pollution).

Environmental conflict can be considered a wicked problem – complex and intractable wherein resolution (or even mitigation) requires coordination among diverse actors working with competing interests (Crowley and Head 2017). Therefore, the ethics of environmental conflict can be understood broadly as the power-laden negotiation of socio-natural values that come into question when competing development paradigms and Nature ontologies interact.

This entry identifies the biophysical and discursive construct within which this discussion (and its ethical considerations) must be situated – the Anthropocene. It then situates environmental conflict within a key conceptual frame – critical political ecology – identifying competing development paradigms as a primary site of encounter. Such struggle often pits proponents of extractive resource development against citizens of place-based communities (including Indigenous peoples), with crucial implications for deliberative democracy and local self-determination. This entry concludes with ways to mitigate environmental conflict, understood across scale, from local to global.

## Backdrop

### The Anthropocene

Sources of any specific environmental conflict remain highly contextual, but a set of broad environmental, socio-economic, and geopolitical factors provide a common backdrop. There is

growing recognition that we have entered (or are entering) a new geological epoch – materially and discursively framed as the Anthropocene – involving “human impacts on the Earth’s surface of such magnitude, scope and scale as to present an existential threat” (Castree 2014, 437). Environmentally, we face imminent global challenges of humanity’s own making (climate change, biodiversity collapse, ocean acidification, burgeoning global population, among others) that may well determine our evolutionary “fitness” as a species, and thus, our ability to survive.

Such environmental challenges disproportionately impact Indigenous, poor, and racialized populations across the globe. Therefore, attention to power dynamics at multiple scales is imperative to the ethics of environmental conflict. Consider that geologists parallel the beginning of the Anthropocene era with the European Industrial Revolution. The transition from subsistence economies to large-scale factory production and wage labor gave rise to a Western consumer society, fueled by the extraction of natural and human resources from periphery nations to feed the industrial core. Today, the colonized peoples and places that were exploited to fuel the expansion of economic globalization bear the brunt of climate change and environmental degradation brought on by centuries of natural resource extraction. Specific formations of capitalism and colonialism evolved in particular places (at particular times) to result in the uneven development of global production and consumption. The positive and negative social and environmental impacts of globalization are unevenly dispersed across space and time, experienced differently by various peoples and places. This uneven distribution of goods and bads privileges core, industrialized nations and disadvantages poorer, developing countries internationally, and privileges core urban centers and disadvantages rural or remote peripheries intranationally.

The political backdrop to the Anthropocene is greatly impacted by the historical and ongoing uneven development of the global political economy, which has resulted in a highly variable democratic index among countries around the world. Even in “full” democracies, the globalization of capitalism and epistemic blinders of neoliberal

ideology often result in government-industry collusion, lack of deliberative democratic process, and the undermining of civil society. Each of these exacerbating factors has deeply ethical implications for interrogating environmental conflict.

### **Environmental Ethics**

Ethics involves moral philosophical reasoning to determine what constitutes right conduct – a fundamentally axiological (values-based) discussion. Environmental ethics pivot on considerations of not only how value is determined, but also how it is applied. In other words, what do we consider to be valuable in Nature, why, who gets to decide, and to what effect? Do nonhuman species have intrinsic rights? Do ecosystems? Do future generations? If they do, how should those rights be reconciled with the human right to self-determination through development or exploitation of natural resources?

Environmental ethics forces us to confront the notion that our individual and collective actions impact one another, future generations, nonhuman species, and ecosystem health writ large across various geographic and temporal scales. Such ethical considerations have implications for justice and equity and demand a normative discussion of how we ought to live to reduce deleterious impacts that result in environmental conflict. As a concrete and acute example of environmental injustice, consider the disproportionate impact of anthropogenic climate change on less developed nations (from Mozambique and Malawi to low-lying island nations in the Pacific) (Kreft et al. 2017) that contributed only negligibly to its causes.

## **Conceptual Frame**

### **Critical Political Ecology**

Critical political ecology offers a flexible conceptual framework for ethical analysis of environmental conflict. The lens originates from scholarly attempts to integrate questions of Nature with political-economic relations. It is commonly understood as the merger of cultural ecology and political economy.

Critical political ecology involves a multi-scalar analysis, attentive to how regional and

global power relations impact ways in which the natural world is perceived, utilized, produced, and represented by humans in diverse historical, geographical, and ideological contexts. Situated within poststructuralism, this mode of theorizing maintains that Nature is always constructed – always mediated through social, cultural, political, and economic relations. For instance, Nature may be constituted materially, as a natural resource for commodification and regulation, or symbolically, as a cultural representation to produce meaning and collective understanding in diverse societies.

Therefore, an analysis of how power operates remains central to critical political ecology: notably, theorists uncover how power is circulated and harnessed to produce different Natures and how hegemonic discourses of Nature are invoked by a privileged set of actors, while counter-hegemonic discourses are silenced and dismissed. In this way, critical political ecology is a normative lens, for it contends that the uneven distribution of environmental goods and bads, environmental change, and ecological conditions are the product of political-economic processes that disproportionately impact marginalized peoples and places.

### **Nature as Ontological Terrain of Contestation**

Often, Westerners privilege Eurocentric understandings of Nature as separate from (and implicitly inferior to) humans – solely resources to be exploited for human advancement and recreation. However, scholars of postcolonialism, Latin American modernity/coloniality/decoloniality, and science and technology studies uncover pluralist conceptualizations of Nature that recognize a multiplicity of human relationships to the natural world.

For instance, the Inuit of the Arctic Circle practice a cosmology that includes humans in a balance with the natural and spiritual worlds – a balance severely disrupted by climate change. Similarly, in Peru, the Quechua people practice an “Andean shamanism” that respects sacred mountains, or “Earth Beings,” as sentient participants in local culture. Both examples provide extreme contrasts to the principles of exploitative



capitalism and the human activities that have birthed the Anthropocene.

Therefore, given that environmental ethics are questions of what in Nature is considered valuable and how that value is applied, environmental conflict occurs in the contention of competing philosophies about humankind's position contra Nature. Preempted by Indigenous knowledge and critique, Nature can be understood as a landscape of struggle upon which power is mediated and negotiated. In other words, competing ontologies of Nature underpin conflicts over access to, control over, and development of, natural resources, and challenge a priori assumptions over what constitutes a commodifiable "natural resource" in the first place. The contestation of Nature ontologies is imminently power-laden and political, cultural, and defensible. However, affinities and solidarities might also arise in the negotiation of meanings and interactions with Nature, formulating unique responses and alternative reactions to political-ecological conditions.

## Sites of Encounter

### Competing Development Paradigms

As mentioned above, environmental conflict often results from competing development paradigms – evident in place-based struggles between local peoples affected by environmental degradation and corporate players seeking to extract (or exploit) resources. Competing actors vie for state favor in decision-making to either: (1) (re)inforce socio-environmental regulations and protections to limit the scope and impact of harmful externalities potentially caused by resource development or (2) facilitate a regulatory regime conducive to corporate development of state environmental assets. In this way, mitigation of environmental conflict serves as a test of deliberative democratic values or, democracy in action.

Counter-hegemonic actors involved in place-based environmental struggles not only contest modernist constructions of Nature, but also highlight environmental (in)justice, including: the disproportionate impact of environmental degradation on racialized peoples; the absence of policies and

processes that enable the participation of marginalized communities in public decision-making; and the institutional and cultural (mis)recognition of communities of difference through the (mis)recognition of particular places and identities. Proponents seeking to shed light on the racialized burden of environmental impacts emerged in the Western world in the early 1980s as the environmental justice<sup>2</sup> movement. However, subsistence communities across the globe have long resisted the privatization of common assets, acutely aware of deleterious localized (and intergenerational) socio-environmental consequences.

Environmental justice advocates highlight instances of environmental racism and injustice, such as the siting of nuclear waste dumps and hazardous waste landfills near Native American reserves and African American communities in the United States, or the damming and rerouting of waterways that Indigenous livelihoods depend upon, so that hydroelectricity can fuel distant urban centers. With the environment defined broadly as the place where people work, play, live, and worship, institutional racism, such as the underfunding and lack of regulation of on-reserve water treatment facilities in First Nations across Canada, is also considered an issue of environmental injustice.

Contemporary examples of place-based conflict over what constitutes desirable development or acceptable environmental harm abound. For instance, in the United States, Native American opposition to the Dakota Access Pipeline (vis-à-vis a 2017 protest near Standing Rock Indian Reservation in North Dakota) garnered international attention. In Canada, Alberta's (and the federal government's) support for expansion of the Kinder Morgan Trans Mountain pipeline is actively contested. British Columbia presses for more stringent environmental regulations around spill response, restitution to communities in the

<sup>2</sup>The U.S. Environmental Protection Agency (2017) defines environmental justice as: "... the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income, with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies."

event of a spill, greater appreciation for the costs of remediation, and so on, while multiple Indigenous communities (including both coastal communities and those living in close proximity to the proposed pipeline) oppose the project.

### Place-Based Environmental Conflict

Place-based subsistence societies are more likely to feel the environmental impacts of extractive resource development and climate change than those living in cities and industrialized nations. Living off the land and local markets of exchange between neighbors for daily sustenance necessarily requires an intimate understanding of the natural world (when to expect rain, when to rotate crops, how to hunt and harvest to maintain balance with animal, fish, or plant reproduction, etc.). Because of this intimate connection between human survival and the well-being of the natural world, such subsistence requires balance with Nature as well as an understanding of humans as *one part of* Nature that must behave/relate harmoniously within the living ecosystem. Place-based ontologies see humans as a part of the natural world, rather than separate from it.

### Ways to Mitigate Conflict

Given the persistence and prevalence of environmental conflict, the ethical imperative remains to mitigate it. To this end, responses to environmental conflict can be understood across scale: from local to regional, state/provincial, national, and international. Individual responses might include critical, iterative, and self-reflexive evaluation of how lifestyle choices impact others (broadly interpreted) across space and time, to reduce current and future conflict. (Have I unwittingly consumed palm oil in packaged food products that contributes to rainforest deforestation and human rights abuses? Have I unwittingly purchased a “blood diamond” mined in Africa by forced labor, with proceeds funding armed rebels?).

However, an individual’s socio-economic position and geographic location necessarily impacts their ability to make consumption choices

based upon a privileged notion of right and wrong – a person living in sub-Saharan Africa cannot be expected to carry the same responsibility for making “greener,” more “ethical” consumption choices as a Westerner living in an urbanized society. The same considerations apply to the ethics of responsibility related to the human dimensions of climate change. Should countries that emit the least greenhouse gas emissions, yet bear the brunt of environmental impacts, be expected to cover the costs of mitigation/adaptation on their own? Should developing nations be limited in their energy use now when Western countries industrialized through extraction of resources from peripheral nations, where environmental impacts are now concentrated? The complex ethics of global climate change and questions of state roles, responsibilities, and compensation are central issues in the international negotiation of climate change agreements.

At the community level, environmental conflict can be mitigated through co-governance of natural resources. Environmental co-governance usually involves state actors sharing power over decision-making with community members and/or community-based organizations (with structural mechanisms to ensure transparency and accountability). Such a model supports local populations in their pursuit of self-determination – to have a meaningful say in decision-making over “development” of the land on which they live and make their livelihoods. More and more, in the era of economic globalization and cultural imperialism, this denotes a struggle over culture, and as such, environmental conflicts have been characterized as “cultural mobilizations” or contestations of Nature ontologies, as referred to above.

Environmental conflict often necessitates public consultations that tend to be dominated by corporate lobbyists representing powerful industrial interests (and fraught with government-industry collusion). Thus, ecological citizenship can be either promoted or constrained by the state. Moving along the continuum towards greater inclusivity of marginalized social actors, representing a broader range of interests from

civil society, and mitigating power differentials ensures at the very least a more robust and deliberative democracy. Principles of representation, transparency, public awareness, social justice, bias, accountability, and logistics must come into play when engaging citizens through public consultation. Adkin similarly advocates for: "... citizen participation in decision-making processes (planning, approval, monitoring, priority setting), transparency in these processes, resources for citizens' groups to 'level the playing field' in conflicts involving well-funded corporations, independent regulatory agencies, more funding for 'independent' scientific research, compensation for environmental harms, government and corporate accountability and responsibility, stricter regulation of corporate activities, community autonomy and self-determination" (Adkin 2009, 298). Only by embracing deliberative democratic principles can the state redress its own collusion with industry such that consultation and decision-making stands up to ethical scrutiny.

Many advocating for state-based solutions invoke the precautionary principle: when there exists a preponderance of evidence pointing to potential harm, policy makers ought to err on the side of caution. Current predictive capacity points to serious potential harm(s) of, for instance: a warmer and less stable climate; the global distribution of persistent organic pollutants; ocean acidification; loss of biodiversity; disruptions to freshwater, nitrogen, and phosphorus cycles; and so on. All of these biophysical stressors are precursors to conflict, and thus the ethical response would be to take preemptive action to avoid or mitigate them. In practical terms, state actions that advance a greener economy could mitigate environmental conflict (though they would inevitably be met with significant resistance from those benefiting from the status quo). However, the ethical way to divest from fossil fuels and extractive industries would involve supports for livelihood transitions – to move beyond the tiresome and unproductive lose-lose scenario when jobs are pitted against the environment.

In an international context, implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) would affirm,

advance, and protect the human rights of Indigenous peoples – demanding comprehensive and transformative changes to state institutional and justice frameworks. Doing so would fundamentally challenge the current neoliberal, political-economic reality and directly impact Indigenous self-determination, thus mitigating environmental conflict. However, the UNDRIP is more likely to be adopted as an "aspirational" document.

And finally, local environmental conflict is now subject to extra-state involvement. In 2016, the International Criminal Court (backed by the United Nations) expanded its remit to include the prosecution of governments and individuals for deliberate environmental destruction, illegal exploitation of natural resources, and land grabbing.

Ultimately, our ability to mitigate environmental conflict will determine the long-term integrity of local and global ecosystems, the health of human and nonhuman species, and equitable and sustainable access to (and control over) natural resources.

## Cross-References

- [Business Ethics in Canada](#)
- [Distributive Justice](#)
- [Environmental Ethics and Sustainability](#)
- [Indigenous Environmental Justice](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Resource Extraction and Indigenous Community Consent](#)

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## Environmental Ethics and Sustainability

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### Synonyms

Ecology; Social justice; Sustainability; Sustainable development

### Definition

Since the World Commission on Environment and Development – also known as the Brundtland Report – first coined the concept of sustainable development in 1987, the meaning of the term has evolved considerably. However, there is general consensus that sustainability involves the reconciliation of ecological, social, and economic imperatives (Dale 2001; Robinson and Tinker 1997). Without equal access to these three imperatives, sustainability will not be realized (Dale 2001). From the beginning, the social imperative has been the least understood and routinely drops out when economic imperatives dominate (Dale and Newman 2008; Mayo and Ellis 2009; Moore 2007; Mueller and Dooling 2011; Saha and Paterson 2008; Sarmiento and Sims 2015; Szibbo 2016).

## The Social Imperative and Equity Issues

With respect to sustainability writ large, the social imperative implicates considerable equity issues, including a time dimension, that is, decisions taken now that are unsustainable “lock-in” development paths for future generations and foreclose the options of future generations. Although the Brundtland Report identified extreme inequality in resource distribution as the “main environmental problem” (World Commission on Environment and Development 1987, p. 6), claiming that “a world in which poverty and inequality are endemic will always be prone to ecological and other crises” (1987, p. 43), maldistribution of resources has continued to rise. Further, Piketty (2017) explains in depth that inequity is far worse now than 30 years ago when the Brundtland Report was published.

Equity issues have been variously referred to as environmental ethics, social justice, and, more recently, spatial justice, which introduces place into the “social” (Soja 2008). People and human communities have differential access to resources simply by virtue of the place they were born and either an abundance or paucity of natural resources. Spatial justice, therefore, brings new meaning to the privileges and advantages of class, race, and gender and how these modifiers have been dispersed according to geographic locations (Soja 2008). A further rationale for the existence of spatial justice is because “seeking to increase justice or to decrease justice is a fundamental objective in all societies, a foundational principle for sustaining human dignity and fairness” (Soja 2008).

A further argument for the integration of place into social justice is the reality that modern-day issues, such as climate change and biodiversity loss, are interconnected and dependent upon global-scale solutions. Climate change impacts are simultaneously local, regional, national, and international, with differential impacts on communities. For example, small island states are more vulnerable to sea level rise than inland communities, due to their small geographical area, isolation, and exposure. The failure to address these differential impacts and inequities results in even greater global turbulence. Further, 60%

of humanity live in coastal areas, and therefore, both developing and developed communities share vulnerability to climate change and sea level rise. Low-lying coastal areas in all countries are threatened, including agriculturally productive river deltas worldwide (Slade, COP 1, 1995).

## Sustainability and Generational Equity

In addition to inequities in access to natural resources as a function of place, there are now gross inequities that are generational. According to the Credit Suisse Research Institute's global wealth report, global wealth rose by 6.4% in the 12 months to June 2017, and the ranks of the rich expanded again, with 2.3 million new millionaires added to the total, and the top 1% own more than half of all global wealth. With respect to millennials, Americans currently aged between 30 and 39 years are calculated to have amassed 46% less wealth on average in 2017 than the equivalent cohort had gathered in 2007 (The Economist 2017).

And there are global impacts that do not take into account health effects in addition to spatial justice. In 1994, Mexico signed a free trade agreement with the United States and Canada, which triggered an insidious rise of obesity and malnutrition. Mexico became a tariff-free dumping ground for soft drinks and junk food imported from the United States. Almost a quarter of a century later, Mexico has the world's second highest obesity rate and growing child malnutrition crisis (Whitlow Delano and Summers 2018). This is but one example of the inequitable distributable effects of ignoring the critical intersection of social and spatial justice and its impacts on health outcomes. Both are essential to the realization of sustainable community development worldwide.

## Conclusion

Sustainability for some and not all clearly is not working with the rising threats from terrorism, the increase in the number of environmental refugees (Dale and Newman 2008). In addition, increasing places of "haves" and "have nots," social

exclusivity (Haase et al. 2017), homogenizing concentration of social problems in one place, and augmenting income disparities create a perfect storm for feeding the rising populism of the last decade. Only when social and spatial justice are integrated, recognizing that basic human needs must be met at the same time as the inequitable distribution and accessibility to ecological, social, and economic resources have to be addressed, will a lasting world peace be achieved and the full potential of human civilization reached.

## Cross-References

- Distributive Justice
- Economics, Ethics, and the Environment
- Indigenous Environmental Justice

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## Environmental Philosophy and Business

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### Synonyms

Environmental Ethics; Environmental Philosophy; Sustainability

### Introduction

Environmental philosophy (Western) encompasses a large area of study that is focused on examining the relationship between humans and nature, including differing positions on the ultimate value of the environment. Some claim nature is intrinsically or noninstrumentally valuable, while others believe it to be instrumentally valuable in terms of its various uses and resources that allow for humans to exist and flourish (Kaufman 2003; Pojman and Pojman 2012). In general, those that endorse a view of nature as possessing intrinsic value of some form are referred to as environmentalists or conservationists, while those who favor the view of nature as

instrumentally valuable can be referred to as industrializers (Newton 2005). Views on the value of nature exist on a continuum with preservationist perspectives on the environment as intrinsically valuable sitting on one end, and the perspective of the environment as purely instrumental, profitable, and exploitable on the other.

## Environmental Philosophy

### Positions on the Value of the Environment

A key distinction in the field of Western environmental philosophy and ethics is between the anthropocentric valuing of nature, which is human-centered and sees the environment as for the benefit of humans, and the ecocentric valuing of nature, which is valuing nature for its own sake. Anthropocentric views of nature are thought to have evolved from Judeo-Christian beliefs about human superiority and dominion bestowed by God over the rest of nature including animals and natural resources. These beliefs of human superiority were then fed into scientific and materialist worldviews that harnessed the power of science and technology to further exert control over the environment and its resources (Kaufman 2003; Pojman and Pojman 2012; Schmidtz and Willott 2012). Not all anthropocentric approaches to environmental value posit unrestricted exploitation of nature; some believe that natural resources can be managed carefully in order to preserve them for future generations, as seen in the concepts of sustainable development and sustainable resource management (Pojman and Pojman 2012). Others claim that all values are anthropocentric, and that all valuing exists only in virtue of the existence of valuers themselves, which are all human. Anthropocentric views of nature generally value nature instrumentally in terms of the benefits its resources bring for humans and their interests, and this often comes at the expense of other species of plants and animals.

Nonanthropocentric views of the environment focus on varying levels or aspects of the environment or the environment as a whole as possessing intrinsic or noninstrumental value. As such, the extent to which the moral community ought to be



enlarged from human beings becomes central in determining toward whom and to what extent we owe direct moral consideration or obligations. Nonhuman animals, for example, possess sentience, which means they have feelings and cognitive similarities to humans in such a way as to seem logical to extend the moral community to include at least other mammals (Thomas 2016). Biocentric thinkers believe that individual living things, whether animal or plant, are deserving of respect and that we should question the belief that humans are superior to other living things (Kaufman 2003). This view is also sometimes referred to as “life-centered” and can focus on the larger concept of the biocentric whole (biocentric holism), or on individuals (biocentric individualism) as the locus of intrinsic value. Questions concerning what it means to be living versus nonliving in addition to disagreements or potential conflicts between valuing wholes versus individuals can be characteristic of these views (Kaufman 2003).

Ecocentric views of the environment place moral value centrally on ecosystems of various kinds, despite debates regarding how to clearly identify what counts as an ecosystem and how to determine its value in relation to the individuals that inhabit it (Kaufman 2003; Pojman and Pojman 2012; Schmidtz and Willott 2012; Zimmerman et al. 2005). On this view, harming an ecosystem would be wrong not because of the individual plants and animals that will be harmed, but because the particular ecosystem itself will be harmed. Rather than viewing ecosystems as being alive themselves, as biocentric philosophers would claim, ecocentric philosophers believe they have their own moral standing as systems. Ethical considerations regarding the treatment of ecosystems would involve the preservation of the integrity of the ecosystem as a whole and how human actions, like hunting a particular species within that ecosystem to extinction, might affect the ecosystem’s ability to thrive. Humans are seen as members of these moral communities rather than as dominators or conquerors of them (Kaufman 2003).

Deep ecologists also view nature as being intrinsically valuable, and they distinguish

themselves from “shallow” ecologists who focus on technical solutions to environmental problems without requiring the more fundamental and deeper shifts in beliefs and worldviews. Deep ecologists come from more diverse intellectual backgrounds than other environmental philosophers, and so it is more challenging to provide any one definition or description to encompass the perspective as a whole. Broadly speaking, the view promotes a “deep” connection with and understanding of ourselves as inseparable from nature in such a way as to discourage harm toward it out of a sense of harming an extension of ourselves (Kaufman 2003; Schmidtz and Willott 2012).

Ecofeminism posits connections between the domination of nature and the oppression of women and espouses the view that environmental ethics will ultimately fail to properly address environmental issues without acknowledging and addressing this relationship. This view is explicitly against all forms of oppression and as such also focuses on the intersecting forms of oppression, such as racism and speciesism. For some ecofeminists, employing a care ethics approach to the environment allows for greater consideration of the specific relationships that exist between humans, other animals and living things, and systems as guides to our moral obligations (Kaufman 2003; Pojman and Pojman 2012).

Regardless of whether or not one endorses an anthropocentric or nonanthropocentric view of nature, we are faced with environmental issues today of great urgency to the continued existence of humans and other species. The application of these philosophical perspectives to these issues means that other disciplines will need to evaluate their underlying beliefs and values to better understand how to direct their policies and behaviors.

## Environmental Philosophy and Business

### Environmental Issues Involving Businesses and Industries

Businesses can be the cause of a number of environmental issues, but can also be invaluable in providing expertise, special knowledge, and

resources that can deal with them, and in creating new solutions for preventing further environmental damages. Despite debate about whether the bulk of the ethical responsibility for environmental issues lies with the consumer, companies and other businesses, or the government, businesses can certainly create, reduce, and increase or decrease environmental harms. From an environmentalist's perspective, using earth's resources as purely instrumentally valuable for creating profit can lead to the types of issues we are currently faced with, including emissions that lead to climate change and global warming; pollution of seas, oceans, lakes, and rivers; air pollution; destruction of habitats for wild species (both plant and animal) for development or manufacturing; destruction and pollution of soil through intensive farming practices and factory farming of animals; natural resource extraction; and more (Belshaw 2001). Other issues involve the use of animals as products or as labor and include causing pain to sentient beings through related business practices such as farming, experimentation, entertainment, and tourism (Zsolnai 2011). Multinational enterprises in particular take advantage of lower environmental standards in developing countries and "pollution havens," often leading not only to environmental issues, but to issues regarding the health and safety of local workers and communities and also to concerns about perpetuating the harmful "race to the bottom" that can occur within international business practices (Kolk 2016).

Environmentalist critiques of industries and business practices point to the monetization of nature and its resources and the reduction of the environmental to its instrumentally valuable goods and services (Newton 2005). For example, in performing a cost-benefit analysis, placing a monetary value on all costs and benefits allows for comparisons to be made. Unfortunately, using such methods can tend to almost always benefit the company performing the analysis, and many environmentalists believe that given the level of scientific uncertainty inherent in environmental science and related fields, many costs remain unknown. In such cases, it would clearly be in

the benefit of any given company to ignore preventative measures for environmental protection in order to obtain shorter-term benefits (Newton 2005). Despite cost-benefit analyses being a common method for companies and industries to evaluate their actions in relation to environmental issues or concerns, many environmentalists would argue that this method leads to environmental damages that can't always be measured monetarily, especially if one believes nature has intrinsic value (Kaufman 2003; Schmidt and Willott 2012).

## Environmental Philosophy and Business Ethics

There are a few ways that businesses and industries might approach environmental issues. Broadly speaking, some believe that market-based solutions are the most effective means of environmental regulation, whereby the market can effectively meet the preferences of consumers to live in a healthy environment. The assumption is that consumers are willing to pay higher costs for greater environmental protections. However, many have criticized this market-based approach because it fails to consider other sorts of preferences (like animals), that consumers don't always act freely and rationally, and that the assumption that the willingness to pay for something is an accurate way to measure its value may be false (Belshaw 2001; Kaufman 2003; Zimmerman et al. 2005). Environmentalists would argue that if nature has intrinsic value, including the value of sentient creatures and living units like ecosystems, then the market-based approach to addressing environmental issues is flawed from the start.

Corporate social responsibility (CSR) is another approach to including environmental issues into a business's responsibilities to its stakeholders, which may include the natural environment or other elements of it (Schuler et al. 2017). Meeting the desires of environmental stakeholders, as well as potentially viewing nature as a stakeholder, can mean that CSR is used as a means for increasing profit while maintaining the view that nature is only valuable instrumentally.

“Green” initiatives or policies that can be included as part of a company’s CSR activities can lead to greater competitiveness by increasing its market power. While it’s possible that CSR can include social justice issues and ways to more directly address environmental issues (as some smaller companies may do out of a genuine desire to protect nature), generally speaking, environmental issues are addressed only when profitable and advantageous to the firm (Schuler et al. 2017). So, although some companies may view nature as intrinsically valuable and thereby consider it, or part of it, directly in their CSR policies, for the most part nature is still considered instrumentally valuable on this view.

Finally, the concept of sustainable development and sustainability policies has been implemented by some businesses in the attempt to address environmental issues related to business actions and behaviors. Sustainable development, as a concept, was developed as the idea that any development should meet the needs of people today without compromising the needs of people in the future, and it has been applied in numerous areas including natural resource management policies (Pojman and Pojman 2012; Schuler et al. 2017). Most often, sustainability is understood as a means for meeting human preferences, and so is characterized as a view that holds nature as instrumentally valuable, and not as intrinsically valuable. Much work has been done to consider how companies might incorporate sustainability policies into their practices. However, many environmentalists are critical of these attempts, highlighting problems such as the tendency to adopt a utilitarian perspective that neglects the idea of nature having interests (as it isn’t sentient) and for failing to address the fundamental problem of consumption in developed nations, which underlies the immense drive to exploit natural resources at a pace that simply can never be sustainable (Pojman and Pojman 2012; Schuler et al. 2017; Zsolnai 2011). While some companies may value the environment noninstrumentally, it remains a challenge to combine the pursuit of profit with practices that improve, or at least are neutral, to the overall health of our environment.

## Summary

There are a variety of views on the value of nature and on the human–environment relationship within environmental philosophy. Many of these adopt a perspective of nature that possesses intrinsic value that is irreducible to its uses for humans. Conversely, businesses are often faced with the pressure of creating and implementing environmental policies that promote sustainability and that meet the desires of their stakeholders, including environmentalists who hold the natural environment and nonhuman animals to have intrinsic value, from a view that nature is valuable instrumentally. Some would argue that businesses simply can’t adopt a view of nature that is biocentric or ecocentric as it is simply not pragmatic, and that one will always commit some sort of environmental harm regardless of sustainability goals (Rosenthal and Buchholz 1998). The urgency of issues such as climate change may just be the impetus needed for a genuine reevaluation of environmental values held and endorsed by businesses, which can be usefully implemented into policies and actions.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Economics, Ethics, and the Environment](#)
- [Environmental Ethics and Sustainability](#)

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## Equality of Opportunity

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### Synonyms

Fair and Open competition; Fair merit-based adjudication

### Introduction

Equality of opportunity is usually a concept applied to the public domain in liberal democracies and capitalist countries. The assumption is that merit-based evaluations of people are fair and morally acceptable as long as all positions within a competition are open to all and decisions about who is selected for the opportunity at hand is based on who is most qualified to fill the opportunity. Fairness, in turn, is based on bona fide qualifications, sometimes referred to as talents. Consistent with this articulation of the principle is the understanding that it is limited in scope. As Strauss (1992) states, “equality of opportunity requires the elimination of barriers to advancement that are in some sense arbitrary.” Further, he states, “This conception sees equality of opportunity as a meritocratic principle that allows,

roughly speaking, the free operation of the market.” It is precisely this conceptualization that critics finding unsatisfactory morally and a misnomer as a descriptor.

There have been many versions of equality of opportunity, including utilitarian arguments and deontological arguments. In his arguments about access to education for women, Mill argues that education is good to increase overall utility, including education to increase people’s understanding of higher order judgments about happiness and satisfaction. And if women are educated then open competitions should result in the best candidates getting the jobs whether those are women or men.

The basic disagreement is between those who believe that equality of opportunity is a just way to evaluate the outcome of competing for a position, whatever that position might be which is in the public domain, and those who believe that justice requires equality of outcome or equality of results rather than just equality of opportunity. The argument against equality of opportunity charges that there are many social and economic determinants which serve as barriers to effective and actualized equality of opportunity.

### Example of An Equality of Opportunity Case

Universities are good examples of institutions that are in the public domain but somewhat meritocratic in terms of bona fide conditions for admission. Many universities, for example, have standards that must be met for acceptance and entrance into university programs of study by students. Universities publicize deadlines for admission and publicly list all of the necessary conditions that must be met to be acceptable for entrance. Due to equality concerns and challenges based on systemic discrimination claims, these requirements have been broadened in past decades. These include pathways for admission such as graduation from high school with a certain grade point average and often include graduation from standard arts and science courses or alternative evidence that one meets the standards through

different means, such as, community college courses and/or portfolios of equivalent work experience. So, no one has a right to attend university but people have a right to be fairly evaluated based on relevant grounds and a right not to be discriminated against based on irrelevant grounds, such as, sex or gender, sexual identification, race, or ethnicity. But they can be discriminated against based on access standards which operate as a meritocratic basis for admission and be denied access based on inadequate educational preparation, such as lack of necessary levels of literacy, numeracy, or basic understanding of the entrance requirements such as preparatory courses in Biology or Chemistry or Calculus. Further, some traditional and it could be claimed more elite institutions set cut off criteria that still fit the classic standard of fair equality of opportunity, such as, high cut off grades like graduation with 85–90% points from high school. While this discriminates against a number of students below that grade, it is seen as meeting the equality of opportunity criteria if such a standard is made public and all students who satisfy that entrance requirement are treated in a procedurally fair and similar fashion. Many programs of study where the numbers of students admitted are capped by limitations in, for example, clinical placements often start with a lower threshold for students but then admit by criteria, which include grade point averages. So a Nursing Program may say that students are eligible to apply to the program with the minimum of a B average but if they have a cut off of, for example, 250 students a year they may fill the 250 placements by beginning with the highest grade point average and meet their quota without admitting any students with lower than a grade point average.

### Criticisms of Equality of Opportunity Using this Example

Critics argue that equality of opportunity is not fair or just because you cannot equalize everyone's starting position in competitions for opportunities that are open and where success is based on what used to be called "talents." The critiques

basically argue that equality of opportunity does not result in equality of outcomes and this is where traditional liberals and theories which argue for interventions and compensations diverge. For example, Arneson (1999) argues that equality of opportunity allows for inequalities imposed by socialization, among other variables. So, in our university example, women may have been brought up to believe that higher education is not for women so are excluded from competing by their socialized "stunted ambition." Further, many researchers (Mettler 2014) have noted that data confirm that even if the competition for entrance into university including students from different economic backgrounds has been broadened to make university more accessible, the outcome of that access is not equitable. As Mettler notes,

...degree attainment among upper income households so dramatically outpaces that of low-and middle income that the percentage who obtain diplomas is greater than the other three quadrants [of income] combined.

### Rawls' Fair Equality of Opportunity Principle (FEO)

While there are many articulations of equality of opportunity principles, Rawls' attention to this principle has been a source of focus since the latter part of the twentieth century. In its revised iteration, Rawls (1999) states that the following will be henceforth referred to as "the liberal principle of fair equality of opportunity." Part of the challenge of presenting Rawls' theory is that he stated that it was inextricably related to his difference principle which consequently will be briefly presented here. As well, he argued that the assumption of his theory is that education was open and accessible for all.

Rawls states of his FEO that

...positions are to be not only open in a formal sense, but that all should have a fair chance to attain them. ...[and] that those with similar abilities and skills should have similar life chances. More specifically, assuming that there is a distribution of natural assets, those who are at the same level of talent and ability and have the same willingness to use them, should have the same prospects of success regardless of their initial place in the social system. In all sectors of society there should be roughly equal prospects of culture and achievement

for everyone similarly motivated and endowed. The expectations of those with the same abilities and aspirations should not be affected by their social class.

Rawls' Difference Principle assumes that some people are better situated than others and compensates for that imbalance as follows:

Assuming the framework of institutions required by equal liberty and fair equality of opportunity, the higher expectations of those better situated are just if and only if they work as part of a scheme which improves the expectations of the least advantaged members of society.

While there are many critics and defenders of Rawls' theory, the fundamental issues seem to precede Rawls' version of FEO and its precursors. On the one hand, there are arguments and empirical evidence which claim to illustrate that prejudice exists and mitigates against objective assessment in the exercise of operationalizing the employers' interpretation of the same level of "talent and ability". Further, although Rawls acknowledges that family and early circumstances can work against some people, he still thinks that education can serve to equalize one's chance. Critics argue that data such as Mettler's noted in this article proves the resilience of circumstances of birth, sex, sexual orientation, race, ethnicity, and poverty in significantly determining one's future social and economic status in liberal democracies and capitalist countries.

## Cross-References

- [Affirmative Action in Business](#)
- [Affirmative Action: Employment Equity in Canada](#)
- [Compensatory Justice to Groups](#)
- [Racism in the Workplace](#)

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## Ethical Analysis of Tax Avoidance

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## Synonyms

Tax minimization; Tax mitigation; Tax planning

## Introduction

Corporate tax avoidance is generally used as an umbrella term to refer to all tax minimization practices which stay within the legal boundaries. Being characterized as legal, tax avoidance is distinguished from *tax evasion*, which refers to illegal actions to reduce tax liabilities, typically entailing deception and concealment. In the last decade, the practice of tax avoidance has been subject to intense public and political attention. The media, NGOs, and the general public recurrently scrutinize and "name and shame" companies not only for their illegal tax practices but also when they consider such practices as unfair, outrageous, and/or immoral.

Some major lines of argumentations clearly explain why tax avoidance has become a relevant issue for the business ethics debate, above and beyond the purely legal sphere. First, the nature and functions of corporate tax payments are intrinsically ethical: they correspond to a moral duty of good citizenship; they serve to fund the provision of public goods and services; and they help to reduce the unequal distribution of income



and wealth in society. Second, tax avoidance is widely diffused among MNEs all over the world with a huge impact on our societies: the OECD estimates that these practices collectively cost governments \$100–240 billion in lost revenue annually, which is the equivalent to 4–10% of the global corporate income tax revenue. Third, governmental institutions have, at least partially, failed at ensuring that companies pay a fair share of taxes. The international tax system is based on the 1928 League of Nations model, whose principles proved to be inadequate for taxing profits generated by increasingly digitalized market transactions and globalized business models, giving more opportunities to MNEs for finding legal loopholes among national tax systems and taking advantage of it, more or less aggressively. Moreover, national States themselves are involved in what has been defined as “harmful tax competition” (OECD 2013), that is providing MNEs with favorable tax treatments to attract foreign investments and generate employment in their national territory – thereby distorting international trade and investment patterns causing a distortion that harms other countries eroding their national tax bases.

Finally, within the vast scholarship on corporate social responsibility (CSR), after overlooking the issue of tax avoidance for a surprisingly long time, in the last two decades, there has been a raising view that tax avoidance practices have to be seen as examples of corporate social *irresponsibility*, violating the social contract between multinational enterprises (MNEs) and local communities (Christensen and Murphy 2004).

While tax evasion is unanimously deemed as unethical, since it entails illegal, dishonest, and fraudulent practices, the ethical assessment of tax avoidance has been widely debated. To counteract some of the criticism pointed out above, some scholars argue that businesses operate in a moral free space about their fiscal approach and hence paying tax. MNEs should therefore have considerable discretion as to how to arrange their tax affairs and shop for the most favorable tax treatment (Dowling 2014). This line of argumentation often uses the term of “tax mitigation” or “tax planning” instead of tax avoidance, to indicate ethically sound strategies then every manager can (and, for some

advocates of the shareholder-value maximization, should) pursue to reduce the amount of tax to be paid, in legal and legitimate ways (in fact, professional consultancy groups sell “tax planning” and “tax mitigation” services). It must also be taken into consideration the fact that MNEs are such powerful actors in the global economic system that they often force the legislator to modify tax rules and introduce new legal arrangements to match their innovative strategies and business models.

Various argumentations are advanced to support or ostracize the morality of tax avoidance practices.

## Different Forms of Tax Avoidance

Some preliminary conceptual refinements need to be made before conducting an ethical analysis on tax avoidance. Indeed, there is a wide range of tax avoidance practices raising specific and different ethical issues. In particular, three main forms have been distinguished in the business ethics debate: *state-induced*, *strategic*, and *toxic* avoidance:

- *State-induced* (de Colle and Bennett 2014) tax avoidance refers to the process of reducing the amount of tax based on enumerated provisions in the legislation, which are introduced by a national State to achieve socially or economically desirable ends for its citizens. This is, for instance, the case of tax deductions for charitable contributions (available both to private citizens and corporations); the introduction of fiscal incentives to steer corporate investments towards R&D, to foster innovation in a particular sector; and the tax benefits granted to MNEs that bring their foreign investments within a national territory, to promote job creation and the local economic and social development. In other words, these are all practices that effectively reduce the amount of tax to be paid, but doing so in ways that are even encouraged by a specific government policy (therefore, entirely respecting not only the letter but also the spirit of the law).
- *Strategic* (de Colle and Bennett 2014) or *appropriate* (Lenz 2020) tax avoidance includes all practices in which the tax reduction is one of the many dimensions of a transparent

and legal business strategy with economic substance. For instance, this includes the decision of outsourcing a particular business function that, among other competitive factors, considers and evaluates the resulting tax implications. For example, many European and US companies have set up their customer call centers in India and other Asian countries where the labor cost is much cheaper (including lower social security and other fiscal costs) compared to their home country. These practices add value to the overall business (have a sound “economic substance,” in legal terms), are transparent and legal, even if in some cases they might not be seen in accordance with the intention of the legislator.

- *Toxic* (de Colle and Bennett 2014) or *aggressive* (Payne and Raiborn 2018, Lenz 2020) tax avoidance refers to all schemes and arrangements undertaken predominantly or exclusively with the objective of tax reduction. These practices take advantage of literal interpretations of law, legal loopholes, or mismatches between national legislation, and are developed through the use of artificial structures, transactions, or strategies which lack economic substance. The most recurring toxic avoidance techniques include transfer pricing arrangements (i.e., the arrangement of commercial transactions between entities of the same group with very low or very high prices to reduce the overall tax burden) or the use of shell companies (i.e., a corporation, generally located in tax havens, without significant assets and business operations which acts as tax minimization vehicle). Although usually characterized as legal, the legality of these practices is uncertain, since they contradict the *spirit* of the law, which is the deeper intended meaning or goal informing the legislation.
- *State-induced* (or, *prosocial*) *tax avoidance*. Using a utilitarian perspective, the morality of tax state-induced avoidance is generally justified on the grounds that it is encouraged by States to achieve a social interest. These tax reduction mechanisms are granted to those individuals and businesses engaging in activities which are expected to generate such positive social outcomes which outweigh the reduced tax revenue. Also from a Kantian perspective, these practices seem to be ethically justified, since they require to conform one’s behavior to a prosocial policy designed by the legislator, which can be seen as an action fulfilling the moral duties of a good citizen. Similarly, from the point of view of virtue ethics, these behaviors can be seen as virtuous since they are ultimately oriented at the flourishing of the community.
- *Strategic* (or *appropriate*) *tax avoidance*. Traditionally, strategic tax avoidance is justified using the managerial fiduciary duty argument (Dowling 2014). From this perspective, that frames tax as “another cost to the business,” managers’ duty to maximize shareholder value implies that the tax component should be carefully considered in all strategic business decisions, like any other cost-dimension of business. Rather than defending the moral legitimacy of tax avoidance practices, this line of reasoning is, ultimately, framing tax avoidance as an *amoral* issue – therefore, it lacks any strong ethical rationale. More interestingly, strategic tax avoidance can be morally justified under the stakeholder theory of the firm, which extends managerial duties and responsibilities towards all actors who are affected by, or can affect, corporate activities (i.e., all the company’s stakeholders). From this perspective, strategic tax avoidance can be ethically sound as long as tax savings are used to generate value for stakeholders, e.g., higher salaries for employees, lower prices or better products for consumers, more investments for the development of local communities, etc.
- *Toxic* (or *aggressive*) *tax avoidance*. Only weak and extreme moral argumentations can justify toxic tax avoidance. A first position defends the morality of toxic avoidance on the grounds of its

## Can Tax Avoidance Be Morally Right?

The morality of tax avoidance can be justified according to some lines of reasoning, which are stronger for State-induced avoidance and weaker for strategic avoidance, while toxic or aggressive tax avoidance is almost ethically indefensible.

legal nature: if tax avoidance is (technically) legal, it is ethical. There cannot be any moral constraints on exploiting legal opportunities or on moral duties to pay more than what the law requires. However, this argument is very weak, because it fails to acknowledge that the legality of toxic avoidance is uncertain, since it violates the spirit of the legislation. Finally, toxic avoidance might be supported by more extreme ethical arguments calling for no taxation, using the lens of liberalism (i.e., taxation is seen as an unjustified governmental interference in the natural, free-market ordering of things) and libertarianism (i.e., taxation is seen as an interference with personal liberty and property).

## What Is Wrong with Tax Avoidance?

There are a number of argumentations which lead to a negative ethical judgment of tax avoidance, even if its different forms raise specific ethical issues. These arguments are particularly strong and widely shared with regard to the immorality of toxic tax avoidance.

- *State-induced tax avoidance.* Although introduced by specific national policy with a pro-social orientation, State-induced tax avoidance raises a few ethical issues. The strongest argument relies on John Rawls' theory of justice (Payne and Raiborn 2018): these practices cannot be said to be just and fair when they tend to benefit only the wealthiest in society (i.e., rich citizens, powerful MNEs) because they result in enhancing the social inequalities and the unfair competition with the "least advantaged" (i.e., individual taxpayers and small and medium enterprises). Second, the introduction of favorable tax provisions (e.g., low tax rate) to attract corporations is the cause of harmful tax competition between businesses as well as between countries.
- *Strategic tax avoidance.* In addition to the ethical concerns discussed for State-induced tax avoidance, strategic avoidance can be associated with two additional ethical criticisms. Adopting a consequentialist perspective, strategic avoidance cannot be morally justified

because it may be harmful for society. First, the perception of unfair corporate tax payments by wealthy individuals and large MNEs can reduce the tax morale (i.e., the intrinsic motivation to pay tax) of other taxpayers (entrepreneurs and small and medium firms) who do not have the same opportunities, undermining the compliance culture within the country and the integrity of its tax system. Second, approaching the payment of tax as any other business costs to be minimized, MNEs may reduce the tax resources of their home country – e.g., by shifting their profits to low tax jurisdictions through outsourcing strategies or new subsidiaries abroad (OECD 2013).

- *Toxic tax avoidance.* Toxic tax avoidance practices raise severe ethical issues in addition to those associated with State-induced and strategic avoidance. Various ethical theories and philosophical perspectives lead to consider toxic avoidance as an immoral practice (Scarpa and Signori 2020). From the utilitarianism point of view, there is a consensus that this kind of aggressive tax avoidance practices generates negative outcomes on multiple stakeholders (especially governments, communities, and competitors) that are likely to outweigh the short-term financial benefits for shareholders (Preuss 2012). Under Kant's Categorical Imperative, toxic avoidance should be morally forbidden, because the universalization of the maxim according to which the law can be aggressively interpreted up to the boundary of what is legally permissible against the spirit of the legislation leads to a practical contradiction, since it would endanger the objective of a stable, predictable, and just legal system, on which companies at the same time rely (Lenz 2020). Third, toxic avoidance violates the social contract which implicitly binds companies to the society where they operate. By entering into the social contract, businesses not only enjoy the rights to benefit from public goods and services, but they also owe the moral duty to contribute their fair share to the tax base by abiding by both the letter and the spirit of the law. Otherwise, companies act as economic free riders that enjoy the benefits of being part of a community (e.g., educated

workforce, transport, security, legal system, subsidies, etc.) without accepting the costs. Furthermore, toxic tax avoidance clashes with virtue ethics' focus on agents and moral character development. From a virtue ethics perspective, the good tax accountant of MNEs should prioritize the achievement of excellence in the application of accounting practice and principles over the arrangement of artificial structures and transactions with the exclusive objective of tax minimization (West 2018). A virtue-ethics approach also stresses the moral disconnection within firms engaging in toxic avoidance while professing their ethical behavior in other issues (Preuss 2012).

Furthermore, toxic tax avoidance compromises the redistributive function of tax payments and impairs governments' funds to provide public goods and services (e.g., education, public health care, etc.). Consequently, it poses severe threats to the enjoyment, facilitation, and protection of basic human rights, with severe implications for developing countries. Finally, a sustainable-development perspective acknowledges the externalities of toxic avoidance, especially for future generations. In particular, toxic avoidance erodes some essential common resources that provide value for society and which need sustainable conservation (Bird and Davis-Nozemack 2018): the "social

**Ethical Analysis of Tax Avoidance, Table 1** Ethical justifications and concerns of tax avoidance practices

|                               | Forms of tax avoidance                                                                                                                                                                                                                    |                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | State-induced (or, <i>prosocial</i> )                                                                                                                                                                                                     | Strategic (or <i>appropriate</i> )                                                                                                                                  | Toxic (or, <i>aggressive</i> )                                                                                                                                                                                                                                                                                                                                         |
| <b>Characteristics</b>        | Tax reduction practices based on enumerated legal provisions aiming at generating socially desirable outcomes. The letter and the spirit of the law are respected.                                                                        | Tax reduction practices which are part of a business strategy with a sound economic substance. The letter of the law is respected but its spirit might be violated. | Schemes and practices undertaken with the exclusive or predominant goal to reduce the tax burden. The letter of the law is respected but its spirit is violated.                                                                                                                                                                                                       |
| <b>Ethical justifications</b> | Is encouraged by States to achieve a social interest. Respects Kant's Categorical Imperative to conform one's behavior to a prosocial policy. Respects virtue ethics since it is ultimately oriented at the flourishing of the community. | Generates value for all corporate stakeholders.                                                                                                                     | Respects liberalism and libertarianism extreme positions.                                                                                                                                                                                                                                                                                                              |
| <b>Ethical concerns</b>       | Increases social inequalities. Enhances harmful tax competition.                                                                                                                                                                          | Increases social inequalities. Enhances harmful tax competition. Undermines a country's compliance culture. Reduces domestic tax resources.                         | Increases social inequalities. Enhances harmful tax competition. Undermines a country's compliance culture. Reduces domestic tax resources. Generates more negative than positive outcomes. Violates Kant's Categorical Imperative. Infringes virtue ethics' prescriptions. Violates the social contract. Threatens human rights. Compromises sustainable development. |

*commons*” (i.e., revenue collected by tax authorities and distributed to the benefit of society); the “*regulatory commons*” (i.e., a set of mutual expectations, norms, trust, and understandings shared between taxpayers and tax authorities); and the “*organisational commons*” (i.e., business culture and social capital based on trust, honesty, mutual commitment, and integrity).

## Summary

To conclude, the ethical analysis of tax avoidance is not a simple, black-and-white classification into ethical/unethical practices. It requires a nuanced approach, identifying different forms of tax avoidance. By distinguishing among State-induced, strategic, and toxic tax avoidance, one can see that at one end of the spectrum (See Table 1), there are tax avoidance practices that can have stronger argumentations in favor of their ethical justification, being encouraged by a national pro-social legislator. At the opposite end, toxic tax avoidance raises several very serious ethical issues, and only weak and extreme arguments in favor. Between these two extremes, a gray area of strategic tax avoidance practices, that are ethically defensible as long as they are transparent and linked to a sound business substance, but at the same time raise a number of ethical concerns that needs to be taken into consideration, judging in each particular case their relevance in light of the particular socioeconomic context and the stakeholders affected (first of all, taxpayers).

## Cross-References

- [Contract Theory](#)
- [Corporate Social Responsibility](#)
- [Deontology](#)
- [Environmental Ethics and Sustainability](#)
- [Good Tax Governance](#)
- [Human Rights](#)
- [John Rawls’ Theory of Intergenerational Justice](#)
- [Shell Companies](#)

- [Tax Havens](#)
- [Tax Justice Network](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Ethical and Financial Aspects of Divesting

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## Synonyms

Disinvestment; Divestiture; Investment sanctions;  
Socially responsible investing

## Definition/Introduction

Divestment is defined as the act of withdrawing investments from a company or industry for ethical or financial reasons. It can be described as a form of socially responsible investing (SRI) that applies nonfinancial (environmental and social) criteria as well as exclusionary screening to guide an investor's financial decisions. While divestment has been most famously pursued against companies compliant in the racial conflicts and human rights violations of the South African apartheid era, the recent fossil fuel divestment movement has burgeoned the largest and fastest growing divestment campaign in history (Hunt et al. 2016).

Fossil fuel divestment is a form of shareholder activism (Gillan and Starks 2000; Guay et al. 2004) seeking to withhold the financial capital and reduce corporate solvency (Caldecott and Dericks 2017) that is needed to explore and to exploit fossil fuel resources (Bauer et al. 2018). Divestment is perceived as a tool to force change upon the fossil fuel industry, by directly depressing share prices through sales of shares (Paum 2015) or indirectly stigmatizing the industry (Ansar et al. 2013) for its influence on increasing concentrations of carbon dioxide (CO<sub>2</sub>) emissions most affiliated with fossil fuel use (Quéré et al. 2013).

The decision to pursue fossil fuel divestment can be made because of both financial and ethical reasons. Grady-Benson and Sarathy (2015) find that fossil-fuel divestment is most often rejected on University campuses for either financial or ethical reasons. Institutional investors have also rejected divestment because it might violate fiduciary responsibilities, though the question whether fossil fuel divestment contradicts fiduciary duty is itself controversial (Waitzer and Sarro 2012). Notably, the arguments in favor and against the ethical and financial case for divestment remain inconsistent. This chapter delves into this discussion and presents a comprehensive perspective from both, proponents and critics of each position.

## Introduction to Fossil Fuel Divestment

Fossil fuel divestment first gained a foothold in mainstream discourse following Bill McKibben's seminal Rolling Stones publication "Global Warming's Terrifying New Math" (McKibben 2012). In this entry, McKibben articulated that if humanity is to mitigate global warming to under 2°, the majority of existing fossil fuel reserves cannot be used. Bill McKibben's article was one of the most widely circulated by the Rolling Stone (Nisbet 2013), bringing the once radical message of divestment to mainstream discourse (Schifeling and Hoffman 2017).

Undoubtedly, fossil fuel divestment has gained momentum. Since its inception in 2012, fossil fuel divestment has been endorsed by prominent social activists including Naomi Klein (2013) and Leonardo DiCaprio (2015), influential religious leaders including former Archbishop Desmond Tutu (2014), politicians including Barack Obama (2013) and Al Gore (2013), notable economists including Paul Krugman (2013) and Jeffrey Sachs (2018), and climate leaders including Christiana Figueres (2015) and Ban Ki Moon (2014). Simultaneously, prominent institutional investors, including but not limited to the Rockefeller fund (2014), Norwegian pension fund (2015), Church of England (2017), and New York City (2018) have all committed to divesting their holdings from the fossil fuel sector or from parts of it, for instance, the coal industry. To date, it is estimated that over \$6 trillion in assets under management have been pledged to divest from the fossil fuel sector (gofossilfree.org 2018).

One mandate of fossil fuel divestment is to raise awareness and reinforce that a significant portion of proven fossil fuel reserves cannot be burned if we are to achieve the two-degree limit in temperature rise (Hunt and Weber 2018). Furthermore, divestment strives to force the energy sector to move away from high carbon sources, by stigmatizing the industry and by reducing its access to financial capital. The consequences of divestment can thus be direct or indirect.



Divestment can directly decrease the price of fossil fuel shares if it is perceived to be a material threat to future growth projections or the valuation of the industry (Paum 2015). Depressed share prices will discount the industry's projected cash flows, raise costs of capital financing, and weaken production capacity in the long run. Alternatively, divestment can indirectly stigmatize the industry (Ansar et al. 2013). Negative stigma associated with divestment can undermine the industry's reputation with other salient stakeholders (i.e., policy makers and financiers), prompt increasingly restrictive legislation, and weaken investor confidence in the industry.

With regard to the impact of divestment, some studies argue that the direct impact is limited given that the small sum of funds being divested cannot significantly affect stock prices (Ansar et al. 2013; Bullard 2014). Moreover, the divested equity will simply be acquired by less scrupulous investors relatively quickly and at a discounted rate (Ansar et al. 2013). In this regard, it may be more beneficial to engage with the industry to pursue change. It is also argued that the decline in stock prices in recent years that has driven the financial case for divestment is more sensitive to changes in macroeconomic environments than to the reputational risks of divestment (Baron and Fischer 2015). Finally, it is notable that divestment would not impact national or state-owned corporations like NICO and Saudi Aramco, that own a large bulk of proven reserves (Paum 2015).

## The Ethical Case for Divestment

Divestment can be understood as a means of social activism, illustrating how stakeholders can collectively mobilize to advocate for social justice (Grady-Benson and Sarathy 2015). In the case of fossil fuel divestment, the social cause is the mitigation of climate change. The first ethical case for climate change assumes that financial gains should not be achieved through investments in practices and shares that harm the climate. Secondly, divestment proponents argue that divestment decreases the fossil fuel industry's

ability to invest in further exploitation of fossil fuel resources that will increase climate change. Thirdly, divestment proponents argue that their campaign influences the reputation of the fossil fuel industry negatively, leading to lower profitability and to changes in the industry's business strategy. Fourthly, it has been suggested that by holding such shares, institutions are complicit in the harm caused to those affected by or are at risk of harm from climate change (Moss 2017).

Governance scholarship recognizes that there are many influential climate actors from governments, to institutional investors, financial markets, corporations, and civil society who have the capacity to accelerate or constrain climate action locally and globally (Bulkeley *n.d.*; Gunningham and Sinclair 2017). Divestment is a strategy by which institutional investors can delegitimize the fossil fuel industry, due to the impact of fossil fuel production on anthropogenic climate change. It could be argued that the stigmatization of divestment has prompted some response by the fossil fuel industry, such as in the case of Peabody, which now cites divestment in its risk disclosure as a factor that may adversely affect demand (Baron and Fischer 2015). In markets with higher social norms, the widespread stigmatization of the industry could result in an underperformance of fossil fuel stocks because of increased negative investor sentiment (Hunt and Weber 2018; Liston 2016). Increased awareness of the linkages between fossil fuel production, carbon emissions, and climate change through the fossil fuel divestment movement can thus indirectly impact the industry.

Moreover, institutional investors may have a moral obligation to divest. There lays an embedded claim, that "if it is in our power to prevent something very bad from happening, without thereby sacrificing anything morally significant, we ought, morally, to do it" (Singer 1972, p. 231). Climate change is increasingly seen as one of the greatest threats to ecological (Ceballos et al. 2015) and human health (Whitmee et al. 2015). Adverse climatic conditions can cause direct injury from extreme weather events, outbreaks of infectious disease, food insecurity and under-nutrition due

to failing local agriculture, and mental health problems attributed to displacement, forced migration, and affected homes and workplaces (Kjellstrom and McMichael 2013). The impacts disproportionately affect poor and marginalized populations, which can cause conflict within national borders and between vulnerable nations (Lynn 2015). In this case, investors might see their ethical duty “not on whether we have contributed in some way to a harm but on whether we ought to do something positive to assist others” (Moss 2017, p. 419).

Critics, however, are uncertain whether divestment as an act of shareholder activism will have any influence on mitigating anthropogenic climate change. First, some investors favor engagement instead of divestment (Sprengel and Busch 2010). They argue that only shareholders can put pressure on firms in their annual meeting and therefore, divestment weakens the influence of ethically concerned shareholders.

Second, the global entrenchment of fossil fuels not only as a source of energy but also through the dependence of fossil fuels across the economy is not addressed by the fossil fuel divestment movement. A study of the University of British Columbia’s pensions and investments found that divesting from all fossil fuel companies in their portfolio would only decrease the University’s carbon exposure by around 3%, given the demand for carbon intensive products in other industries (Ritchie and Dowlatabadi 2015).

Moreover, some groups argue that fossil fuel products are used by many and support economic development. Therefore, fossil fuel producers should not be punished for creating products and services that are bought and used by others. In a similar vein, fossil fuel divestment, by targeting the fossil fuel industry, neglects to address the issue of demand. Divestment might have a negligible influence in combating carbon emissions if demand continues to rise (Grady-Benson and Sarathy 2015). Finally, it could also be argued that divestment from the fossil fuel industry can have negative impacts on the economy and employment in countries with a high dependency on the fossil fuel sector.

## The Financial Case for Divestment

Based on modern portfolio theory (Markowitz 1952), proponents of conventional finance argue that divestment decreases the universe of possible investments, and therefore, it is not possible to achieve optimal risk-adjusted returns. Furthermore, representatives of the efficient market hypothesis (Malkiel and Fama 1970) argue that financial risk would be priced by the financial markets anyway and that additional ethical investment criteria are not needed to identify financial risks caused by carbon bubble and stranded assets. However, there are financial arguments in favor of divestment. We will explain them in the following paragraphs.

The increased production of greenhouse gases (GHG) in the atmosphere has raised global temperatures by 0.8 °C from the preindustrial era (IPCC 2014); nearly half of the globally accepted 2 °C target that was agreed upon in the 2009 Copenhagen Accord. Increased concentrations of carbon dioxide (CO<sub>2</sub>) emissions, most affiliated with increased fossil fuel use (Quéré et al. 2013), continue to accumulate in the atmosphere well above the safe level of 350 parts per million (ppm), effectively raising global temperatures toward the 2 °C threshold (Hansen et al. 2008). In a two-degree scenario, no more than one-fifth of the proven fossil fuel reserves may be burned (Meinshausen et al. 2009). This is the “carbon budget.”

A fossil fuel company’s valuation is in part calculated by its proven reserves and long-term growth potential. It is estimated that over 50% of a firm’s value is dependent on the expected cash flows a decade into the future (Trust 2008). Maintaining the firm valuation is therefore dependent on increased capital expenditures toward continually expanding proven, albeit increasingly marginal reserves (Leaton et al. 2013). Thus, fossil fuel companies continue investing in exploration, to replenish their reserves which may never be used.

Investing in companies that continue to allocate capital to replenishing proven reserves may be a risky decision. If the carbon budget is to be met, the grounded reserves and related

activities may suffer from unanticipated or premature write-downs, devaluations, or conversions to liabilities (Caldecott et al. 2014). A tightening carbon budget and the subsequent devaluation of existing reserves results in what is known as “stranded assets” (Ansar et al. 2013). Markets may be mispricing the risks of stranded assets held by listed companies. In a 2 °C scenario, grounded reserves could put over \$28 trillion at risk; risks most concentrated on high-cost and high-carbon sources of production (Lewis et al. 2014). The risk of asset stranding can dampen future growth projections and depress the industry’s value.

The stranding of carbon assets in the case of fossil fuels can be caused by several environment-related risk factors that are poorly understood and regularly mispriced (Caldecott et al. 2014). A scenario analysis of stranded assets by Caldecott et al. (2014) provides an encompassing framework of the most pressing environment related risks that could lead to the stranding of assets. The report infers that government regulations, environmental challenges, changing resource landscapes, technology innovations, evolving social norms, and litigation may be some common risks to asset stranding. Unburnable carbon poses knock-on effects that not only affect investors but lenders, pension funds, and indeed individual savers as well. Bank lending exposures may face significant haircuts to the value of their loan books, pension funds may risk funding shortfalls to their pension entitlements as fossil fuel investments falter, and savers may face uncertainties akin to financial bubbles as their investments track carbon intensive markets (Campanale and Leggett 2011).

There is also empirical evidence that fossil fuel free portfolios outperform traditional indexes. Regarding environmental risks from the fossil fuel industry, several studies compare the financial performance of prevalent market indices to fossil free counterparts. The MSCI ACWI ex fossil fuels index, for instance, tends to be comparable to or out-perform the MSCI ACWI over a 5-year period (MSCI 2016). Another complementary report by the FTSE finds that its counterpart ex fossil fuel index performs competitively

with lower volatility than the traditional FTSE developed index (FTSE 2014). Yet another study by Sustainable Insight Capital Management finds that of three fossil fuel free portfolios created, all outperformed the S&P 500 across 1, 3, and 5-year periods between 2008 and 2013 (Willis and Spence 2015).

Several newer studies even suggest positive financial outcomes of fossil fuel divestment. Henriques and Sadorsky (2017), for instance, found that divesting from fossil fuel and investing in clean energy increased financial returns because of the higher performance of clean energy stocks. While it is notable that economic factors like oil prices have played a predominant role in recent underperformance of the industry, another study based on long-term data between 1927 and 2016 argues that divesting from fossil fuels does not harm financial returns because the fossil fuel sector does not contribute to divesification (Trinks et al. 2018). Most recently, a study on shares found both higher risk-adjusted financial returns as well as lower carbon footprints for divestment portfolios compared to the conventional TSX 260 (Hunt and Weber 2018). These results are further attested across analyses conducted by organizations like the Carbon Disclosure Project (Fanelli 2012) and Impax Asset Management (Simm 2013), which suggest that by reducing carbon exposure in their portfolio, investors can achieve competitive if not greater returns.

In contrast, there remains a notable body of literature that suggests that divestment will pose significant transitional or risk-induced costs (Grady-Benson and Sarathy 2015). Some studies warn that any form of exclusionary screening may pose costs for investors (Geczy et al. 2005; Renneboog et al. 2008). Other studies postulate that investors may face a cost of pursuing ethical or exclusionary screening, that may lead to increased risks or decreased returns (Richardson 1987). One study by Bloomberg New Energy Finance proposes that fossil fuel investments remain favorable because they offer the scale, liquidity, growth, and yield with which alternative investments cannot compete (Bullard 2014). The report further suggests the market would require

a massive scale-up of new investment vehicles to offer comparable opportunities for reinvestment.

Other studies actively dissuade divestment, under the pretense that it could harm the financial performance of investors and endowments. The first study suggests that U.S. shares of oil and natural gas companies outpaced both the overall performance of university and college endowments and every other asset class examined (Shapiro and Pham 2012). Another study suggests that the “costs to investors of fossil fuel divestiture are highly likely and substantial, while the potential benefits – to the extent there are any – are ill-defined and uncertain at best” (Fischel 2015, p. 3). The last study calculates that divestment could cost millions in lost returns annually, if endowments exchange portfolio diversification for moral imperatives (Cornell 2015) because divestment creates higher administrative costs (Ennis and Parkhill 1986; Knoll 2002).

## Conclusions

This chapter presents an overview about the ethical and financial arguments in favor and against divestment. Both, ethical and financial arguments can be used to justify divestment and to argue against it.

Current empirical studies suggest positive financial impacts of divestment for the investors. These results, however, might be influenced by other external impacts such as a falling price for coal and other fossil fuels or other external impacts. On the other side, theoretical arguments from conventional finance against divestment might be influenced using historical data that cannot be extrapolated into the future because of disruptive economic changes caused by climate change. Hence, more research is needed to study the financial implications of fossil fuel divestment.

Regarding ethical arguments, divestment is one of many responsible investment strategies. Currently, there are discussions about the effect of divestment versus engagement. While the discussion is interesting from an academic

perspective, it should rather focus on how the different strategies can be combined and how they can create impacts if they are used in tandem. The effect of engagement is probably small if investees do not feel the pressure of divestment as a final consequence. On the other side, divestment as the exclusive strategy to put pressure on the fossil fuel industry may also not be successful because many investors are not able to apply the strategy.

## Cross-References

- ▶ [Apartheid and Ethics](#)
- ▶ [Emerging Trends in Socially Responsible Investment](#)
- ▶ [Investor Response to the Climate Change Challenge](#)
- ▶ [Socially Responsible Investment and Corporate Engagement](#)
- ▶ [SRI's Normative and Ethics-Based Rationales](#)

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## Ethical Behavior and Economics

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### Synonyms

Consumer sovereignty; Decision-making environment; Economics; Ethics; Nudging; Theory; X-inefficiency

### Introduction

A fundamentally important assumption in conventional or neoclassical economics is that being ethical is most likely to be harmful to the economy. It can make firms and the larger economy less competitive and it can drive down share value, damaging the position of investors.

Reference here is made only to the owners of the traditional investor-owned firms. No mention, however, is provided of alternative forms of organizations such as cooperatives (member-owned organizations) and state-owned entities or social enterprises. Here too the argument is made that being ethical comes at cost to the firm and to many members of the firm. Moreover, ethical behavior invariably results in more unemployment and higher costs to consumers, resulting in a lower standard of living. But this point is also adhered to by critics of market economies and, more specifically, to critics of globalizing market economies. Market economies are not compatible with a more ethical world. Even many contemporary behavioral economists, who are quite critical of contemporary economic theory, argue that ethical behavior comes at a cost. For many economists, being ethical is a good thing, but one must recognize that being ethical comes at a cost. It is not a free good.

This negative perspective on ethics and the economy stems from some fundamental assumptions embedded in contemporary economic theory. Therefore, it is important to interrogate the empirical validity of such assumptions. Different assumptions can yield a different perspective on ethics and the economy and have significant implications for public policy and for decision-making within firms.

### What Is Ethical Behavior in the Economy

One common definition of ethical behavior in an economy is engaging in good behavior towards others in an economic context and delivering policy to this effect. This need not be self-sacrificing behavior or acts of pure altruism. Advocating for improved working conditions, more environmentally friendly practices, “fairer trade” purchasing (fair trade coffee, chocolates, carpets, etc.), or more community-oriented or sympathetic policies are examples of being ethical. Some would add to this definition a more equitable distribution of income, while others would advocate for poverty alleviation.

Among economists and other experts there are those who argue that in the long run market forces, left largely to themselves, will generate a better life and a more ethical capitalism. Thus, there is an ethical imperative that is embodied in free market capitalism. Interfering with the free market will only cause the most harm to the most vulnerable in our society. This worldview largely flows from contemporary economic theory, very much contained in the contemporary and textbook rendition of the neoclassical theory of the firm. In the minority, there are those, including corporate leaders, who argue that ethical capitalism, one that embraces moral sentiments and sympathy, in the tradition of Adam Smith, is not only possible, but makes for a more productive society. And, it is the responsibility of corporate, community, and political leadership to nudge us in this direction.

### Contemporary Economics: Why Ethics Is Bad for the Economy

The classic statement on why ethics should be considered bad for the economy was clearly articulated by Friedman (1970) in his New York Times article. He argues that the main task of firm leaders is make as much money as possible for the firm and maintain the competitiveness of the firm, as long as this pursuit is legal. Doing anything else violates the ethical obligations of the firm leader to the firm who employs her or him. The challenge that Friedman lays before us is whether or not ethical behavior, being good, is compatible with being a profit maximizer.

From the perspective of conventional economic theory, being ethical increases the costs of production which, in turn, generates higher average production costs. And, this should then reduce the rate of return to the firm. But it is increasing the cost of production that would make the firm less competitive and this is what makes being ethical a costly process and one which is damaging to the economy as a whole. Therefore, being ethical demands that one appreciates these costs and who are directly harmed by virtue of ethically oriented policy.

The potential costs of being ethical become clear when one understands that in a very simply model of the firm (where labor is the only factor input) average cost (AC) equals the wage rate ( $w$ ) divided by labor productivity ( $Q/L$ ). This is illustrated by equation 1, below

$$AC = \frac{w}{\left(\frac{Q}{L}\right)} \quad (1)$$

The wage rate is a proxy for any benefits accruing to employees. Increases in employee benefits increases average costs, all other things remaining the same. The latter is a core and often implicit assumption of both conventional neoclassical economics and that of nonconventional economists. It is important to note that this argument is not at all affected by increasing the number of factor inputs. The same dismal prediction holds. It follows from this theoretical narrative that any ethical act emanating from the firm or imposed by the government, community, or a kind-hearted or community-spirited CEOs will increase average cost. Increasing minimum wages and having unions (and protecting employee rights), legislating improved safety, food quality, and environmental standards, for example, will have the same punishing effect on the economy.

### More Realistic Models and a Dynamic Ethical Market Economy

Conventional economics assumes that all firms are efficient in terms of doing the best they can, given available resources, and that technical change is largely exogenous. It is not affected by the incentive environment of the firm, certainly not by ethical considerations. Doing the best relates to the assumption that all firm members are working as hard and smart as they can. Therefore, the quality and quantity of effort per unit of labor time is fixed and at the highest possible level. Effort discretion is assumed away. However, these two fundamental assumptions are extreme and do not necessarily reflect how firms and their decision-makers and other firm members

behave in the real world. Building on a behavioral theory of the firm and x-efficiency theory (Akerlof 1984; Altman 2005, 2020; Leibenstein 1966), one can realistically assume that firms are not doing the best they can, what Leibenstein refers to as being x-efficient. In this case, effort inputs can vary depending on circumstances. In this theoretical narrative, effort discretion exists, by how much is an empirical question. As the decision-making environment within the firm changes this can be expected to change the level of x-efficiency. Making the firm more ethical, which increases costs to the firm, need not increase average cost, nor need this reduce the firm's rate of return, when being ethical or becoming more ethical also increases productivity. Not only does being ethical not cause economic harm to the firm, but it can also serve to increase the size of the economy pie wherein all firm members benefit from the growth process directly. Ethics is here compatible with a vibrant, competitive, and dynamic market economy (Altman 2005, 2020).

This point is further illustrated in Eq. 1, above. If labor benefits increase by 10% and this incentivizes the firm to increase productivity by 10% there will be no increase in average cost. This argument becomes even more forceful if there are more factor inputs (such as capital and land) under consideration, which is always the case. Indeed, typically labor represents less and at times much less than 50% of factor inputs. In this case, if labor benefits increase by 10% and labor represents 50% of factor inputs, labor productivity would have to increase by 50% of 10% to keep average cost from rising or by 5%. If labor represents 20% of factor inputs (which is often the case), then labor productivity would have to increase by only 20% of 10% or by 2%.

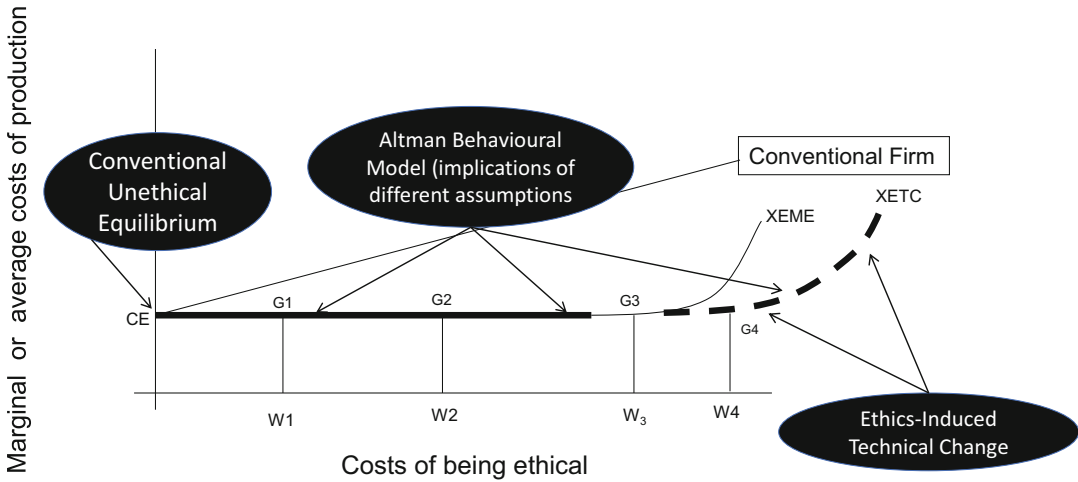
Apart from the impact of ethics on the level of x-efficiency, there is also its potential impact on technical change. The increasing costs to the firm of being ethical or becoming more ethical can induce the firm to develop or adopt technologies that would help neutralize the costs of being ethical. Technological change becomes, in part, endogenous to the incentive environment within the firm, providing the firm with an additional

means of increasing productivity (Altman 2005, 2020).

There is another side to this theoretical narrative. Although the more ethical firms can be expected to be more productive, this does not imply that they will be more cost competitive than their less ethical counterparts. Higher levels of productivity might simply suffice to keep the more ethical firms cost competitive and profitable. On the other hand, remaining relatively unethical or reducing the extent to which the firm is ethical need not make such a firm more competitive. Becoming less ethical simply reduces costs, it does not necessarily reduce average costs since, in this modeling narrative, being less ethical would incentivize the firm to be less productive. In Eq. 1, above, if  $w$  falls by 10% as a consequence of the firm being less ethical and this results in productivity ( $Q/L$ ) dropping by 10%, average cost does not fall. But the size of the economic pie shrinks as does the well-being of employees (and of their community, if being less ethical translates in more pollution, for example). But the income of firm owners and managers need not diminish here. Being less ethical, in this case, will not provide firms with a competitive advantage.

These basic points are illustrated in Fig. 1. With the conventional economics average cost curve, becoming more ethical increases average cost unequivocally. But with the behavioral model, there is a horizontal average cost curve, up to a point, wherein being more or less ethical has no effect on average cost. Hence being more ethical need not increase average cost as is predicted by conventional economics. Technical change is illustrated by a shift of the cost curve from XEME to XETC. This keeps the firm competitive even when it maximizes its level of x-efficiency. Technical change picks up the slack in this case, providing the more ethically inclined firms with an additional degree of freedom to be even more ethical.

An important concern of those critical of encouraging ethical practices relates to their assumed negative impact on employment. Not only is being ethical expected to increase average cost, it is also expected to reduce employment.



**Ethical Behavior and Economics, Fig. 1** Average costs and the costs (and benefits) of being ethical

The conventional model assumes that firms will hire workers based on their productivity. And, it is assumed that the productivity of additional workers and additional hours worked, assuming that all else remains the same, diminishes. The marginal product of labor falls. This is referred to as the “law of diminishing” returns. It is also assumed that the marginal product of labor, related to labor productivity, is unaffected by the wage rate. There is assumed to be no x-efficiency and no technological change that can be induced by increasing the wage rate and improving benefits accruing to workers.

In this scenario, employment is a positive negative function the wage rate and worker benefits. Increasing wages or worker benefits or other ethical consideration force firms to employ fewer workers. Hence, those suffering most from goodhearted efforts to make firms more ethical are the least productive, lowest-skilled workers. This type of model underlies the opposition of so many contemporary economists to minimum wages and unions. These institutional interventions, it is argued, result in a reduction in employment. Moreover, it is argued, to restore employment levels following from a recession also requires a reduction in real wages. If this cannot be achieved employment must remain at relatively low levels.

But the assumptions of this model lack in empirical support. As I discussed above, we need to consider the possibility that increasing wages will incentivize increases in productivity and, thereby, in the marginal product of labor. In this case, increasing the wage, making the firm more ethical, need not generate less employment, as increases in the marginal product of labor would offset the cost of the firm becoming more ethical. This is consistent with the evidence that, for the most part, well-constructed minimum wage legislation and unions are the not the cause of increasing unemployment. Therefore, one can maintain employment while constructing more ethical firms in a market economy. This is facilitated by government and community support to firms that must increase their productivity in the face of higher wages and unionization.

Critical economists, referencing behavioral economics and effort variability, also maintain that real wages must be reduced for employment to be increased, along with increases in aggregate demand. They argue that this can be achieved through mild increases in prices, hence the real possibility of a fairer, higher employment society. But they argue that because of effort variability and workers being able to retaliate against any unwanted and known cuts to real wages by reducing their effort, firms are forced to pay workers a fairer, higher wage (a unique efficiency wage)

(Akerlof 1984). This more ethical wage keeps employment at a lower level than it would otherwise be unless the real wage can be cut through inflationary policy. Fair wages come at a cost. But the alternative behavioral model discussed above suggests that there need not be such a trade-off between a fair wage and the level of employment.

### Some Determinants of Ethical Practices

Market forces cannot force ethical behavior since being ethical need not provide relatively ethical firms with a competitive advantage. It is, therefore, important to recognize nonmarket forces that are conducive to transform firms into more ethical entities. Of critical importance are the mental models adopted or inherited by decision-makers. Mental models are used explicitly or implicitly by individuals to select and interpret information to make decisions. If one believes that a more ethical firm will result in a less competitive and profitable firm, then this option will be rejected by rational and even well-meaning decision-makers. Hence the importance of decision-makers and, indeed, those who can influence the decisions being made, to be knowledgeable about alternative mental models and the realism of these models.

Appreciating that being ethical is compatible with being competitive can change decision-makers' choices on the direction to take their firms and society at large. But it is also important to note that even with a better understanding of the relationship between ethics and productivity some decision-makers might not be willing to risk the possibility that their firms or firms in their communities will not actually transform themselves in the manner predicted in a behavioral model of the firm. This transformation would also require a short-term investment in the firm. It could also entail community or broader government investment in infrastructure, inclusive of investment in education. And there are some firm owners, managers, and government leaders who are not interested in more ethical firms, especially as this would involve changing the manner in which business is done and the firm is organized. They are happy with the status quo (irrespective of how

unethical this might be). However, changing mental models combined with government and community support to facilitate firms transforming themselves into more ethical organizations can facilitate transforming firms into more ethical entities.

Consumers can affect the extent to which firms are ethical since they can express their preferences for more ethical practices inside the firm, be it in manufacturing, service, or agriculture, through their demand for goods and services. Consumers can choose to buy ethical and therefore change the relative profitability of producing in a less ethical manner. But for this to occur consumers must be able to identify which goods and services are relatively ethical. In conventional economics the simplifying assumption is often made that information is perfect as is the ability of individuals to process this information. However, in many instances this assumption, apart from being empirically incorrect, generates misleading analyses of human behavior and policy prescriptions. In the real world of imperfect, asymmetric, and costly information, what is critical is product labeling that is credible, similar to ingredient labels for foodstuffs and, in some instances, information provided on financial paper. When the price point for ethical and nonethical products are the same, controlling for quality, one would expect that ethical products and, therefore, ethical practices in the process of production and distribution will dominate the marketplace. This would be the case even if decision-makers are narrowly self-interested and completely lacking in any sympathy for their employees, communities, and the environment. When ethical output is more expensive then there still should be a movement towards more ethically produced goods and services for those who can afford these and are willing to sacrifice to purchase ethical output.

Ethical practices can also be facilitated by market forces under particular institutional environments. With the elimination of slavery and serfdom and governments reducing barriers to labor mobility, tight labor markets, a product of significant demand for output yielding excessive demand for labor, improves the bargaining power of labor. In this case, market forces empower

workers to demand higher wages and improved working conditions even without unions. This, in turn, incentivizes firms to be more productive by increasing the level of x-efficiency and engaging in more technical change, so as to remain competitive. The empowerment of unencumbered workers through market forces underscored Adam Smith's emphasis on increasing trade across regions and nations as a means of improving the well-being of the laboring population, serving to lift them out of poverty, even over the objections of many employers. The introduction of unions further facilitates improvements in the bargaining power of labor with potential positive effects on firm productivity.

### The Ethics of Consumer Sovereignty

From the perspective of conventional economics, it is assumed that consumer sovereignty exists and, therefore, decisions made by consumers reflect their true, genuine preferences. Hence, it would be ethical to respect consumers' choices, unless these choices cause harm to others, such as rape, pushing drugs to children, and murder. This assumes that consumers have the requisite information to engage in free choice, that they can assess and understand this information, and that they have the power to exercise their true preferences. But in reality, these necessary conditions for the existence of consumer sovereignty all too often do not exist. From this vantage point, what becomes critical is to provide individuals with the capabilities and the overall decision-making environment wherein individuals' true preferences can be realized (Altman 2020; Sen 1988). In this way individual liberty is both enhanced and respected.

However, some behavioral economists have argued that individuals are *hardwired* to be persistently biased and error-prone in their choices, making decisions they deem to be optimal but actually (from the experts' perspective) not in the individual's best interest. Therefore, experts (choice architects) should be able to nudge consumers to make choices that the experts deem to be in the individual's best interest (Thaler and Sunstein 2008). But it appears that suboptimal

choices are more a product of a poor decision-making environment than flawed human decision-makers.

### Conclusion

Contrary to conventional economics, ethical behavior need not make an economy less competitive, reduce profits, increase average costs, and increase unemployment rates by reducing employment, especially among the most vulnerable members of society. These predictions are largely based on assumptions that have little empirical validity. Indeed, it is quite possible, under a different more realistic set of assumptions that ethical behavior can be an engine of economic growth, and one that generates fairer more equitable outcomes. Much depends on how the firm is managed, the power relationships within the firm, the preferences and mental models of decision-makers, and the decision-making environment. Moreover, to the extent free individual choice is a critical ethical principle, this principle can be adhered to while improving the benefits to the individual and society given an appropriate decision-making environment wherein individuals' decision-making capabilities are nurtured and enriched. The state of the decision-making environment is critical (Altman 2020).

### Cross-References

- [Business Ethics as an Academic Discipline](#)
- [Economic Man](#)
- [Gender and the Economic Theory of the Firm](#)

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## Ethical Blind Spots and Accounting

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### Synonyms

Ethical blindness; Lack of ethical sensitivity

### Introduction

Accounting scandals are often blamed on accounting professionals’ ethical lapses caused by self-interest and deficiencies in ethical judgments. In some cases, these scandals have resulted in significant loss of confidence in the accounting profession and also in the demise of one of the top five international accounting firms, Arthur Andersen. Failures to act ethically can result from individuals who consciously ignore ethical considerations in favor of self-interest but may also result from their inability to recognize the

ethical implications of their decisions, known as ethical blindness.

Ethical blindness (Palazzo et al. 2012) occurs when decision-makers are blind to the ethical dimension of their decision. This may occur due to contextual or decision factors that obscure ethical issues from decision-makers, allowing them to act unethically without being aware of it. This article applies the concept of ethical blindness to the accounting profession, expanding on Palazzo et al. (2012) and Bazerman and Tenbrunsel (2011), to identify potential accounting ethical blind spots.

### Ethical Blindness

One focus of accounting ethics research, as in general business ethics literature, is on models of ethical decision-making that rely on individuals making rational and deliberate ethical decisions. These models recognize that individuals’ decisions will be influenced by situational and individual factors but rely on cognitive processing as the basis of decision-making. Intuitive and automatic processing models, by contrast, recognize that individuals often make decisions with limited rational or deliberate thought (Gigerenzer 2008; Haidt 2001). This automatic processing may result in ethical blindness where the ethical issues are not recognized. Ethical blindness can cause even individuals with high levels of ethical reasoning and capability to act in ways that violate their ethical principles.

The literature in accounting and business ethics, although focusing primarily on deliberative decision-making, has not completely ignored the need for decision-makers to recognize the existence of an ethical issue in order for them to act ethically. Ethical sensitivity (Rest 1979) is the recognition that an ethical issue exists and is considered the first step in ethical decision-making models. When individuals fail to recognize that an ethical issue exists, through lack of ethical sensitivity, then they may not recognize the ethical implications of their actions, which is parallel to ethical blindness. Research on ethical sensitivity has found that individual characteristics of

accountants, such as age, professional commitment, organizational commitment, and level of relativism, are significant to their ability to identify issues (Karcher 1996; Shaub et al. 1993; Shaub 1989). Ethical blindness may result from a lack of ethical sensitivity to the presence of an ethical issue.

Identifying the possible antecedents of ethical blindness is important, since increasing ethical reasoning levels and strengthening codes of conduct are not likely to aid individuals if they cannot see the ethical issue. Several potential causes of accountants' ethical blindness are detailed below.

## Causes of Accountants' Ethical Blindness

### Ethical Fading and Language Euphemisms

Blindness can be created through ethical fading, where the ethical considerations of the decision are no longer visible (Tenbrunsel and Messick 2004). Ethical fading is the process of removing the ethical considerations or moral implications from the decision being made (Tenbrunsel and Messick 2004), allowing individuals to act against their own moral values while, at the same time, not realizing they have crossed this line.

One cause of ethical fading and, in turn, ethical blindness is the use of euphemistic language. Language euphemisms take ethically laden, harmful terms and relabel them into harmless or neutral terminology (Bandura 1999). Browning (2003) argues that business schools use cold language that desensitizes business students to the ethical and human elements of their decisions. Terms like "profit maximization" and "cost – benefit analysis" focus on the economics of the decision at the expense of the human costs involved.

Accounting is rife with the use of language euphemisms: "creative accounting" instead of "aggressive accounting," "income smoothing" instead of "income misreporting" or "income shifting," "earnings management" instead of "earnings manipulation," and in all cases an absence of the word "deception" or "lie." The use of these language euphemisms suggests conditions ripe for ethical fading and thus ethical blindness of accountants making these decisions.

Butterfield et al.'s (2000) experimental evidence provides support for an increase in ethical blindness when amoral language is used instead of moral language. Accounting is embedded in language euphemisms which are likely to create ethical blindness.

Ethical fading can also occur through repeated exposure to ethical dilemmas, numbing accountants to ethical issues (Bandura 1999). Earnings management, the intentional alteration of a financial result using either changes in accounting numbers or changes in economic decisions, is common among firms. Although earnings management may be legal and may be structured to conform to accounting regulations, it may raise ethical concerns that need to be addressed, as there is the clear potential for end users to be misled about the real state of the corporation. The need for companies to meet their earning targets puts pressure on them to use tactics like this if their financial results are not at the levels anticipated. When these practices become routine, the question of their ethicality can become absent causing the accountant to become blind to the ethical implications of the decision.

### Ethical Blindness in Decision Framing

Due to cognitive limitations in decision-making ability (Chugh et al. 2005), individuals use heuristics or simplified decision rules to make their decisions. These heuristics and decision rules include the way the decision is framed. Ethical blindness can result from accountants' framing of their decision and their use of heuristics, when the frame or heuristic fails to include ethical issues. Individuals use decision frames to facilitate their decision-making process. Decision frames (March 1994) define the problem and stipulate the information needed to solve the problem and the dimensions used to evaluate the problem. When the decision frame does not include ethical issues, it can create ethical blindness since ethics will be absent from the problem definition, information search, and evaluative criteria.

Accountants need to determine what type of decision they are confronted with in order to know how to solve it. This definition of the decision is the framing that the accountant applies. They will

examine the situational and contextual features of the decision, along with their prior history making decisions, to determine the appropriate frame. The frame of the decision determines the appropriate decision parameters for the accountant, what information is important to the decision, and what criteria to apply to make a decision. Managers' unethical decisions have been blamed on the application of an economic frame (Punch 1996), blinding them to other perspectives and ethical issues which are not the focus of the economic frame. Economic frames, which are common in our profit-oriented work environments, stress economic gains and losses and neglect to include social and societal gains and losses. In the same way, if accountants frame their decisions using an economic frame or a technical frame, then they too may be blind to ethical issues.

Similar to decision framing, accountants use scripts to assist in solving problems (Gibbins 1984). These scripts act as a heuristic by simplifying the decision and providing a map or template for how to make the decision, reducing the conscious cognition required. These scripts for accountants focus on the technical aspects of the decision, for example: does the accounting treatment conform to the standards (GAAP)? What are the economic costs and economic benefits of the decision? Rarely are ethical considerations included in the script. For example, are accounting treatments understandable to the users of the financial statements, is there possible deception, is there a cost to society? The omission of ethical elements from accountants' decision scripts creates ethical blindness, which may result in unethical actions.

### Financial Goals

The ideal of any profession is public service, but the opposite can result due to self-interest caused by monetary rewards and financial goals. Organizational objectives of increased profitability may conflict with the objectives of society and other stakeholders. Professional accountants may work in a variety of contexts, for example, within a company assisting in the production of the financial information or as an auditor in a public

accounting firm where they provide assurance on the financial statements of the firm's clients. Regardless of position, professional accountants have a duty to the users of the financial information they produce or the audit opinion they provide, per the codes of professional conduct. These codes highlight the supremacy of the public interest over the interests of the professional, their employers, or their clients. However, self-interested goals, such as maintaining their position with their employer, may focus the accountant on the needs of the employer and blind them to the needs of the public.

The profession has incorporated conflict of interest standards within the professional code to minimize auditors' conflicts and maintain their independence from their clients which may reduce ethical blindness caused by self-interest. However, for professional accountants working outside of auditing, and especially those preparing financial statements, the prevalence of short-term financial goals and the need for the employing company to meet analysts' expectations can focus them on financial performance goals to the exclusion of all other considerations. This drive to meet the numbers in order to safeguard their employment and employer may obscure the effect of bias in the financial reporting on the users of the financial statements, in contrast to users' supremacy of right in the code of conduct. Short-term financial goals may provide sufficient pressure and focus for the professional to produce ethical blindness.

Accountants' self-interested bias cannot only create ethical blindness regarding their own ethical misconduct but can also be extended to ethical blindness regarding their co-workers' and clients' behaviors. Bazerman and Tenbrunsel (2011) categorize this as motivated blindness, where the individual fails to see the unethicity of those around them because of the benefit they derive from the action. One example of motivational blindness given by Bazerman and Tenbrunsel (2011) is the failure of Arthur Andersen auditors to identify the misconduct of Enron. Arthur Andersen was blind to the misconduct of Enron, even though Enron was underreporting their liabilities and

misleading the shareholders. Arthur Andersen continued their relationship with Enron and continued to bill Enron for millions of dollars in fees. Due to the lucrative engagement, Arthur Andersen was blind to Enron's misconduct, which ultimately led to the demise of the firm.

## Combating Ethical Blindness

Given the significant susceptibility of accountants to ethical blindness, it is critical that we incorporate means to combat ethical blindness into our ethics education and organizational features. Accountants' ethical blindness may be reduced by reducing language euphemisms, addressing the scripts and frames they use when making decisions, and increasing their self-awareness of their ethical limitations and ethical blindness.

Accountants' use of language euphemisms is not unique; business is full of them (Browning 2003). It may be difficult to reduce their use, given their prevalence; however, calling a spade a spade or a lie a lie may reduce the ethical blindness of accounting professionals. If we continue to use terminology void of ethical context in accounting, then it is likely that accountants will continue to be blind to the negative ethical issues relevant to their decisions. When financial information is presented in a certain way with the intention of changing the decision of a user, it is important for accountants to consider the effect of this change on the users of the financial statements. Maybe an accountant would think twice if they had to consider the effect on the public. Accounting ethical blindness may be reduced if accounting educators and organizations started to use language that incorporates the ethical tone of the actions, "lying," "deception," and "fraud" to start with.

Accountants' decision scripts and frames provide them with the template to make their decisions. If professional organizations, corporations, and educators stress ethical issues and add these issues and considerations to their decision models, then accountants may include these in their internal decision scripts. The inclusion of these elements in the decision scripts will

highlight these issues when the script is applied by the accountant, reducing their ethical blindness. This does mean a significant adjustment to these decision models. Instead of treating decisions as a simple technical application of accounting standards or an analysis of the economics of a management decision, these models must incorporate the effects on society and on the financial statement users. In so doing, accountants may move into ethical awareness and out of ethical blindness.

Expanding accountants' goals can increase the fluidity of their decision frames, expanding what they perceive as decision relevant and decreasing ethical blindness. Accountants' need to frame decisions in order to simplify their decision-making is critical given the limitation in cognitive processing. This framing, however, does not have to be narrow or rigid. Financial or economic framing has been characterized as narrowly focusing on economic costs and benefits and of being rigid by not allowing decision-makers to easily apply alternative frames. The more rigid the framing, the more susceptible accountants are to ethical blindness. In essence, if accountants narrowly frame the decision as an economic decision or a technical decision and this frame is rigid, then they will not have the ability to switch or expand their frame to include alternative valid frames which may include ethical issues. Organizational goals that focus on short-term financial performance alone can activate an economic frame, increasing accountants' ethical blindness. This frame is narrow, and without additional goals, it is rigid. By expanding the goals of the organization to include additional nonfinancial goals, like CSR, accountants are able to activate multiple valid frames, increasing the fluidity of the decision framing and reducing their ethical blindness (Fiolleau and Kaplan 2017). Organizations that wish to reduce the ethical blindness of their accountants may wish to consider expanding their organizational goals and incentives to include noneconomic goals.

Finally, Bazerman and Tenbrunsel (2011) argue that simply increasing individuals' own awareness of their ethical limitations and

blindness can help to reduce ethical blindness. Increasing accountants' ethical self-awareness may be one way to reduce ethical blindness and ethical misconduct. What should educators and organizations focus on in order to increase self-awareness? In addition to focusing on codes of ethics, ethics oaths, and models of ethical decision-making, we need to teach accountants to understand their own cognitive limitations and biases in their decision-making. Accountants can benefit from examining their own decision-making model that they apply to technical accounting decisions and by asking themselves questions about the decision, such as:

1. Are there any ethical issues that should factor into the decision?
2. What are the decision issues or considerations that the users of the financial statement care about?
3. Could the accounting treatment proposed be considered a misrepresentation to the users?
4. Does this decision affect the public or society?
5. Are there any privacy issues that need to be taken into account?
6. How would a non-accountant approach this decision, and what issues would they find important?
7. Do I have any biases or incentives that may influence my decision; for example, does the outcome of this decision affect my performance appraisal or bonus in some way?

This self-reflection can assist in recognizing accountants' own ethical blindness. In addition, organizations can implement a process of post-decision reflection which would allow the accountant to reflect on their decisions after they have been implemented. For example, if the accountant is making a production decision, then they could be required to do an assessment of the merit of the decision post-decision, once the results have been realized. This assessment should include not only the economic effects of the decision but the effect of the decision on the employees of the organization, the financial statement users, society, and the environment. Accountants can incorporate the

feedback of the comprehensive analysis of the decision into their ethical self-assessment.

Ethical blindness can obscure ethical issues from accountants' decision-making process, which can cause them to take an unethical action without conscious knowledge that they have violated their own moral principles. Several organizational and professional features contributing to accountants' ethical blindness have been identified, and steps to help reduce ethical blindness have been identified. Accountants' ethical blindness needs to be minimized as they have a duty to society, and their unethicity can result in significant harm to the public.

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Enron Scandal](#)
- [Ethics Audit](#)
- [Professionalism versus Commercialism in Audit](#)
- [Teaching Business Ethics](#)

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neighborhoods, and the marketplace; and advocate policy positions.

## What is Ethics?

It is important to distinguish between and among law, morality, and ethics. Laws are the norms of society as codified by the public's elected representatives at the local, county, state, and federal levels. Morals are the principles on which judgments about right and wrong behavior are based, most often as sanctioned by a religious institution. Ethics is the "science" by which we assess morality and law, using reason and judgment to reconcile conflicts between values that might have merit individually. Ethics is about "ought to" not "must." It is about fairness; honesty; honor; consistency from setting to setting and person to person; integrity; independence of judgment; evenhandedness; impartiality; freedom from favoritism, self-interest, and personal preference; trust; and mutual respect.

## Ethical Citizenship and Business Ethics

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### Introduction

There are many connections between citizens and business. Not only are citizens the consumers of business products and services, but also citizens are the leaders, staff, suppliers, teachers in the schools that prepare employees, and members of the public authorities granting necessary approvals to all enterprises. Business organizations, like others, serve multiple roles as "quasi-citizens." They assert positions in their mission statements; act through their behavior in offices,

## What is Citizenship?

Citizenship indicates membership in a society, a state of being vested with the rights, privileges, and responsibilities of a member of that society. The citizen is an actor in a society who understands the mutual obligations of the individual to the society and the society to the individual.

A democratic society is one in which individual citizens have the right to vote for their representatives in fair and open elections, have access to a system of jurisprudence that is based on the rule of law established by the public's representatives and not by the rule of an individual leader, and have mutual obligations of responsibility with the community such as serving on juries and in the military.

Democratic societies vary in the way in which they organize economic and fiscal policy.

In some Western democracies, citizens confuse the political system of the society with the economic system. In the United States, this is evident



when people claim that it is a capitalist society. In fact, it was founded to be a democratic society with a form of capitalism as its economic system. The difference is critical.

## Capitalism as a Foundation for Business

Capitalism is an economic system in which trade and industry are controlled by private interests and not the state. A capitalistic society is one in which the primary value is property, with the amount of property and money often equated with the intelligence and authority of the owner. Such a society is one in which profits and competition are core values. Capitalism does not give high priority to equality of treatment, humane conditions for workers, education and training for all, or a “safety net” for the most vulnerable of society. Greed and selfish behavior are not unknown in what is called “corporate welfare” and “crony” capitalism. These situations exist when there are special relationships between government and business designed to limit competition and when there are conflicts of interest between parties in a position to benefit from “inside” or confidential information.

Some advocates for capitalism argue for a system of “free” enterprise, an approach that opposes government regulations. However, most regulations are related to the health and safety of workers, consumers, and bystanders. These measures include goggles to protect the eyes of workers and braces to protect their backs when doing heavy lifting, seat belts in automobiles to protect drivers of cars and trucks, and helmets to protect motorcycle riders whose accidents hurt not only the rider but cause significant public healthcare expense. Other regulations are designed to protect the rights of workers whether they have union representation or not. Another type of regulation controls the flow of waste and effluent that can pollute air and water. Therefore, democratic capitalism is not free of controls. The public and workers expect to be protected.

The nature of capitalism has changed over time due to increased globalization, the increased size

of corporations, with some nonbank financial institutions being deemed as “too big to fail” and subject to extra scrutiny due to their systemic influence on the economy, limits on new business start-ups due to banking policies and some regulations that do not take the size of the enterprise into account, and the shift from an economy in which the transformation of materials into products was paramount to one dominated by financial transactions often controlled by algorithms.

## Alternatives to Capitalism

Just as the terms capitalism and democracy can be confused, so also the terms communism and socialism can be confused. This confusion is often caused by politicians and others who advocate a particular perspective on communism. Communism is a political theory that supports an economic system advocating the abolition of private property and the common sharing of resources without private ownership. A communist society is run by dictatorship. There are no democracies that have communism as a political or economic system.

However, there are democratic societies that have a system of socialism. In these cases, there is democratic control of the means of production and social ownership of property through public, collective, or cooperative ownership systems. There also are both market-based and nonmarket-based systems of socialism. Market socialism embraces the profit motive, but the profits either are controlled by the workforce or accrue to society at large. Nonmarket socialism is designed to avoid the inefficiencies and crises generally associated with the profit system. Therefore, some societies moderate their capitalist systems with socialist policies.

## What is Business Ethics?

The term “business ethics” applies to the actions of businesses and their treatment of employees, customers, vendors, neighbors, the environment,

etc. There have been many examples of companies with eloquent codes of ethics that nonetheless violated even their own stated standards of good practice. Nevertheless, the term “business ethics” suggests that there is an alignment between a business’s stated values and its actions.

Some scholars of business discuss “corporate social responsibility” as a best practice. This means that the business articulates and acts on concerns for societal and environmental impacts as well as for financial results. Societal impacts include behavior toward employees’ welfare in terms of compensation, benefits, required hours of work, equal treatment, training, formative evaluations, and related items. Societal impacts also include corporate behavior in terms of community involvement and philanthropy, payment of taxes, abiding by local, state, and federal regulations, support for public schools, honoring the society that grants the charter for the business, allowing employees time to vote, honest advertising and promotional materials, and honoring the ideals of social justice.

Environmental impacts include energy controls and use, manufacturing and extraction rules, construction and purchasing practices, and travel and transportation policies that limit carbon emissions and other negative effects on the environment.

Corporate codes of ethics are applied to actual and apparent conflicts of interest. Some conflicts are permissible if they are made known, do not give special advantage to one party, and are approved by a governing body such as a board of directors. Potential conflicts are not confined to financial matters, but may have to do with other forms of relationship. For example, the interrelatedness of directors is subject to ethical scrutiny. Off-line agreements, or acting together without the knowledge of other directors, can undermine director obligations to the standard corporate duties of care, obedience, and loyalty.

One arena in which the role of ethics can be highlighted clearly in the corporate setting is in the example of a company with a large amount of excess cash. It has the opportunity to invest in

research and development for new products, hire additional staff in order to increase productivity and volume or relieve worker stress, invest in equipment to increase productivity, improve compensation through enhanced salaries and benefits, contribute to the community through charitable contributions, invest in equipment and systems that will reduce its impact on the environment, or use the extra cash to buy back stock. All choices are legal and generally considered moral, but the last option gives unequal advantage to corporate officers because they likely own more stock options than others, especially other employees.

This is an example of a management action that is legal, and some would say is not immoral, yet raises questions because it gives unfair advantage to some parties over others. It fails the “fairness” test, the test of “fair dealing.” The legality and morality do not withstand ethical scrutiny.

According to Dubinsky, ethical behavior by business encourages trust in the people and products of the firm, sets the tone for relations with others, provides a strong foundation for transactions, promotes an ethical environment, yields a positive reputation, reduces internal costs related to unethical behavior, anticipates problems, and supports the firm’s self-interest (Dubinsky). One of the earliest advocates for such behavior was Hammurabi, who, in the interest of consolidating his reign over disparate lands, began to codify laws that would “make justice visible” so that “the strong might not injure the weak” (Code of Hammurabi).

## Ethical Citizenship and Business Ethics

While a business is not a “citizen” per se, it is an actor in society with rights and responsibilities. It cannot do whatever it pleases, needs permission to undertake various roles, and has reciprocal relations with other parties in society. Every business has one of the two critical relations with society. The one most often referenced relates to the “shareholders” of the business, the stockholders of publicly traded companies. This form of

relationship gives higher priority to the company's financial interests than to any other.

The second type of relation is that of the "stakeholder." This approach places responsibility for the mission, employees, customers, and communities over the goals of profitability, although profitability must be achieved. Some refer to this approach as the "triple bottom line," i.e., taking into account the social impact, environmental impact, and financial impact of the corporation. In this case, finances are not ignored, but neither are the impacts on societal interests or the natural ecology. This approach to value results from a governance system that fosters a culture of conscience, i.e., behavior based on ethics, as well as a culture of compliance, i.e., motivated by complying with laws and regulations to avoid sanctions.

The culture of conscience fosters open-mindedness, intellectual humility, moderation, civility, and respect. It requires management to operate on the basis of pragmatism instead of acting on raw instinct or some abstract ideology. The culture of the corporation should make compliance a matter of conscience. This is the responsibility of leadership as it fulfills the goals of the board and guides the actions of management.

## Conclusion

Ethical citizenship and business ethics intersect when we advocate for corporate decisions that are objective; independent and free of bias; fair to employees, consumers, and the community; and free of conflicts of interest between and among corporate directors, executives, managers, and public officials.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Business and Society](#)
- [Business Case for Business Ethics](#)
- [Business Ethics and Corporate Responsibility in South Africa](#)

- [Business Ethics in Canada](#)
- [Capitalism](#)
- [Christianity and Business Ethics](#)
- [Communism Versus Capitalism](#)
- [Corporate Social Responsibility](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethics and Crisis Management](#)
- [Journal of Business Ethics](#)
- [Organizational Culture and Corruption](#)
- [Political Philosophy and Business Ethics](#)
- [Society for Business Ethics](#)
- [Teaching Business Ethics](#)

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## Ethical Climate and Ethical Culture

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## Synonyms

Compliance climate; Compliance culture; Implicit ethical context; Informal ethical context; Moral climate; Moral culture; Soft controls

## Definition

An organization's *formal* ethical context is distinct from its *informal* ethical context. The formal context, also known as hard controls, consists of the tangible and explicit parts of an organization, such as its plans, policies, and procedures. An

ethics program is regarded as the most relevant component of the formal ethical context and consists of ethics instruments and measures, such as a written code of ethics, an ethics training module, a policy on whistle-blowing, and an ethics monitoring system.

The informal context, also called soft controls, consists of the intangible and implicit parts of an organization, such as the shared assumptions, values, and expectations. Two of the most important components of this ethical context are the organization's ethical climate and ethical culture. An organization's ethical climate refers to the shared perceptions of managers and employees about what constitutes ethical and unethical behavior in the organization. Its ethical culture is the shared perceptions of managers and employees about the conditions in the organization for ethical behavior. In other words, ethical climate is substantive, whereas ethical culture is procedural.

## Models

### A Model of Ethical Climate

Victor and Cullen (1987, 1988) have developed the most popular model for the ethical climate of organizations. Based on Kohlberg's theory, they developed a two-dimensional matrix of nine theoretically possible ethical climates. The first dimension of the matrix refers to the kinds of criteria and the second to the level of analysis. Kohlberg specified three major ethical criteria: self-interest, caring, and principle. These three standards also reflect three major classes of ethical theory: egoism, utilitarianism, and deontology. These theories may be distinguished in terms of their basic motives: maximizing one's own interests, maximizing joint interests, or adherence to universal principles, respectively. According to Victor and Cullen, the climate of an organization evolves along a dimension similar to Kohlberg's three ethical standards. In addition to these three criteria, the level of ethical analysis may help distinguish the types of

climates found in organizations. The three levels of analysis are individual (the basis for ethical decision-making comes from within the manager or employee), local (the source of ethical role definitions and expectations come from within the focal organization), and cosmopolitan (the source or reference for ethical decision-making is external to the individual and focal organization). Based on their exploratory factor analysis, five types of ethical climates emerged (cf. Martin and Cullen 2006):

- Climate of Caring: managers and employees are expected to be most concerned about the good of everyone within and outside the organization.
- Climate of Laws and Codes: managers and employees are expected to consider first whether a decision violates the law or other external codes of conduct.
- Climate of Rules: managers and employees are expected to strictly follow the organization's rules and procedures.
- Instrumental Climate: managers and employees are expected to do everything in the interests of the organization.
- Climate of Independence: managers and employees are expected to follow their own personal moral convictions.

### A Model of Ethical Culture

To date, the most extensively developed model of the ethical culture of organizations is by Kaptein (1998, 2008). He conducted a qualitative analysis of 150 diverse cases of managers' and employees' unethical behavior that were caused by a failing organizational culture. Subjecting the resulting list of items of the ethical culture of organizations to exploratory and confirmatory factor analyses resulted in eight dimensions of the ethical culture of organizations, called organizational virtues. The greater the level of embeddedness of these dimensions in the organization, the higher the ethical quality of the organizational culture and the more likely the occurrence of ethical behavior. The ethical

**Ethical Climate and Ethical Culture, Table 1** Dimensions of the ethical culture of organizations (Kaptein 2017)

|    | Sphere                               | Vice: deficiency           | Virtue: mean           | Vice: excess            |
|----|--------------------------------------|----------------------------|------------------------|-------------------------|
| 1. | Norms for ethical behavior           | Ambiguity                  | Clarity                | Patronization           |
| 2. | Ethical role modeling of managers    | Subversiveness managers    | Congruency managers    | Pompousness managers    |
| 3. | Ethical role modeling of supervisors | Subversiveness supervisors | Congruency supervisors | Pompousness supervisors |
| 4. | Resources for ethical behavior       | Scantiness                 | Feasibility            | Lavishness              |
| 5. | Motivation for ethical behavior      | Animosity                  | Supportability         | Zealotry                |
| 6. | View on ethical behavior             | Opaqueness                 | Transparency           | Overexposure            |
| 7. | Discussion of ethical issues         | Muteness                   | Discussability         | Talkativeness           |
| 8. | Enforcement of ethical behavior      | Laxity                     | Sanctionability        | Oppressiveness          |

culture of an organization is the extent to which managers and employees perceive these virtues to be embedded in their work context. These organizational virtues are:

- Clarity: the organization makes concrete, comprehensive, and understandable to managers and employees what sort of ethical behavior is expected of them.
- Congruency of (senior) managers: the organization's (senior) managers set a good example for employees regarding ethics.
- Congruency of supervisors: the organization's supervisors set a good example for employees regarding ethics.
- Feasibility: the organization provides sufficient resources (e.g., time, budget, information, equipment) for employees to behave ethically.
- Supportability: the organization creates a shared commitment to behaving ethically through fair treatment and mutual trust within the organization.
- Transparency: the organization makes ethical and unethical behavior and their consequences visible to those who can act upon them.
- Discussability: the organization provides room within the organization for managers and employees to raise and discuss ethical dilemmas and alleged unethical behavior.
- Sanctionability: managers and employees are punished for behaving unethically and rewarded for behaving ethically.

In Kaptein's model, the dimensions of the ethical culture of an organization consist not only of the presence of the abovementioned virtues (the ideal situation) or their absence but also of the excess of any (or all) of the virtues: an organization's culture can also be too good. An ethical culture is the non-arithmetic middle between the vice of deficiency and the vice of excess. The resulting list of virtues and vices is shown in Table 1.

## Questionnaires

Both abovementioned models of the ethical climate and the ethical culture have been operationalized into a validated questionnaire. The Ethical Climate Questionnaire developed by Victor and Cullen (1988) and further validated by Cullen et al. (1993) and Vaicys et al. (1996) consists of five subscales: climate of caring (seven items), climate of law and code (four items), climate of rules (four items), instrumental climate (seven items), and independence climate (four items).

Kaptein (2008) operationalized the virtue model for the ethical culture of an organization into a 58-item questionnaire. DeBode et al. (2013) developed a shortened version by performing a confirmatory factor analysis and keeping the four highest loading items for all eight dimensions, which resulted in a 32-item scale.

## Value of Ethical Culture and Ethical Climate

Treviño and Weaver (2003) found that ethical climate and ethical culture are distinct constructs but that they strongly correlate with each other. They also found that both constructs are related to unethical behavior but that ethical culture explained unethical behavior better than ethical climate did because the latter is related to the attitudes of managers and employees whereas ethical culture pertains more specifically to the factors that influence the behavior of managers and employees.

Kaptein (2011) found that four of the five types of ethical climate had a significant relationship with unethical behavior. However, the significance disappeared when ethical culture was entered in the analysis. Only ethical culture accounted for the variance in unethical behavior and even for a much larger variance (27%) than ethical climate alone (7%).

Besides unethical behavior, ethical climate and ethical culture have been found to influence many relevant variables in the context of work and organizations. Some of these variables are the ethical judgments, citizenship behaviors, attitude toward whistle-blowing, job satisfaction, innovativeness and efficiency of managers and employees, the organization's financial performance, and the customers' satisfaction (cf. Simha and Cullen 2012).

The following are some of the research findings about the informal ethical context of organizations that make it a relevant construct:

- Each of the dimensions of the informal ethical context can be embedded within an organization in different degrees (Victor and Cullen 1988; Kaptein 2008).
- Each of these dimensions can have a different impact on ethical behavior within an organization (Kaptein 2011).
- These dimensions each require different types of intervention (Kaptein 2009).
- The informal ethical context of an organization can improve and deteriorate over time (Kaptein 2010).
- The informal ethical context of an organization can differ substantially within an organization, such as between job levels (Victor and Cullen 1988) and teams (Cabana and Kaptein 2019).
- The informal ethical context of an organization can differ substantially between organizations (Victor and Cullen 1988; Kaptein 2008).
- The informal ethical context of an organization can differ between industries (Kaptein 2010).

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## Ethical Considerations for the Presenter and Performing Artist Dynamic

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### Synonyms

Presenter and Performing Artist Dynamic

### Introduction

Any discussion of ethics in this entry is meant to be inclusive and exploratory and endeavors not to be positional and conclusive. The chosen scenarios arise from negotiating circumstances within the artist-manager-presenter realities found in the classical arts industry. Furthermore, it focuses on ethical considerations within the lens of business relationships in this field, adopting a structure which looks at duty, consequence, social contract, and personalistic ethics. This is a framework applied by Lewicki et al. (2011) based on work by Hitt (1990).

### Negotiation

Negotiation is “a form of decision making in which two or more parties talk with one another in an effort to resolve their opposing interests” (Pruitt 1981, xi). Classical artists generally do not like talking about money, let alone agree there exists any opposing interests between their

needs and those of the presenters engaging them (McSweeney 2014). The classical arts industry is predominantly non-profit, which perhaps fuels the general avoidance by the industry’s participants of admitting attraction to money. Furthermore, since there are significant consequences to those with reputations of dishonesty or avarice, the classical arts industry is often policed through public opinion and the fear of backlash from gossip.

The industry’s environment of avoidance is driven by its largest volume of participants, the artists, who often avoid the topic altogether. As much as possible, they let the managers or presenters handle those details. Several examples will be examined, of interactions between the artist and their managers, managers with presenters, and the presenter with the artist.

### The Ethical Consideration Framework

Hitt (1990) identifies four ethical constructs: duty (deontological) ethics, which considers obligations as they relate to universal standards and principles; consequence ethics (or consequentialism); social contract ethics, where action is determined by the customs and norms of a community; and “personalistic” ethics, where rightness is determined by one’s conscience. This is a helpful framework when examining scenarios in the classical arts industry.

### Scenarios

#### Manager-Presenter

“Whether you should or should not agree on something in a negotiation depends entirely upon the attractiveness to you of the best available alternative” write Fisher et al. (1991, page). This gave birth to the acronym BATNA (best alternative to no agreement). Having a good alternative to no agreement means there is no sense in agreeing to a deal or price that is worse than what you would get elsewhere. In most cases, that would represent your bottom line.

Robinson et al. (2000) detail how a traditional competitive bargaining tactic might entail not

disclosing your walkaway, your bottom line or the lowest or highest point you will possibly go. The objective of this approach is to create the widest possible profit margin. However, if you have a very good BATNA, general negotiation consensus says you should share it to ameliorate your negotiating position (Killerby 2014).

In the scenario where a manager wants to book his/her artist with a presenter, the manager may be incentivized to conceal the bottom line (a line that is customarily agreed upon with the artist beforehand) or represent a BATNA that is fictional or exaggerated. Such a BATNA might suggest direct conflict ("The artist has another opportunity that we are considering which pays much better") or exaggerated inconvenience ("The artist will be playing a very lucrative private event on the other side of the world").

A manager may look at this through the lens of duty, taking the position that in considering the obligations the manager has with the artist, an exaggerated or fictional BATNA is a necessary mechanism to get the best deal for the artist. He may take the position that his duty and first obligation is to his artist.

A consequentialist may see no fault in a fabricated BATNA as the ramifications of this tactic result only in either the artist getting a more attractive deal or negotiations ending with a presenter who was not going to meet the requirements anyway.

An individual may feel vindication in this approach through the lens of social contract ethics. They may say that such tactics are customary in the field. They may consider this as a more compelling way of communicating one's needs and be at a disadvantage if there is no indicator their artist is highly valued elsewhere.

Personalistic ethics may simply not think this is a problem when there are significantly bigger issues in the world at large. Personalistic ethics may also rationalize the position through a combination of the above three lenses.

### **Manager and Artist**

Though there are managers who handle the careers of one client exclusively, it is more often the case that they work with a roster of artists.

Where managers have a roster larger than one artist, they are often motivated to have two artists appear on a concerts series. One of the charges of managers is to ensure the protection, well-being, and success of their artists.

If there is a scenario between a presenter taking one artist versus the possibility of taking two artists, the manager will always benefit. An ethical consideration arises when two artists of equal stature are offered 15–20% less than their expected fee had they been the sole artist engaged. For example, Artist A would expect \$20,000 per concert and Artist B likewise accepts offers to perform at \$20,000. If the manager can only have one artist on the series, the most this manager would gain is a percentage of \$20,000. However, if he were able to work out a deal where the negotiated fee is only \$15,000 per artist, guaranteeing two artists being booked, he takes a percentage of a cumulative \$30,000. The result is that the manager would benefit where the artists would not. The artists, because of information asymmetry, may accept the agreement and unwittingly lose \$4000 (after 20% commission fees) while the manager gains \$2000 above what he would have received from one artist's expected fee. In this scenario, the first artist is financially worse off.

Information asymmetry between artist and manager happens when the artist, having handed over responsibility for negotiations to their agent, is not privy to much of the discussions and information that factor into a decision. In the scenario with two artists of equal stature taking a significant cut in fee to play on a series, a manager may present this as the best possible situation (saying this is the best offer possible or presenting the series in a more positive light than reality). The artist might interpret this only with the lens of a singular stream of consideration, not knowing the manager is highly incentivized to have the artist accept this position.

When considering duty ethics, a manager may perceive the situation as one of duty to the management agency: What is good for the company administering the careers of its artists is good for everyone (including the artists).

When considering consequence ethics, the manager may feel this is the fair cost for being part of an exclusive roster of artists. Where the second artist would not have been able to have a concert, the manager's defense may be that the year offers many opportunities where the "first artist" (who loses out on his expected fee) would benefit from being the "second artist."

Social contract ethics would say this is part of the industry reality. They would not see their actions as having taken advantage of information asymmetry.

Personalistic ethics may have the manager rationalize these actions with a personal conviction that one is creating more opportunities. In combining duty and consequence ethics, the manager may say it is his duty to benefit both artist and market. Where the manager may see his role as enabling a concert at all, instead of one artist being awarded a \$20,000 concert, he has in fact provided two artists with a respectable itinerary.

### Presenter and Artist

Renowned venues and presenters are particularly sought after, especially in the dynamic where artists are still establishing themselves. Many artists have a very low BATNA in this case because the value of appearing within this venue or for this presenter is something that has recurring value on one's professional vitae. Some perform for a very low fee or even for free.

Is it ethical for a venue or presenter to offer little to nothing, knowing it has the advantage in negotiations? On one hand, a presenter may see this as an award and therefore feel no further obligation.

Justifying this position from the lens of duty ethics, early career artists are getting significant compensation in the form of visibility, as well as an introduction to media and wide audiences. The presenter may say their "rule" is not to pay these artists because of the risk they are introducing to their ticket sales and reputation.

Framing the scenario by consequence ethics, the presenter may rationalize the end result. This

young artist, who may not otherwise sustain a break in the industry, will have access to the platform of credibility afforded by the association with the venue or series. They may discount the immediate and sustained value of the exposure against a hypothetical fee.

Looking at the ethics through the lens of social contract would find support from the myriad instances of this practice. In fact, discussion of exposure and payment issues has made the rounds in social media in recent years, which has brought an awareness of venues and presenters taking advantage of the value of market exposure and experience. The tides may shift on this being a solid practice because of these conversations.

Personalistic ethics may see a combination of the above three positional lenses; however, an individual's rationalization is affected largely by their decisions, the value of market exposure, and compensation.

Throughout these scenarios, each party plays a part in the ethical dilemma. The artist must also consider whether to accept the terms of low or no payment. Within the lens of consequence ethics, just as citizens of the world play a part in the cleanliness and sustainability of our global environment, an artist may reason that doing so is good for the industry. However, if an artist accepts a fee lower than their market worth, the presenter's incentive to pay another artist who is less established will be even lower.

### Conclusion

Three different negotiation scenarios have been considered using four different ethical frameworks: duty, consequence, social contract, and personalistic. Of course, many more scenarios exist within the classical arts. The decisions and negotiations that take place here highlight the importance of ethics in the dynamics of the classical arts marketplace.

Creating value from the differences that present themselves in negotiation is one of the key tenets of good negotiation (Lewicki et al. 2011).

Understanding different interests is certainly valuable, but understanding the ethical positions, values, and rationalization of your counterpart may prove even more valuable. Furthermore, the value of looking at any situation through the eyes of another who may hold different ethical grounds may lead to a strong market and amelioration of both existing and future careers in the classical arts industry.

## Cross-References

- [Business, Law, and Codes of Ethics](#)
- [Deontology](#)
- [Economics, Ethics, and the Environment](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Dilemmas](#)
- [Ethical Leadership](#)
- [Ethics, Craft, and the Business of Music](#)
- [Golden Mean](#)
- [Role of Philosophy in Business Ethics](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Ethical Decision-Making and Leadership Stress

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## Synonyms

Business ethics; Decision-making; Leadership; Organizations; Stress

## Introduction

The theme of this entry is how ethical decision-making is influenced by leadership stress. From a traditional point of view, stress is seen as a potential threat to leaders' ethical decisions (Selart and Johansen 2011). There is substantial evidence suggesting that stress has a negative impact on leaders' cognition and information processing, leading to errors and biases in their decision-making. However, it must be pointed out that in many types of professions (e.g., chief pilots, chief surgeons, and chief fire officers) leaders are more or less bound to develop advanced levels of stress tolerance in order to function ethically. This implies that stress does not always have to result in unethical decisions among leaders (Klein 1996).

The structure of this entry is organized such that its first part is devoted to clarification of the relationship between ethical decision-making and leadership, while the second part is focused on how stress adds to this relationship.

## The Relationship Between Ethical Decision-Making and Leadership

Ethical decision-making in leadership is to a large extent focused on the process by which leaders recognize and respond to ethical dilemmas. As a consequence, when leaders demonstrate certain kinds of decision behaviors, they are often seen as moral persons. However, research reveals that leaders who look upon

themselves as moral persons are more likely to make ethical decisions rather than others. A leader that self-identifies as ethical will therefore normally have a higher degree of moral awareness, or the capacity to recognize the ethical dimension of a decision. Such a moral leader has a natural ability to take into account relevant ethical aspects of a decision or recognize what ethical issues are in need of further consideration (Detert et al. 2008). A consequence of this is that a leader's moral normally has an impact on how alternatives are selected in the decision-making process. This requires that a leader with a high moral awareness is able to recognize biases that lead to unethical outcomes and hence avoid those. This is important since biases or judgment errors are found to be the major sources for unethical behavior (Kish-Gephart et al. 2010). Nevertheless, recent research reveals that a leader sometimes needs more than a strong moral character in order to be able to make ethical decisions in uncertain and ambiguous contexts. Skills based on professional experience are thus needed in order to make the necessary sense-making required in ethical dilemmas.

### How Stress Impacts the Relationship

There is much research suggesting a strong connection between stress and ethical decision-making among leaders. For instance, it has been found that ethical decision-making is negatively affected by time pressure and stress (Svenson and Maule 1993) and that almost half of all leaders report performance of unethical and illegal activities due to job pressure (Selart and Johansen 2011). Among leaders, high levels of stress may cause a breakdown in perceptual accuracy and an inability to focus on relevant environmental information (Keinan 1987; Christensen and Kohls 2003). Moreover, stress has been found to deplete leaders' attentional resources (Chajut and Algom 2003; Ganster 2005), and progressively reduce the range of cues utilized in a task. Several studies also suggest that stress impairs leaders' memory-retrieval. There are also findings indicating that stress have a negative impact on leaders' ability

to gather information, which impairs their capacity for using their working memory. In addition, stress makes it generally harder for leaders to concentrate on a current task (Christensen and Kohls 2003). Recent findings indicate that while stress sometimes has little influence on leaders' recognition of moral issues, it generally shows a negative effect on the establishment of moral intent (Selart and Johansen 2011).

However, there is also research proposing a connection between leaders' stress tolerance and their ability to avoid errors. High stress tolerance has, for instance, proved very helpful to leaders when they are trying to adapt to hectic environments, long hours, and organizational requirements. There is also research indicating that stress does not necessarily lead to unethical decisions (Klein 1996). Some categories of leaders must be able to work under constant stress to be able to fulfill their tasks, such as chief pilots, chief surgeons, and chief fire officers. Moreover, it has been found that leaders holding powerful positions in organizations most often reveal a high degree of stress tolerance due to perceived control (Sherman et al. 2012).

### Cross-References

- [Ethical Decision-Making Process](#)
- [Ethical Dilemmas](#)
- [Ethical Leadership](#)
- [Leadership Integrity](#)
- [Moral Self-Awareness](#)

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## Ethical Decision-Making Process

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## Synonyms

Ethical decision-making models; Influential factors on ethical decision making; Steps and procedures to ethical decision-making; Unethical/ethical behavior or intent

## Introduction

Ethical decision-making has been thoroughly studied in the scope of business ethics with the well-intentioned aim of modeling the processes through which agents make moral decisions. According to Bartels, who first presented an ethical decision-making model: “a model represents an attempt to explain the nature and behavior of

some phenomenon, to show causes and effects in related variable” (Bartels 1967: 21). Thus, the aim pursued by researchers since more than five decades ago in designing ethical decision-making models has been to identify the factors that most influence individuals to carry out an ethical behavior when a moral dilemma is faced as well as to improve the general understanding on the different phases and steps in which any individual is involved prior to making a final (unethical/ethical) decision. This way, with such research on the antecedents and phases nurturing the ethical decision-making process, researchers have laid the foundations to better enable organizations to foster factors and design strategies facilitating ethical behavior occurrence in the workplace.

## The Proposition of Rest: The Four-Component Model of Moral Behavior

The first approach on ethical decision-making was conducted by renowned psychologist James Rest. As was stated by Rest (1986), moral decision-making is governed by four interrelated psychological components (cognitive structures/processes): **moral sensitivity**, **moral judgment**, **moral motivation**, and **moral character**, which must be developed for a moral behavior to take place.

**Moral sensitivity** refers to the perception of how one’s actions may affect other people, that is, the recognition of the moral aspects of the decision made. Rest (1986) highlights that moral sensitivity includes the application of imagination (for the construction of possible scenarios), empathy (putting oneself in someone else’s shoes), and other social skills. Moral sensitivity must be distinguished from two constructs related to the capacity to detect a moral dilemma: *moral awareness* and *moral attentiveness*. While moral awareness refers to the determination that a single action has moral content and must be considered from a moral outlook, moral attentiveness is the extent to which one perceives and takes morality into account in his/her experiences. As such, we can say that moral awareness goes into action *when an event is experienced*, moral sensitivity is the



*capacity to regularly reach moral awareness*, and moral attentiveness captures *a chronic tendency to perceive problems on a moral basis*.

The second component, that is, **moral judgment**, implies “figuring out what one ought to do and formulating a plan of action that applies the relevant moral standard or ideal (e.g., judging that one course of action is morally right and the alternatives are not right)” (Thoma et al. 1991: 659), and the third component, **moral motivation**, involves “evaluating how the various courses of action serve moral or nonmoral values and deciding which action a person actually will attempt to pursue” (Thoma et al. 1991: 659) – also construed as disposition/motivation to take the moral line of action. Finally, the last component is **moral character** that refers to carrying out the moral plan of action.

In general, Rest’s model assumes that the components of the model are interrelated to each other, that is, they do not present a unitary linear sequence. In words of Rest (1986), “it must be taken into account that a four-component model negates that moral action or moral behavior is the result of a single and unitary process. Although one process could interact with and influence the others, the four processes have different functions” (Rest 1986: 4). Therefore, according to this author, moral action is the product of each of these processes operating in combination and interaction. Rest (1986) uses the example that, in some cases, when the cost of the behavior is valued as very high (component 3), it affects the perception of the problem, which is thus regarded as less important (component 1), in order to avoid performing the costly behavior.

## Ethical Decision-Making Models in Organizations

The interest in ethical behaviors of people in organizations is a topic that has accompanied business research from their beginning. Beyond the mere concern for financial or economic scandals or a fair valuation of the workers and of the employment relationships, the analysis of the ethical behavior phenomenon began in the 1980s, with

the first ethical decision-making models contextualized in organizations mainly linked to the Marketing area: Bartels in 1967, Ferrell and Gresham in 1985, Ferrell, Gresham, and Fraedrich in 1989, Dubinsky and Loken in 1989, and Wotruba in 1990, among others. Table 1 shows a list of the main ethical decision-making models in organizations.

## The Ethical Decision-Making Process

Despite the existence of different ethical decision-making models, the consensus in the literature indicates that the process followed by a person before carrying out or performing a certain ethical/unethical behavior is in line with that which had been described by Jones in 1991. This model transforms the *four components* proposed by Rest (1986) into four consecutive phases, thus indicating that the individual facing a moral problem goes through four phases until performing a certain ethical behavior. The first phase is the perception of the moral problem, the second phase refers to the making of an ethical judgment in which one values the goodness or wickedness of each act, the third phase consists in the formulation of a moral intention (i.e., a commitment to a certain behavior), and lastly, in the last stage the decision/behavior is implemented. Each phase is explained in more detail below.

*Awareness:* Perceiving the moral problem is the first component of the model. In order for an ethical behavior to be carried out, the individual must perceive that there is a dilemma in which the moral component has been involved. According to Jones (1991), this involves the decision-maker’s perception of two aspects: (1) his/her behavior affects other people, that is, it can harm or help others, and (2) he/she can choose among several actions, that is, it is a voluntary component. Both characteristics of the problem make the individual recognize him/herself as a moral subject.

The adequate perception of the problem is fundamental for an adequate ethical decision-making process to take place, since the dilemma, when dealing with ethical issues, is not exclusively

about “choosing” but creating the choice, that is, constructing the problem correctly, which includes designing and selecting the alternatives (Bastons 2008). This selection of alternatives is part of the perception of the problem, since the problem will be defined based on the various existing behavioral alternatives.

The importance of perceiving the ethical problem led Tenbrunsel and Smith-Crowe (2008) to differentiate “when” the moral decision is made from either a moral framework or an amoral – for example, exclusively legal or economic – framework. If one does not perceive that the problem includes a moral component, he/she will be in an amoral decision process, even if it involves behaviors considered by society as immoral. In fact, this way of understanding the perception of the ethical problem implies incorporating the perspective of the subject who carries out the decision-making process. A behavior can be amoral from the point of view of the individual (who does not perceive that he/she is doing something dishonest), but immoral from the point of view of society (which considers that the individual should have been better informed or have considered the consequences of his/her actions). By differentiating between two possible actions (one conscious and the other thoughtless) at the beginning of the decision-making process, these authors highlight the importance of considering the perception of the ethical problem as a starting point – not as “a prerequisite that guarantees ethical decisions” (Tenbrunsel and Smith-Crowe 2008: 553) – as proposed by Rest (1986) and Jones (1991), among others. Such is the importance of this phase that there is responsibility in the capacity of each individual to perceive *when* there is a moral problem upon carrying out a certain behavior. To sum up, the awareness phase initiates the ethical decision-making process, and its aim is to perceive and design the moral dilemma, using all the tools available. The inappropriate exercise of this phase of the process will result in an unintended but unethical behavior.

The studies on the perception of the moral dilemma have generally used one of these two options (Treviño et al. 2006): These studies either consider moral perception directly as a function of

the *individual's moral sensitivity* or consider it as a function of several context-related factors (including the individual factors). In the studies that analyze the *individual's moral sensitivity* as a fundamental tool of moral perception, moral sensitivity is usually related to variables such as age, gender, job type, etc. On the other hand, in the studies that analyze context-related factors, the most studied factor is the *moral intensity* of the ethical problem, defined by Jones (1991: 372) as “a construct that captures the degree of moral intensity related to an issue in a certain situation. It is multidimensional, and its components parts are characteristics of the moral issue such as magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect.”

*Judgment:* The second phase of the ethical decision-making process consists in judging the goodness or wickedness of the behavior in question. There are many factors that affect the moral evaluation of actions, although it seems that the most influential ones are the conviction of the decision maker and moral intensity – the latter has already been described. Regarding the convictions of the decision maker, there are three main variables analyzed in the existing literature: (1) *cognitive moral development*, proposed by Kohlberg and incorporated to the ethical decision-making process designed by Treviño in his model in 1986 (see Table 1); (2) the individual's *theological* or *deontological* considerations, proposed in the model designed by Hunt and Vitell in 1986 (see Table 1); and (3) the variables of *idealism* and *relativism* proposed by Forsyth (1980). Moreover, numerous studies analyze ethical judgments as a function of certain demographic characteristics (age, sex, education level. . . , etc.), with the aim of drawing conclusions about which groups of people can make better valuations on moral problems.

This moral judgment can be either rational and reflective or intuitive and thoughtless. According to what was proposed in the models elaborated by McDevitt et al. in 2007 and Murphy and Dacin in 2011 (see Table 1), in the face of a moral dilemma, a first intuitive moral judgment may emerge. Subsequently, due to different reasons, a more

**Ethical Decision-Making Process, Table 1** Ethical decision-making models

| Year | Author/s                              | Title                                                                                                                           | Journal                                                     |
|------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| 1967 | Bartels                               | A Model for Ethics in Marketing                                                                                                 | <i>Journal of Marketing</i>                                 |
| 1985 | Ferrell and Gresham                   | A Contingency Framework for Understanding Ethical Decision Making in Marketing                                                  | <i>Journal of Marketing</i>                                 |
| 1986 | Hunt and Vitell                       | A General Theory of Marketing Ethics                                                                                            | <i>Journal of Macromarketing</i>                            |
| 1986 | Treviño                               | Ethical Decision Making in Organizations: A Person-Situation Interactionist Model                                               | <i>Academy of Management Review</i>                         |
| 1987 | Bommer, Gratto, Gravander, and Tuttle | A Behavioral Model of Ethical and Unethical Decision Making                                                                     | <i>Journal of Business Ethics</i>                           |
| 1989 | Ferrell, Gresham, and Fraedrich       | A Synthesis of Ethical Decision Models for Marketing                                                                            | <i>Journal of Macromarketing</i>                            |
| 1989 | Dubinsky and Loken                    | Analyzing Ethical Decision Making in Marketing                                                                                  | <i>Journal of Business Research</i>                         |
| 1990 | Wotruba                               | A Comprehensive Framework for the Analysis of Ethical Behavior, with a Focus on Sales Organizations                             | <i>Journal of Personal Selling &amp; Sales Management</i>   |
| 1991 | Jones                                 | Ethical Decision Making by Individuals in Organizations: An Issue-Contingent Model                                              | <i>Academy of Management Review</i>                         |
| 1998 | Brass, Butterfield, and Skaggs        | Relationships and unethical behavior: A social network perspective                                                              | <i>Academy of Management Review</i>                         |
| 1999 | Pelton, Chowdhury, and Vitell         | A Framework for the Examination of Relational Ethics: An interactionist Perspective                                             | <i>Journal of Business Ethics</i>                           |
| 2000 | Petrick and Quinn                     | The Integrity Capacity Construct and Moral Progress in Business                                                                 | <i>Journal of Business Ethics</i>                           |
| 2001 | Street, Douglas, Geiger, and Martinko | The impact of cognitive expenditure on the ethical decision-making process: The cognitive elaboration model                     | <i>Organizational Behavior and Human Decision Processes</i> |
| 2005 | Melé                                  | Ethical Education in Accounting: Integrating Rules, Values and Virtues                                                          | <i>Journal of Business Ethics</i>                           |
| 2007 | McDevitt, Giapponi, and Tromley       | A Model of Ethical Decision Making: The Integration of Process and Content                                                      | <i>Journal of Business Ethics</i>                           |
| 2007 | Sonenshein                            | The role of construction, intuition, and justification in responding to ethical issues at work: The sensemaking-intuition model | <i>Academy of Management Review</i>                         |
| 2008 | Bastons                               | The Role of Virtues in the Framing of Decisions                                                                                 | <i>Journal of Business Ethics</i>                           |
| 2011 | Hannah, Avolio, and May               | Moral maturation and moral conation: A capacity approach to explaining moral thought and action                                 | <i>Academy of Management Review</i>                         |

reflective moral judgment can be made based on the information obtained after a search process and an exhaustive analysis of the different alternatives that are evaluated according to certain moral rules. The reasons to make a more conscious and rational judgment may be: (1) the problem is very complex, (2) the judgment is not clear, or (3) there are pressures, incentives, or other external factors. The relationship between

intuitive and rational judgments is complex, since in the face of the immediate judgment of intuition, rational judgments can be affected by individual factors as well as by organizational pressures that introduce evaluative elements that are not exclusively ethical.

*Intention:* Intention is defined as “an individual’s readiness or willingness to engage in a particular action” (Kish-Gephart et al. 2010: 2). In

Rest's (1986) model, the third component is called "moral motivation"; however, in the meta-analysis conducted by Kish-Gephart and colleagues in 2010, these authors defend the conceptual similarity between this term proposed by Rest and that of "moral intention," which is widely recognized in the literature about ethical decision-making. Under this consideration, the third phase of the ethical decision-making process consists in generating a moral intention, which differs from moral judgment in that in this part of the process, other valuations made by the individual come into play, such as his/her personal interest, the damage that each action may cause, etc. In fact, a person can judge that a behavior is poorly ethical, and yet generate the intention to carry it out and vice versa.

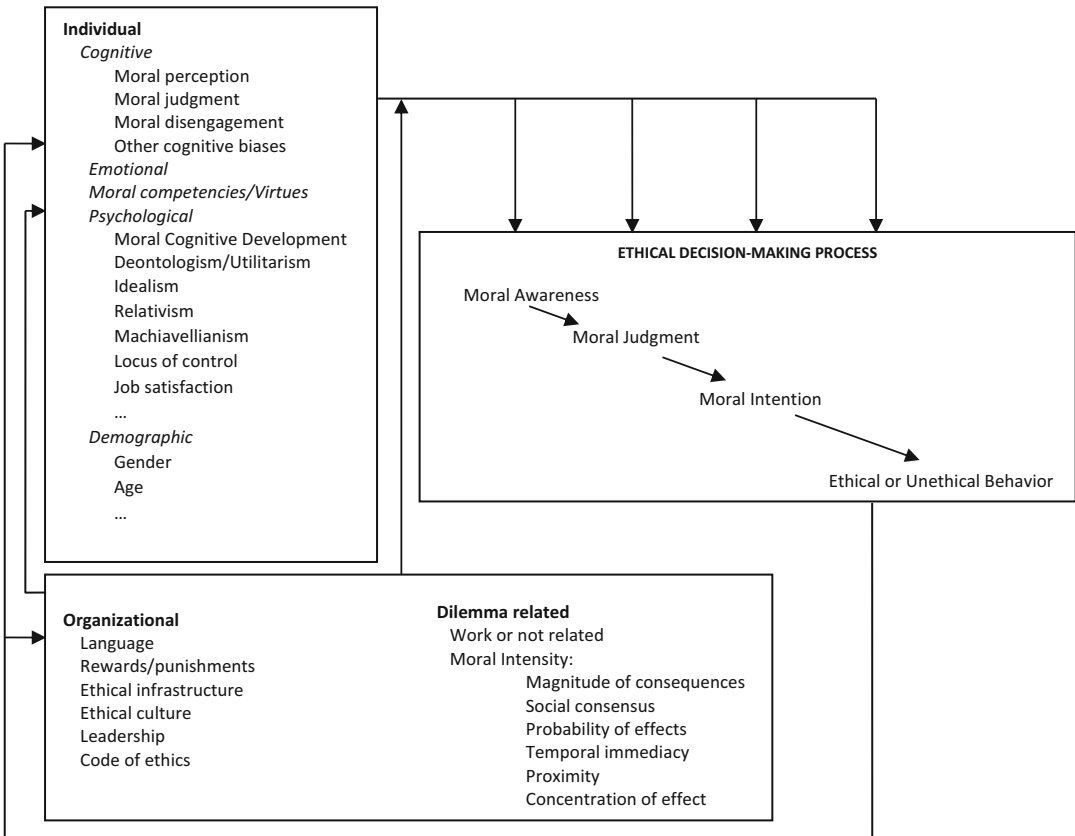
*Behavior:* Most of the articles focused on business ethics from a descriptive approach omit the definition of ethical behavior; they do not specify the definition of ethical behavior (Tenbrunsel and Smith-Crowe 2008). In fact, of the theoretical articles that propose an ethical decision-making model, only Jones (1991) and Bommer et al. (1987) define this (final) outcome of the process. For example, according to Jones: "an ethical decision is defined as a decision that is both legal and morally acceptable to the larger community. Conversely, an unethical decision is either illegal or morally unacceptable to the larger community" (Jones 1991: 367). Bommer et al. (1987: 267) also identified ethical behaviors as "those behaviors the correctness of which constitutes the moral intuition in businesses and the professions." Anyway, several definitions have been proposed in the literature, with Treviño et al. (2006: 952) conceptualizing it as the "individual behavior that is subject to or judged according to generally accepted moral norms of behavior."

### Factors That Affect the Ethical Decision-Making Process

From the beginning of the process, and during the time one takes to make his/her unethical/ethical decision, different factors are argued to affect the four phases of this process (for more details, see

Kish-Gephart et al. 2010; Treviño et al. 2006). The theoretical contributions made to date have allowed the consideration of a large number of influential variables in the whole process, which, in addition, have been tested to determine their relationship (strong, weak or none) with one's ethical behavior. These variables can be grouped in three categories: individual factors, organizational factors, and factors related to the perception of the moral problem.

With respect to the individual factors that affect the ethical decision-making process, researchers have attempted to identify those that better predict one's unethical/ethical behavior. The studies that analyze these factors have approached both their influence on the entire decision-making process and their effects on each specific components of the process. Researchers have focused mainly on demographic, psychological, cognitive, and emotional factors. Organizational factors also have great influence on moral decisions and ethical behaviors: ethical culture of the organization, obedience to authority, structure of rewards and punishments, workplace context, codes of conduct, policies and rules of the company or institution in which one works, influence of the leaders, and structure of the organization. Lastly, the factors related to the perception of the moral problem are mainly comprised in moral intensity, which is "a construct that captures the extent of issue-related moral imperative in a situation" (Jones 1991: 372). This construct is composed of six dimensions: (1) magnitude of the consequences (sum of the harms/benefits of the action towards the victims/beneficiaries), (2) social consensus that an act is good or evil, (3) probability of the effect (probability that the action will provoke harm/benefits to others), (4) temporal immediacy ("how long" the effects of the act are apparent), (5) proximity (physical, psychological, and social nearness with the victims or beneficiaries of the action, and (6) concentration of the effects (number of the persons affected by the action), and this construct affects all the phases of the ethical decision-making process, since the individual perceived the moral dilemma to when he/she performs his/her unethical/ethical behavior (Jones 1991). Currently, the analysis on how one



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**Ethical Decision-Making Process, Fig. 1** Influencing factors in the ethical decision-making process. (Source: Adapted from Treviño et al. (2006))

ends up performing an unethical or an ethical decision/behavior follows the structure and step-by-step process that is described in Fig. 1.

## Conclusions

In the literature on business ethics, a large number of studies have showed the processes and factors that lead an individual to carry out an unethical behavior within organizations. Therefore, the positive analysis of moral actions aims to show *which* factors affect the ethical behavior and *how* such factors interact with each other (the process). This analysis deciphers that the dependent variable is moral behavior, defined as that kind of behavior which is in agreement with certain behavioral standards that are considered good. This analysis

also indicates that the independent variables can be grouped, in general terms, in three principal categories: personal variables, organizational variables, and variables related to the moral issue faced by the individual.

To understand how the ethical decision-making process is carried out, a deep reflection about the nature of the individual must be done. It is also important to note that although the behavior performed by a person can be a great source of information about the result of the process, such information does not always provide data to understand how the behavior was developed. Two persons may act in the same way for absolutely different reasons: same behavior, different application of the process.

Some of the problems encountered in the search for a unified and consistent ethical

decision-making model emerge from the vagueness of the components of the moral action. The key is to understand that ethical decision-making is a process in which three elements converge: the action, the person who performs it, and the circumstances under which the action is performed. Moreover, the definition of ethical behavior refers to a set of rules with which we can compare such behavior. We thus must reflect on “which” these reference rules are and “where” they emerge, such that a behavior is ethical or unethical depending on (1) the behavior itself and the perception of the person who performs it and/or on (2) a set of reference rules on which such behavior is evaluated.

In all, the variables that affect the process and, thus, the (ethical) decision/behavior ultimately performed are in line with what McDevitt et al. argue in 2007, both individual and organizational. Also one cannot ignore that the morality of an action emerges from the interaction of certain characteristics of the person (intention and knowledge), the characteristics of the moral action itself, and the circumstances around the decision.

## Cross-References

- ▶ [Behavioral Ethics and Rationalizations](#)
- ▶ [Democracy and Governance: Toward a New Ethics of Decision-Making](#)
- ▶ [Ethical Decision-Making and Leadership Stress](#)
- ▶ [Ethics and Economics in Healthcare Decision-Making](#)
- ▶ [Implications of Mindset Theory for Ethical Decision-Making](#)

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## Ethical Dilemmas

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## Synonyms

Caught between Scylla and Charybdis; Trapped between a rock and a hard place; Truly on the horns of a dilemma

## Definition

A dilemma is defined as “a situation in which a difficult choice has to be made between two (or more) equally undesirable things or course of action.” A dilemma is “a state of indecision between two or more unpleasant alternatives” ([Oxford Dictionaries](#)).

## Introduction

A moral dilemma concerns situations in which one is morally obliged to act and, at the same time, to refrain from acting due to another obligation. It may be that we are required to act to



achieve a certain end but that the side effects render the action unacceptable (Wempe and Donaldson 2004). In a moral dilemma, we have to cope with conflicting moral obligations or conflicting underlying moral values.

Dilemmas play an important role in ethics. They particularly occur when we want to translate ethical theory into practice. Theory often starts with ideal situations in which a problem is optimally framed. In everyday situations, however, there are often multiple obligations and unintended counter-effects at stake. Multiple conflicting values have to be included in the considerations. A choice in favor of one value often implies that no or insufficient justice is given to the conflicting value(s).

A choice between a good and a bad action is not a difficult choice and therefore lacks a moral dilemma. With such a choice, it is clear what you are supposed to do. In a true moral dilemma, a tough choice between obligations or values has to be made. Every choice that is made implies favoring one value over another. A dilemma has been described as a difficult choice between “right and right” (Badaracco 1997). In such situations, it is emphasized that a certain value has to be chosen (something that is right) and that this is not a rejection of the conflicting value.

A moral dilemma concerns a choice between two or more possible actions where:

1. There is a moral value behind every possible action.
2. The choice for one of the options implies acting in conflict with the moral values that lie behind the alternative possibilities of action.
3. There is a necessity to act and therefore a need to choose between the values at stake. Nonacting also implies a choice.

A dilemma should be distinguished from a paradox. A paradox is a *seemingly* unbridgeable contradiction. However, the conflict between the possible actions and values is only apparent: a paradox can be solved by thinking through the issue.

## Dilemmas in Business and Professional Ethics

Dilemmas play a major role in business ethics and professional ethics. In business ethics, attention has been given to dilemmas through the introduction of the concept of stakeholders (Freeman 1984). Nowadays, companies are seen as organizations in which a multitude of parties have a “stake,” and the problem arises as to how their often conflicting and legitimate expectations should be weighed against each other. Stakeholder management is therefore essentially moral in nature: it is about making responsible choices. Dilemmas are thus directly linked to day-to-day decision-making by managers within companies.

Dilemmas also play a major role in professional ethics. Within each profession, there are dilemmas inherent to that profession. Many dilemmas occur in the medical sector. Doctors have to act in the interests of their patients but also have to take account of the affordability of healthcare and, for example, the health of other people when a contagious disease is detected. The care of the patient can be at odds with the social obligations of the physician. Training courses for professionals often entail forms of ethical training. In these programs, dilemmas are often used. On the basis of such dilemmas, professionals investigate how moral decision-making should take place according to the standards of the profession.

## Examples

A number of model examples of dilemmas have been developed in the literature for heuristic purposes and for educational programs. A classic example is Sophocles’ *Antigone* (Sophocles 1986). In this tragedy, Antigone must choose between her conscience and the laws of the state, between obeying the laws of the gods (universal laws) and obeying the laws of the king (the secular authority). This dilemma is a model for the more recently prominent issues of civil disobedience (Wiltshire 1976)

and the dilemma facing the whistle-blower (Contu 2014). Within developmental psychology, the Heinz Dilemma is a classic example. Heinz wonders whether he should break into the premises of a pharmacist who has developed a drug that will cure his seriously ill wife but is too expensive for Heinz to purchase. Kohlberg uses this dilemma to show the different stages in moral reasoning seen in children. At every stage of their development, children use different types of moral argumentation (Kohlberg 1981). Another dilemma that is used in many ethics courses is the Trolley Dilemma. Here, the solidity of utilitarianism is put to the test (Thomson 1985). In one of the variants of the Trolley Dilemma, a passer-by is confronted with a Trolleybus running downhill and no longer under the control of the driver. The bystander who sees this by chance then faces the choice of sacrificing the life of one person to save five other lives. A dilemma that has been extensively analyzed in the context of game theory is the Prisoner's Dilemma. This dilemma forms a model for many social dilemmas. The Prisoner's Dilemma shows that people who fail to communicate make decisions and are driven to act in their own interests, and are unable to realize an optimal situation for everyone (Poundstone 1992).

## Dilemmas in Theory and Practice

Ethics in organizations and in professions are often shaped by establishing the moral principles of that organization or that profession in a code of conduct (Kaptein 2008). Such a code describes a number of rules of behavior that prescribe how employees should behave in concrete situations. However, rules often misinterpret the complexity of situations that occurs in everyday practice. In management practice or the practice of a profession, there are often multiple principles that may conflict with each other.

The question remains, however, whether genuine dilemmas exist. Are we really faced with conflicting moral obligations that cannot be realized at the same time, and where the

realization of the one offers no excuse for neglecting the other, or is it a case of difficult issues where we simply have to think through the situation more deeply in order to judge which action deserves priority? One argument against the existence of true dilemmas is that such situations would amount to a logical inconsistency. On the one hand, obligations have to be honored, on the other, "ought implies can." We are not bound by impossibilities (McConnell 1987). A second argument that is often advanced against the existence of true dilemmas concerns the unacceptable consequences of accepting their existence: to do so would undermine all ethics. According to the critics, we should hold on to the ideal of coherence, as without it ethical reflection is meaningless or even impossible (Wempe and Donaldson 2004).

We argue that, on the one hand, different norms and values apply that cannot be reduced to a single measure. On the other hand, ethical reflection requires rational decision-making. If the choice of a given criterion is ultimately arbitrary, both the meaning and possibility of ethics are undermined (Wempe and Donaldson 2004). From a theoretical perspective, it is difficult to understand dilemmas. In everyday practice, however, a pressing need is felt to understand dilemmas. As McConnell observes, "Common sense and ordinary moral discourse are on the side of the friends of dilemmas" (McConnell 1996, p. 37).

An interest in dilemmas arises when we are confronted with translating moral principles into practice. Then the question arises how, in the decision-making process, the conflicting values should be weighed against each other. In this context, it is important to recognize the difference between values and behavioral obligations. Values describe what should be seen as valuable. Values constitute a reason to act in a certain way. As such, value offers a basis for rationality (Bouwmeester 2017). Conflicting values can co-exist and remain of value even when, under pressure to choose, one opts to honor one value and ignore the other values. This does not mean that the nonhonored values are inherently less important. This is why many organizations

choose to organize dilemma training as an instrument to learn how to work with a code of conduct.

Thinking in terms of dilemmas implies a vision on the status of morality and an ability to reflect upon it. In theoretical situations, it is possible to assess a certain action separately from its context. In such situations, it is possible to use one principle to assess the action or situation. Such an approach is based on a monistic ethic: that there is one principle that is decisive in assessing an action or situation as right or wrong. The recognition of the existence of genuine dilemmas is that, in practice, the situation is often more complex and that multiple values can simultaneously apply. This presupposes a pluralistic ethics (Walzer 1983; Badaracco 1997).

## Source of Dilemmas

It is possible to recognize a number of causes for dilemmas emerging.

An important cause of dilemmas can be found in the cooperation among people in the context of an organization. When people start working together and form an organization, three types of dilemmas arise: the Dirty Hands, the Many Hands, and the Entangled Hands (Kaptein and Wempe 2002).

The Dirty Hands Dilemma concerns the tension between the organization's goal, which is usually understood in utilitarian terms, and the obligation to respect rights and to act justly. The Dirty Hands Dilemma questions whether realizing the organizational goal justifies acting in violation of justice and rights.

The dilemma of the Many Hands concerns the tension between individual and collective responsibility. An effective and efficient organization offers individuals the opportunity to hide behind organizational responsibility. If a corporation acts irresponsibly, the collective moral responsibility can become diffused in that it gets lost among the individual responsibilities of employees. The Many Hands Dilemma can arise in organizations in different ways. First, multiple

employees may have separate, uncoordinated perspectives on the corporate objectives and responsibilities. Each of them feels responsible for the organization and the future of the organization. The Many Hands Dilemma can also be trimmed when responsibilities are shirked and stakeholders are left with no one to turn to. In such instances, no one is willing to take on the task because they are unauthorized or lack the necessary competence. When employees only feel responsible for their own tasks, the bigger picture simply fades away.

The Entangled Hands Dilemma arises because people who start to act in an organized context inevitably have to deal with multiple roles. This leads to the possibility of role conflicts. Each role implies moral obligations and the dilemma concerns the question of which responsibility should prevail.

As soon as people start working together in a form of organization, these three types of dilemmas will arise (Kaptein and Wempe 2002).

Functioning as a professional can also lead to dilemmas. Professional ethics requires certain behavior, but other human or social obligations can conflict with this. A doctor has a duty of confidentiality, but what should doctors do when they have knowledge of a possible crime that they could prevent?

## The Solution to Dilemmas

Although it is sometimes possible to resolve a dilemma by prioritizing all the relevant duties involved insofar as some are *prima facie* stronger than others (Ross 1930), this is often impossible. Practical hurdles can make it impossible to prioritize. Perhaps there is an order of priorities or there are good reasons to make trade-offs, but we lack sufficient knowledge, insight, information, and analytical skills to successfully make such trade-offs (McConnell 1987). In that instance, we could try to resolve these dilemmas with further research to fill the gaps in our knowledge and insight. In such a situation, it would be wrong to talk of a genuine dilemma.

It can also be impossible to come to a rational decision because the values, norms, and ideals at stake cannot be compared.

When it is not possible to come to a rational decision between conflicting values, ethics must be seen as making a choice. The choice depends on the person or organization that you are, or would like to be. According to Badaracco (1997), you develop your identity as a person by the choices you make. In this context, he speaks about “defining moments,” identity-determining choices. He sees this as applying not only to individuals but also to an organization and even to a society. These, too, face identity-determining choices.

A possible solution to dilemmas can be found in recognizing a broader and richer concept of rationality that may underlie decision-making within the organization (Bouwmeester 2017).

When dilemmas can only be “solved” by making a decision, cutting the Gordian knot, the integrity of the decision-maker is often invoked. Then, we try to locate the morality of a decision in the character of the leader: the manager. Managers should be unbiased, have no interest in the outcome of the decision, and be transparent. It is also possible to embed integrity in the structure and culture of the organization (Kaptein and Wempe 2002).

## Conclusions

Dilemmas challenge ethics. If you accept that genuine dilemmas exist, you may end up with a sliding scale, and relativism may be a logical consequence. Nevertheless, recognizing dilemmas is of great importance when it comes to the application of ethics in practice.

## Cross-References

- [Conflict of Interest in Research](#)
- [Core Values](#)
- [Leadership Integrity](#)
- [Teaching Business Ethics](#)
- [Whistleblowing](#)

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## Ethical Dilemmas of Corporate Secretaries

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### Synonyms

Corporate integrity; Professional ethics; Responsible corporate governance; Responsible leadership

### Introduction

In the aftermath of a number of scandals, such as Guinness, Maxwell, WorldCom, and Enron, business conduct has generally become governed by statutes, codes of conduct, and regulatory authorities, while trust and generally accepted principles of proper conduct have disappeared. Although there have been many cases of disgraced directors and accountants, there have been none involving a chartered secretary, which may be seen as the result of an effective code of professional ethics. A code of ethics outlining the responsibilities of and best practice for an individual or organization has become one of the mandatory disciplines of a professional body. Codes of ethics, ethical policies, or codes of conduct can be a means for establishing and articulating the values, responsibilities, obligations, and ambitions of an organization or profession (Fisher and Lovell 2006).

In reference to ethical conduct, Kakabadse et al. (2002) highlighted the incongruity between the desired values of the individual and the contextual realities of the organization, raising the paradox of what one should do and what one ought to do. Personal experience and the professional journals suggest that many professionals in senior administrative positions have, at some point in their careers, encountered such a paradox, causing a conflict between their professional

training and the needs of the business or the instructions of the board. The crucial point here is that although business ethics comprises principles and standards that guide behavior in the business world, occupants of corporate secretary roles experience ethical dilemmas. In their daily work, they need to discern what is right (or good) and what is wrong (or bad).

Fisher and Lovell (2006, p. 226) defined a dilemma as a “perplexing state involving difficult or unpleasant choices,” and Ferrell et al. (2002) explained an ethical dilemma as a problem or situation that requires a choice between actions that require evaluation as ethical or unethical. Whether a specific required behavior is acceptable is usually determined by the business stakeholders, and, although these may not necessarily be “right,” their judgment will tend to influence society’s acceptance or rejection of a business and its activities. A business ethical dilemma would, therefore, be a problem or situation that requires the business or the employee to choose between a number of actions that must be evaluated with regard to the needs and requirements of the stakeholders and the community.

Typical examples of ethical dilemmas can be seen with respect to secretaries who come to know of accounting fraud or corruption involving senior executives with whom they used to work closely. Other examples are not that easy to identify as unethical practices, especially when they comply with existing laws and regulations. Further, a new category of importance in the future is artificial intelligence (AI)-related ethics, a field currently evolving though largely yet untouched by laws.

### The Role of Corporate Secretaries in Corporate Governance

Governance has been described as the mortar holding together the brickwork of society. It stretches from local town or boroughs through to national and even international levels. Corporate governance is often described as a system by which all organizations are directed. However, there have been many definitions of the meaning of corporate governance. These range from ideas

of the processes by which companies are run to systems by which companies are directed and controlled. Perhaps the most generalist view is from Bain and Band (1997), who suggest that it is the relationship between various participants in determining the direction and performance of organizations. Overall, corporate governance can be viewed as the system by which all organizations are directed and controlled and is the upper level in the process that should ensure an organization achieves openness and integrity; it involves the rules, responsibilities, and accountability of senior management.

While in the USA corporate secretaries are exclusively lawyers, the UK Companies Act 2006 requires a corporate secretary to be a lawyer, a qualified accountant, or a chartered secretary. The practice of dual role of general counsel (GC) and company secretary has a potential for conflict of interest (Kakabadse et al. 2014). A dual role offers an opportunity for the GC to attend board meetings. However, a GC would attend those meetings in a different capacity to the company secretary and may be privy to discussions that conflict with the interests of the company. The GC usually reports to the chief executive and represents the company rather than the board, whereas the company secretary reports to the chairman and serves the board.

In the UK, all chartered secretaries, irrespective of country of residence, are members of the Institute of Chartered Secretaries and Administrators (ICSA), an international professional body with a Royal Charter. "They are high ranking professionals who are trained to uphold the highest standards of corporate governance, effective operations, compliance and administration" (ICSA 2006, p. 1). The corporate secretary in the UK is, by law, a servant of the company and of the board of directors and, as such, is answerable to the chairperson; however, the secretary also has to report to the managing director or another senior official of the company, usually as a result of a term in the contract of employment. He/she is criminally liable for defaults committed by the company, for example, failure to file any change in the details of the company's directors and secretary and the

company's annual return within the time allowed. Secretaries have always been the only persons to lose their appointment by law if the company appoints a liquidator.

The Companies Act 1985 imposed a number of duties on the secretary, which include the completion and signing of the annual return of the company, the signing of the director's report in the company's annual accounts, the completion and signing of various statutory forms, and the making of various applications and statutory declarations on behalf of the company. There are also the generally accepted normal duties of arranging, attending, and minuting meetings and maintaining the statutory registers. Company secretaries are the primary source of advice on the conduct of business particularly for a newly appointed director. The advice may vary from legal advice on conflicts of interest, through accounting advice, to the development of strategy/corporate compliance, and advice on environmental, social, and corporate governance (ESG) and sustainability aspects.

## Codes and Principles of Ethics

Although many, especially those in the medical profession, would cite the Hippocratic Oath as the first code for a professional body, the best preserved early written code of conduct, the Codex Hammurabi created by King Hammurabi of ancient Mesopotamia, actually dates from 1760 BC. Codes provide the members of the profession with guidelines for maintaining a professional attitude and a means of conducting themselves in a manner that will enhance their professional status. They provide guidance to members on how to handle situations that pose a dilemma between alternative courses of action. Just having a code, however, is not enough. It can only be effective when it influences everyday behavior, and this requires committed dissemination, implementation, and monitoring, which professional bodies continue to promote.

A survey by the accountants KPMG conducted in the USA in 2002 revealed that three-quarters of the respondents reported that they had witnessed



violations of the law or of ethical standards at work in the previous year (Fisher and Lovell 2003). This would be an endorsement of Tamminen and Leskinen's (1996) review, which showed that accounting is not only ethically loaded but that there is an abundance of ethical problems associated with accounting, partly because the population that they studied showed little concern for people outside the firm. Although there has been no similar review in connection with secretaryship, the similarity between the professions would allow one to assume the same influences.

The generalistic training of a chartered secretary has always been along deontological lines, following the belief that moral reasoning and action should always be guided by universal principles that hold true irrespective of the context in which an ethical dilemma might exist (Fisher and Lovell 2003). In the UK, this general training came into conflict with Thatcherism, which propounded a form of business natural selection or Darwinism with a *laissez-faire* approach, with everything being unrestricted and markets self-correcting in the long run (Daly and Mattila 2000).

Despite the fact that the secretaries of the companies involved in the various scandals exemplified by Guinness and Enron were never chartered secretaries, the profession came under the same increased pressure and scrutiny that was applied to other professions. Moreover, with changing business environments and technological advancements, the nature and controllability of new ethical dilemmas represent challenges for the corporate secretary.

## Varieties of Ethical Dilemmas

Coping with ethical dilemmas can be considered a key characteristic of the corporate secretary's function, involving a mix of commercial, regulatory, pragmatic, legal, and ethical decisions to be made (Kakabadse et al. 2014). The nature of the function involves the development of trusting personal relationships with the board but, at the same time, the demonstration of impartial judgment.

The closeness to the chairman and other senior executives can cause a dilemma for the secretary, especially in a dependency relationship, that is, when those in power can influence a secretary's employment conditions. In cases of non-compliance, misconduct, fraud, or when corruption and bribery are involved, it is a secretary's duty to take action. Cases are known in which company secretaries have ignored such misconduct and chosen not to speak out against it or be actively involved in it (CSJ 2017).

While the nature of ethical dilemma cases varies, typical cases in which company secretaries have failed their function involve corruption and fraud, as reported by the Hong Kong Institute of Chartered Secretaries. An entrepreneur and an accountant, for instance, with the help of a corporate secretary, offered bribes to acquire a share of the chairman's holding of a Hong Kong stock exchange-listed company. In return, the chairman agreed to acquire a mainland plantation project from an offshore firm owned by the entrepreneur (CSJ 2017). While this case is representative of an ethical dilemma that is rather easy to judge as it purposefully breaks laws and regulations and applies practices that undoubtedly can be regarded as unethical, other cases are not that easy to classify. Examples of the latter category relate to the debate about genetically modified crops and the Levi-Strauss Corporation's reaction to finding out that its jeans were being manufactured by underage Bangladeshi workers (Fisher and Lovell 2003). Genetically modified crops are subject to an ongoing debate with currently no consensus research among stakeholders involved, like consumers, businesses, farmers, and policymakers. Despite that fact, food containing modified genes is already on sale in the USA. One camp argues that genetically modified crops help to solve food shortages, while the other camp asserts there are risks to food security. Moreover, planting genetically modified crops could potentially harm biodiversity and increase antibiotic resistance or allergies, to name a few concerns. Although a promising area, in the absence of longitudinal studies, it cannot be claimed for certain that genetically modified crops are free of any risks to health and

environment. The latter dilemma of exploiting work conditions abroad is trickier to solve as multinational corporations (MNCs) have usually complied with local laws. Such laws, however, often lower standards to a level that workers are potentially exposed to situations dangerous to their health and lives. The dilemma can be seen, simplified, in the inability of hesitant local governments to impose laws protecting workers' safety, therewith raising costs for MNCs, and the standpoint of MNCs that this is solely a government task. However, since the MNC is in principle able to assess the risks and compare them with risks to workers' health in other (western) locations within its corporate network, corporate boards are in principle aware of and able to decide upon what level of safety standards they want to implement independent of how high (or low) governments set the bar. For the individual in the role of corporate secretary, an ethical dilemma may involve the need for "truth-telling" and suggesting unpopular approaches that may conflict with loyalty to the company or cause rising costs to the firm and, therefore, lower profit margins. Besides the aforementioned examples, there is a third category of ethical dilemmas evolving AI-related ethics.

### **Future Challenges for the Corporate Secretary**

Machines making decisions that affect our lives are a new area which, at the same time, represents a new category of ethical dilemmas. We currently see this type of ethical dilemma evolving in the area of AI. In this field, it is no longer humans who make decisions but algorithms. AI technologies are developing rapidly, and, with this development, questions arise about how machines will make ethical decisions. As ethical misconduct and dilemmas of the past have taught us, ethical dilemmas relevant to firms have two principal dimensions: the legal and the societal. Actions need to comply with laws as well as with societal expectations.

As algorithms, especially self-learning ones, have (likely) no conscience, how can they make

ethical decisions? Who can be legally prosecuted in case of misconduct, and how can laws be made effective to control behavior when they target machines that make their own decisions based on self-learning algorithms? These questions are relevant to the automotive industry today. The automotive industry is currently experiencing paradigmatic changes. Both automakers and policymakers are struggling with how to cope with the ethical dilemmas caused by autonomous vehicles. What would be an ethical decision by an autonomous vehicle about to crash in deciding who to save? A kid crossing the street while the lights are red or the two elderly drivers of the vehicles? Autonomous vehicles will have to decide who deserves to live and to die if a solution to save everyone is out of the question (Awad et al. 2018). While it will take some time before autonomous vehicles and related industries achieve commercial success, it is likely that legislation will develop in parallel to technological advancement and societal consensus on what is ethically acceptable and what is not. As companies need to balance profitable opportunities with harm to society, company secretaries dealing with phases of technological and societal transitions can hardly rely on laws alone.

There is a further challenge related to AI for the company secretary which relates to the position of the company secretary itself. While it is currently unclear exactly which jobs will be taken over by AI/digitalization, it is likely that "AI will abolish the repetitive and administrative tasks, which still form part of the corporate secretary's role" (CSSA 2018, p. 6). While this may reduce the workload of the company secretary, the function would still be needed to oversee and correct the work of an AI-operated system. The latter should not be seen as a threat but rather as an opportunity to further develop the role of the corporate secretary. With potentially fewer tasks, the role of the corporate secretary can include a stronger focus on ethical conduct within the board and beyond. Closer ties to external stakeholders can be developed, which focus on a firm's social responsibility. Closer ties can also be developed to the human resource (HR) function by mutually developing HR policies and guidelines for ethical conduct and

responsible leadership development. Though technologies may change the role of the corporate secretary, it will remain of central importance in corporate governance.

## Cross-References

- ▶ [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- ▶ [Conflict of Interest in Research](#)
- ▶ [Corporate Governance](#)
- ▶ [Ethical Dilemmas](#)

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## Ethical Dimensions of Consumer Boycotts

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## Synonyms

Boycott ethics; Ethical consumerism; Ethics of boycotting; Ethics of commercial boycotts; Ethics of consumer boycotts; Ethics of consumption

## Introduction

Consumer boycotts are a recurrent form of social protest. This entry sheds light on ethical issues and controversies concerning the practice, with the aim of contributing to a better understanding of its potential benefits and drawbacks. But first, a few conceptual clarifications are in order. What is a *boycott*? According to the *Oxford English Dictionary*, a boycott is a “[w]ithdrawal from social or commercial interaction or cooperation with a group, nation, person, etc., intended as a protest or punishment.” This broad understanding is consistent with the observation that boycotts are not restricted to the market sphere. The targets of boycotts – the *boycottees* – may also include individuals in the political realm, as well as other organized groups, including states and various nongovernmental organizations. The *boycotter* – the subject who withdraws from social or commercial interaction – may be one or more individuals or one or more organized groups. Finally, *acts of boycotting* – “withdrawal[s] from social or commercial interaction” – may take manifold

forms, ranging from silent withdrawal to publicly pronounced and highly visible social protests, such as demonstrations, sit-ins, mail-ins, call-ins, blockades (Friedman 2001, 236), online-petitions, and more or less organized calls for boycott on social media. *Political boycotts*, targeting states and their governments and citizens (Peled 2019), and *academic boycotts* (ibid.; De Shalit 2016), targeting universities and their members, raise a number of additional moral issues compared to *commercial boycotts* that target businesses. The two former types of boycotts more likely give rise to serious unintended negative consequences. They also make the consideration of a broader set of normative criteria necessary, compared to the class of commercial boycotts with which this entry is solely concerned.

## Individual and Organized Boycotts

*Individual consumer boycotts* that are not a response to public calls for boycott by an organized campaign do not seem to raise any special ethical problem. Individual consumption choices reflect and are often an expression of the diverse values, preferences, or tastes of consumers, who for various reasons – prudential, moral, or aesthetic – standardly refrain or “withdraw from a commercial interaction” with certain profit-oriented companies, or at least avoid buying some of their products. Consumers can also participate in so-called *buycotts* – the positive opposites of boycotts – by purchasing socially or environmentally certified goods, such as those with the *Fairtrade* label (Beck 2010). When it comes to the moral justifications of their individual market interactions, consumers can give preference to or abstain from certain kinds of purchases from a motivation to maintain their (moral) integrity by avoiding perceived complicity with objectionable business practices (Radzik 2017). Within such integrity-centered considerations, but also through a more general kind of moral reflection on their consumption habits, individuals can be guided by different kinds of moral reasoning, for example of a deontological, consequentialist, or virtue-ethical kind. Although *silent*

individual “withdrawal[s] from (...) commercial interaction” qualify as boycotts on the basis of the OED definition, it appears that they need not meet a high justificatory burden. Such purchasing decisions may be based on more or less defensible reasoning, but as long as these reasons are not publicized with the aim of promoting concerted collective action, or made in response to a public call for boycott with such an aim, individuals should enjoy liberty to choose what commercial interactions they enter, maintain, or exit (Beck 2019; Weinstock 2019). The case of *organized consumer boycotts* is categorically different, however. Legitimate grounds for silent individual boycotts do not equal legitimate grounds for participation in publicly advertised boycotts. The latter are much more likely to influence the behavior of business agents and even to coerce them into compliance, assuming they are effectively communicated to a wider public. This justifies a higher degree of scrutiny. Even more problematically, publicly advertised (calls for) organized commercial boycotts can unfairly inflict significant harms on their targets as well as on third parties (Radzik 2017; Beck 2019).

## Normative Standards for Organized Consumer Boycotts

Historically, some organized boycott campaigns have undoubtedly elicited positive social change, such as the legendary Montgomery bus boycott led by Martin Luther King in 1955–56, which was part of wider political struggles that spurred encompassing Civil Rights Reforms in the USA. Other boycott campaigns, however, are notorious for being based on reprehensible goals or principles, such as the government-led boycott of Jewish stores in Nazi Germany, which imposed a high level of intimidation and coercion on German Jews and amounted to a clear violation of their moral rights. Today, boycotts are often used to target large companies including multinational corporations, which have gained unprecedented influence in the global economy over the last few decades. Such protests seem *prima facie* justified if they are a targeted response to specific

corporate malpractices, such as disproportional greenhouse gas emissions, other kinds of environmental pollution, lack of minimum labor standards in the supply chain, gross mistreatment of animals, illegitimate lobbying, misinformation campaigns, collaboration or complicity with illegitimate political regimes, and systematic tax evasion and tax fraud. In the digital age, anyone can publicize a call for boycott with unprecedented ease. Many calls for boycott fail to capture sufficient public interest, however, while others are based on objectionable principles or goals or are poorly designed. This raises the question of how, when, and to what extent (calls for) boycotts are morally justified, and of the normative principles that boycotters themselves should comply with.

More and less restrictive normative principles have been proposed by moral and political philosophers. According to the “proto-legislative” account of Hussain (2012), ethical consumerism must respect the basic rights and liberties of those affected, be based on a reasonable conception of the common good, and should comply with principles of democratic representation. The last criterion is the most controversial. According to Hussain, it entails that boycotting campaigns may only deal with issues that have not been addressed in formal democratic processes and that they ought to be guided in a manner that is “appropriately representative” (ibid., 126). Other consumer ethicists have advocated more restrained principles for consumer campaigns. Barry and MacDonald (2018) advocate that ethical consumerism should be reflective of power disparities, sensitive of the views of those they seek to influence, and advance a reasonable conception of the common good.

The proto-legislative view’s requirements of democratic representation are indeed excessively strict and implausible for at least two reasons. First, it is unduly stringent to require consumer campaigns to restrict themselves to issues not yet addressed by democratically elected legislatures while the relevant institutions fall well short of the normative ideals on which they are founded. In our world, vast economic inequalities translate into inequalities in political influence, and thus continually undermine equal political

representation and participation. Businesses often also contribute to economic and political inequalities through lobbying that negatively impacts legislation and regulation. In societies that are economically just and more than nominally democratic, such political and economic inequalities would not exist, and boycotts might then be superfluous. But under the factual conditions encountered today, boycotts are a *prima facie* justified tool with which powerful corporate interests can be counterbalanced, provided they are used judiciously (Beck 2019). Second, even in a counterfactual scenario in which the ideal of equal political representation and participation were fully realized, there could be corporate malpractices that constituted legitimate targets for boycotts, even if they were supported by a qualified majority and backed by democratically enacted legislation. This especially concerns malpractices that violate animal rights or contribute to the destruction of the environment, as neither future people nor animals can defend their own interests even in societies which are ideally representative of their present human inhabitants (Beck 2019; Beck and Ladwig 2020). To conclude on this issue, although boycotters often rightly attempt to influence processes of public deliberation about legislative rule formation, they are in no way obliged to only run campaigns that are “proto-legislative” in the abovementioned sense nor do they have to be democratically representative.

### **Procedural Standards for Organized Consumer Boycotts**

It can be argued, however, that boycotting campaigns should comply with certain procedural standards, that is, with normative standards pertaining to the way these campaigns are conducted, additionally to resting on a reasonable conception of the common good that includes at least a commitment to the protection of intergenerational human rights, and perhaps also of animal rights. Considerations about the *fairness* and *efficacy* of single boycotting campaigns each point to the need for additional procedural



constraints. Fairness and efficacy concerns arise because the potential boycottees are businesses that operate in a competitive environment in which the malpractices in question can be typical of the relevant sector. It can therefore be argued that at least under such conditions, boycotts amount to scapegoating, because they unfairly single out a company for malpractice while sparing others whose behavior is similarly problematic or potentially worse. Moreover, such boycotts could be seen as ineffective on the assumption that targeting a single wrongdoer does not change the problematic patterns of behavior in the context in question. According to this objection, boycotts are at best a symbolic form of social protest and at worst have unintended adverse effects that run counter to the boycotters' ultimate goal. For example, an apparel company might respond to a boycott that highlights worker's rights violations in one of its facilities by selling the facility in question to a lesser-known competitor firm which continues the problematic practices. Similarly, a large fossil fuel company might finally decide to divest from coal in response to public pressure, after having earned a living off polluting the atmosphere for decades, by selling the relevant facilities to a smaller firm in the sector which operates outside the public spotlight.

By raising fairness and efficacy concerns, the scapegoat objection helpfully highlights the pitfalls which organized boycotts must avoid and indirectly points to the need to clarify the deeper purpose of this practice. It is certainly true that boycotting campaigns *can* be unfair or have counterproductive effects, by focusing on the wrong targets or by issuing the wrong kinds of demands. In each of the given examples, which are by no means far-fetched, the outcomes amount to "a 'microvictory' but a 'macrodefeat'" (Friedman 2001, 235). However, the scapegoat objection is not a knock-down argument to the practice of consumer boycotts in general, because these pitfalls can be avoided by adhering to certain procedural standards of proportionality and transparency (Beck 2019).

Starting with the former, it has been argued that boycotters should comply with demands of *proportionality*. They should ensure that their choice

of boycottee is legitimate by singling out corporate agents that engage in truly problematic malpractices, and by issuing concrete demands whose fulfillment will not have unintended adverse effects that would contradict the goals and principles of the boycott (*ibid.*). Complying with these demands of proportionality does not entail that boycotters must always target firms with the demonstrably worst behavior in their sectors. While the latter doubtlessly constitute apt targets, campaigners may lack access to comprehensive information that would allow comparisons between competing firms. Moreover, fairness concerns matter, but they are neither categorical nor absolute. The desideratum to treat competitors fairly can be outweighed by the need to publicize a malpractice and to prevent further wrongdoing. Complying with demands of proportionality means, however, that boycotters should not target above-average companies that are morally superior to their competitors. Such cases are different from those where boycotters target an average corporate wrongdoer, because the unfairness is considerably greater when the targeted firm's competitors are behaving much worse. Such boycotts are also more likely to cause adverse effects and signal to the industry that firms are being targeted arbitrarily. Targeting those who are doing significantly better in complying with justifiable normative demands would set the wrong incentives. As the fossil fuel divestment movement shows, targeting all firms of a sector can also be a smart way for boycotters to accommodate the requirements of proportionality, but such sector-encompassing boycotts may not always be feasible.

Next to demands of proportionality, boycotters should arguably also comply with a number of demands of *transparency*. First, campaigners ought to be transparent with respect to the factual observations and ethical standards on which their campaigns are based. They must provide the public with accurate information about corporate malpractices and avoid false accusations, explain how the targeted company can fulfil their demands, and communicate to the public how participation in the boycott avoids engendering significant adverse effects. Boycott organizers must also



make their own identity and agenda transparent. Imagine a profit-oriented firm seeking to undermine a competitor by using a campaign that is presented as “grassroots.” There would be a clear conflict of interest in such a case, since any negative publicity would serve the boycotter’s own economic interests. A rule that requires disclosure of identity and exclusion of conflicting interests would prevent such misuse of the boycotting strategy, and would facilitate consumer decisions about whether they want to participate in the boycott. It appears that these two sets of procedural requirements concerning proportionality and transparency are not only sensible guidelines for boycott organizers but also for ethically minded consumers who want to ensure they are not contributing to an illegitimate cause. Taken together, these considerations show how concerns about fairness and efficacy can in principle be accommodated with the introduction of procedural principles. They also highlight that there are a range of ethical questions beyond that of when to start a call for boycott against a company, namely the questions of how to organize a boycott and calibrate its demands, what to legitimately expect from the boycottee, and when best to end a campaign or the consumer participation in it. The latter aspects are as important as the first, but are still comparatively underexposed in the literature on the ethics of boycotting (Friedman 2001).

### Conclusion: Shunning or Strategic Tools for Change?

Organized consumer boycotts are one form of coordinated, collective action that aims at changing social behavior through a form of moderated coercion, by threatening and potentially following through on the withdrawal from certain market interactions. As such, organized boycotts need legitimization, by adhering to certain normative standards. The preceding considerations about substantive and procedural normative requirements for consumer boycotts follow from a view according to which boycotts should not be conducted as exercises in shunning, but as

pragmatic instruments for achieving lasting and positive social change. Instead of vilifying, banning, and indefinitely punishing single corporations, boycotters should aim to transform social and political structures and to shape corporate behavior in a lasting manner. If this is indeed their goal, then boycotters should adopt both pragmatism and forbearance toward corporate wrongdoers, with the aim to educate them and to incentivize norm compliance in the long-term. Although the shunning motif has been more extensively discussed in the literature on the ethics of boycotting (Mills 1996), it appears to play a comparatively minor role in the actual practice of consumer boycotts, which so far have mostly been treated as strategic tools to reach certain social goals (Friedman 2001). This predominance of the strategic justification for consumer boycotts may not be set in stone. It is to be hoped, however, that the discussion of ethical considerations of the consumer boycotts provided in this entry can explain why consumer boycotts have mostly been conducted in such a manner, and why sticking to this purpose might be in fact a good idea.

### Cross-References

- ▶ [Animal Rights and Business Ethics](#)
- ▶ [Boycotting as a Social Movement](#)
- ▶ [Collaborations Between Grassroots Advocacy Groups and Business](#)
- ▶ [Environmental Ethics and Sustainability](#)
- ▶ [Ethical and Financial Aspects of Divesting](#)
- ▶ [Ethics of Boycotts](#)
- ▶ [Values-Based Consumption](#)

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## Ethical Engagement: Observer Obstacles

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### Synonyms

Barriers to ethical action

### Definition

Obstacles to ethical observer engagement are barriers at the micro-individual, meso-organizational, and macro-environmental and institutional levels (Noonan 1984; Wood 1991; Nielsen 1996, 2003; Nielsen and Lockwood 2017) which impede ethical action.

The appropriateness of the ethics engagement methods depends on the types of individual, organizational, and environmental level obstacles to ethics engagement in the particular cases (Aldrich 1979; Nielsen 1996; Rose-Ackerman 1999; Collins 1998; Palmer 2012). When we understand that there are effective ethics engagement methods that observers can use and that are more and less appropriated for different types of

obstacles and situations, then this can help empower us as observers to realize our opportunities and duties to not just act ethically in our individual work lives but also to intervene and act ethically and together as networking citizens of our communities to effectively achieve ethical behaviors and build more ethical communities and resist both individual and systematic unethical behaviors. That is, practical knowledge of the obstacles and engagement methods can help empower ethical individual, organizational, and institutional character and culture (Nielsen 1996; Nielsen and Dufresne 2005) and reduce “normal organizational wrongdoing” (Palmer 2012).

## Microlevel Individual Obstacles

Weber (1952, 1904) constructed archetypes designed to reveal essential features of human behavior. Key individual archetypes that can be obstacles to ethics engagement by observers include the “Richard III,” the “Eichmann,” the “Socrates Jailer,” the “Faust,” the “Gorbachev,” the “Dr. Suguro,” the “Sophist,” and the “Phaedo” (Nielsen 1984, 1996).

The “Richard III” as Shakespeare characterized him was someone who said, believed, and acted according to “Evil be my good.” This person believes and acts for personal power and wealth objectives and serially disregards ethics and law. When this type of person is also a key and high-level manager or political official in an organization or crony capitalism system, they are able to greatly influence the executive, legislative, and judicial dimensions of organizations and government as well as much of banking and business and the media. Such people can be formidable obstacles to reform and ethical behavior. It has been suggested that Harvey Weinstein had this type of influence within Hollywood (Twohey et al. 2017) and that some key executives have this type of influence within Wall Street (Forsyth 2013; Gray 2016).

The “Eichmann” in history was an upper-middle-level Nazi administrator in WWII who organized the logistics of mass murder of some 15 million people to concentration camps

including 6 million Jews, 2 million Gypsies, and 7 million others including communists, socialists, the handicapped, and resisters to the Nazis in many countries (Arendt 1964; Nielsen 1984, 2014). Eichmann claimed that his only ethical duty was to “obey orders” from his legal superiors. Arendt (1964) famously referred to this type of behavior as “the banality of evil.” There appear to be many people to various degrees in corruption systems and organizations with serial wrongdoing who believe and act in this manner (Palmer 2012).

The “Socrates’ Jailer” was the jailer/executioner who gave Socrates the poison that killed him. Before he gave him the poison, he told Socrates that he knew that Socrates was ethical and innocent, but that he was afraid that the powerful people who condemned Socrates would kill him if he did not give Socrates the poison. So out of fear, he cooperated with the unethical killing of Socrates. While there are many people who benefit from and cooperate with unethical behaviors and corruption systems, there are also many who cooperate less out of desire for gain, but out of fear of being punished for engaging with unethical behaviors. They also help implement corruption and are necessary for the system to operate effectively.

The “Faust” archetype from Marlowe and Goethe is the character who sells his soul in exchange for good things – knowledge, love, and beauty. This person is cooperating with and helping the corruption and unethical behaviors for what the person believes is a good end that justifies a bad means. For example, this type of person claims that they are cooperating with the corruption and unethical behaviors not for themselves but for their families, their affinity group, their organizations, a high quality movie production or news program, and sometimes even their country. This end justifies the means phenomenon appears to have been common in the Hollywood Weinstein case where many aspiring actors in effect ignored the unethical behaviors for the sake of their artistic projects and careers and in Wall Street for the sake of their families’ financial prosperity.

Related to the “Faust” archetype is the “Gorbachev” archetype. In history, Gorbachev was the eighth and last formal leader of the Soviet Union. Gorbachev claims that for most of his life, he was against what he considered a corrupt, very low productivity, unethical, and unsustainable Soviet political-economic system. He apparently believed that change could only come from within, but he had to cooperate with the corruption so that he could eventually get to the top of the system in order to dismantle the system. He was an obstacle in the sense that in all those many years when his career was advancing, he was cooperating with the corruption and helping implement the corruption. He participated in the decisions to torture and kill many reformers and their families particularly during the latter years of and the years following the Stalinist period.

The Dr. Suguro archetype was a Japanese doctor who helped do medical experiments on and kill many civilian and military prisoners of war for the Japanese military during WWII. He explained that the reason he cooperated with what he believed was unethical behavior was because: if he did not do it, someone else would have and the end would have been the same, so he might as well cooperate. Similarly, many people living and working in unethical organizations and corruption systems similarly believe that if they don’t cooperate with the corruption and unethical behaviors, someone else will, so it does not matter in end who does it, so they might as well cooperate and benefit from the corruption and ignoring the unethical dimensions.

The “Sophist” archetype in history was in effect a political consultant who helped aspiring political leaders win and did not refuse such help if the candidate was not ethical, an apparently common phenomenon in Hollywood and Wall Street and many other places. What the Sophist cared about was “winning the game.” This is also a common phenomenon within unethical organizational cultures and corruption systems, where there are many people who believe that they were, in a sense, born into the game and did not design the game, but that given the reality and power of the game, it is better for them to win than lose while living within the game.

The “Phaedo” archetype is the person who does not know about or understand that unethical behavior and corruption in their specifics as they are going on, but when they do know and understand, are willing to engage and oppose the unethical behavior. The problem here is that a lot of people do not want to know when they are benefiting from the unethical behavior and corruption particularly when it involves family members and members of one’s social network.

### **Meso-level Organizational Obstacles**

At the meso-organizational level, there are four key subsystems that can hinder ethics engagement by observers: (1) an organizational culture that requires successful but corrupt adaptation to corruption systems; (2) recruiting, evaluation, and reward systems that support cooperation with corruption; (3) communication systems that exclude information about cooperation from ethics, compliance, and corporate social responsibility people in both local and home offices, a key problem in the 2008 US financial crisis; and (4) the use of agents and subcontractors who pay the corruption and political campaign contributions instead of direct payments by the transnational corporations (Ewing 1983, 1989; Nielsen 1983b, 2000, 2004, 2006a; Nielsen and Dufresne 2005).

### **When in Rome, Do as the Romans Do**

If the “Roman” political officials require business cooperation with crony capitalism systems and the ignoring of unethical behaviors and violation of financial regulations and ethics, then companies that adopt this “When in Rome” culture then comply. In a sense, the business leaders and managers lead dual, compartmentalized lives. That is, “when in Rome,” they pay the extortion in terms of cash and/or political campaign contributions and do other forms of cooperation such as hiring political appointees and making selected bad loans and bad refinances and ignore the sexual harassments, but back in their home environments and private lives where corruption is low and the culture is different, they behave differently.

Two, internal recruiting, evaluation, and compensation systems can also be a problem. That is, often companies with the “When in Rome” culture in their local operations intentionally recruit people with political connections to help the company do business. When the political system is corrupt, often the people recruited to effectively deal with corrupt systems are themselves part of that corruption. When they succeed in getting the business, no formal questions are asked or recorded about how they got the business. But since they did get the business, even if through unasked about and unrecorded unethical and illegal means, they are nonetheless promoted and rewarded.

This appears to have been at least partly the case in the Goldman Sachs case where one third of investors revolted and voted against bonuses for top managers when Goldman paid a fine of \$5.1 billion but had its stock appreciate much higher with the settlement and promise by Attorney General Horner not to criminally prosecute Wall Street executives and firms if it would negatively affect financial markets of not criminal charges (Forsyth 2013; Gray 2016). Unfortunately, two thirds of investors voted in favor of the bonuses.

Further, since the hiring of politically recommended people who are supporters of the corrupt political officials is normal in crony capitalist systems, there are ample people available within the organization to cooperate with and help cover up the corruption. In such organizational systems, a clear distinction is made between unethical and illegal behavior that makes money for the company through cooperation with the corruption systems and unethical and illegal behaviors that simply, for example, steal money from the organization (Palmer 2012).

Three, communication systems can systematically exclude information about corruption cooperation from ethics, compliance, and corporate social responsibility people in both local and home offices (Barone et al. 2013). This is a lot easier than it might appear. While there are often many ethics and corporate social responsibility programs, meetings and conversations about the real behaviors about the corruption cooperation

simply exclude from the conversations and meetings the official ethics, compliance, and CSR people. Such conversations are not recorded or passed along to headquarters offices who often know what is going on because they spent time in such local offices but have learned to not want to officially know. This was a common problem in the 2008 US financial crisis and a key explanation for why so many ethics and compliance officers played such insignificant and ineffective roles in detection and prevention.

Four, sometimes businesses use local agents and subcontractors who pay the extortion and political campaign contributions. These agents and subcontractors are often recommended by corrupt political officials and sometimes even required by local law. For example, lobbyists are advised to give legal business to the firms that relatives of politicians work for. This is one of the common methods politicians without inherited wealth and who earn salaries of less than \$300,000 can afford multiple \$6 million home purchases. At a larger level, a local law can require a 15% “set-aside” contracts for local contractors. If, for example, the primary contract for a missile system, a construction project, or a 7-year contract to supply the public health system with pharmaceutical products is worth \$3 billion, the 15% set-aside contract for the local subcontractors or purchasing commissions for the local agents can be worth \$450 million. A lot of extortion payments and political campaign contributions can be made from that \$450 million, and those payments are made from money and banks and even countries outside the company that paid for and received the \$3 billion contract.

## Macro-environmental Obstacles

The environmental factors that support continuing, longtime, and systematic unethical organizational and institutional cultures are (1) the nature of the political-economic system (Fine 2004; Davis 2009; Appelbaum et al. 2013; Nielsen 2008, 2010a, b, 2011, 2012), particularly “crony capitalism” system dimensions, and (2) competitive pressures. There are more factors,

and, depending on the particular case, other factors could be more important than the above two key environmental factors.

A key cause of systematic unethical behaviors is a type of political-economic system as well as system dimensions called “crony capitalism” (Noonan 1984; Beaud 1981; Heidenheimer and Johnston 2002; Nielsen 2006b, 2008, 2010a, b, 2011, 2012). When a crony capitalism system operates for many generations, unethical behaviors and corruption can also become characteristic of an industry and national culture. A crony capitalism system can include most of the political-economy or be a dimension of part of the political-economy. A crony capitalism system and dimension often include the following eight subsystem factors. Both Hollywood and Wall Street appear to have some of these characteristics.

1. Corrupt mainstream political parties. The main political parties together can control the crony capitalism system and take turns leading the government and the corruption as well as co-opting smaller reform parties and political leaders. When this is the case, members of such elites are often and in effect immune to any criminal prosecution or sanctions on their unethical behaviors related or unrelated such as sexual harassment and assault and financial fraud.

A key mechanism in this type of system appears to be massive financial contributions to the mainstream political parties and candidates. From the perspective of the business, money is contributed to both mainstream political parties so that the organization always has a potential “friend” in government if and when needed. As Attorney General Eric Holder (Forsyth 2013: 5) testified in justifying his decision not to criminally prosecute the top managers of any of the large financial institutions, “I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them when we are hit with indications that if you do prosecute, if you do bring a criminal charge, it

will have a negative impact on the national economy. . . .”

2. Large, corrupt public sector. In some countries, a large public sector can include normal government organizations as well as natural resources development organizations, state-owned enterprises including media organizations, sports organizations, financial institutions, and defense contracts that the corrupt political parties control.
3. Corrupt political allocation of resources to cronies (Nielsen 2003). In some countries, political officials assign most of the purchasing contracts of the public sector organizations, including normal government organizations and state-owned enterprises such as state-owned banks, media and telecommunications companies, power companies, and state-owned enterprises, to their cronies who own or control the businesses supplying the government organizations regardless of their systematic unethical behaviors. This includes assignment of broadcasting and natural resource development licenses and contracts. It also includes licenses to serve as purchasing agents of military and defense equipment sales and services. It further includes the political officials’ assignment and renewal of broadcasting television, radio, telephone, and social media licenses to their cronies. Newspaper and magazine print publication is included indirectly through the crony owners of the print media receiving government contracts though the cronies’ other businesses such as construction companies that receive government contracts to cover any losses in their media companies.
4. Corrupt, political control of debt financing. In some countries, the political officials require both the state-owned banks and private banks to make large and often intentional bad loans to the businesses the cronies own or control. The banks are also required to make larger refinancing loans to the cronies when they do not pay back the original loans. The banks are required to conceal the bad loans and minimize the classification of “non-performing loans.” The bankrupt companies that the cronies own
- are allowed to legally go bankrupt with no personal liability to the crony owners. The political officials appoint the top-level regulators, prosecutors, finance and economic ministers, and supreme court judges who allow and even encourage the bad lending cycles and abusive behaviors to continue with the help of state and international financial bailouts when the corruption gets too much larger than the productivity.
5. Massive extortion, financial, hiring, and promotion kickbacks to political officials. In some countries, in exchange for the contracts, licenses, loans, lower taxes, and other favors, the cronies then give kickbacks of 15–40% of the contracts and loans and political campaign contributions in the form of cash payments and investments to the government officials who assigned the businesses, arranged for the loans, the refinancing, bankruptcy protections, bailouts, and protections from prosecutions (Nielsen and Ballas 2000; Nielsen 2003). In addition, the cronies agree to hire and promote the people the political officials recommend in exchange for cash payments and sexual favors.
6. Massive international financial support of the crony capitalism. In some countries, the political officials arrange for international financial aid and large loans to the government and banks from other countries and regional organizations such as the European Union, the European Central Bank, and the International Monetary Fund, to, in name, stimulate economic development, but in large part to help finance the corruption. This international financial aid is particularly important for maintaining a stable crony capitalism corruption system when the corruption is higher than the productivity and the national economy itself becomes bankrupt.

There can be great variation among crony capitalism systems with respect to this ratio of productivity to corruption. For example, Greece has had both very high levels of corruption and low levels of productivity that has required massive amounts of international subsidization for more than 50 years. It is not that



the donor countries are not aware of the high corruption systems that they are supporting, but many believe such support is the lesser of evils compared to the risks of radical revolution or civil war within the high corruption and low productivity countries.

7. Corruption higher than productivity. Some countries like China have massive corruption and high productivity, but this is more the exception than the rule. There are also regions of countries such as Northern Italy where the high productivity has, until recently, outweighed the massive, systematic corruption of Central and Southern Italy. However, in most of the world's crony capitalism systems, corruption is higher than productivity, even in many high natural resources exporting states. When more money is available to be acquired through corruption systems than through productivity, then it can be very hard to change such systems and for countries to evolve into modern, high productivity, low corruption states such as is characteristic of the Northern European states.
8. History of foreign occupation and corruption. One of the key causes of corruption systems was colonization, foreign occupation, and exploitation of countries invaded and controlled for the primary benefit of the foreign power and at the expense of the occupied country. Modern Western European countries, for example, invaded, conquered, and ruled most of Latin America, Africa, India, Pakistan, Burma, Malaysia, Indonesia, Indochina, and the coastal areas of China for almost 200 years for the primary benefit of the Europeans and the exploitation of the countries they ruled. Not only did the Western Europeans operate their colonies in the traditional premodern sense of owning the land, but they also created near-monopoly markets for the manufactured goods of the countries who owned and controlled the colonial countries. The governments these foreign invaders installed operated the conquered territories for the primary benefit of the foreign owners and themselves. These were corrupt governments installed and kept in power by foreign invaders

who ruled through force, biased laws, and extortion. At one time, this represented most of the world's population and land. After independence and decolonization from the European and their US allies, the corruption system element as described above was inherited and adopted and was very similar to the seven points considered above. The political-economic system of "crony capitalism" is such a synthesis with the earlier modernist and premodern colonial systems. One of the reasons there is so much corruption in Southern and Eastern Europe is a similar, long-term history of colonial like occupation and/or control.

Competitive pressures in crony capitalist environments can also hinder corruption reform. When crony capitalism systems are operating effectively, as they are in much of the world, it can be very difficult if not impossible to do business in such countries and systems without cooperating with the systematic corruption. The reality is that if one company does not pay the extortion and contributions to the political parties or does not ignore the unethical behaviors, then the business and/or the permissions go to competitor companies. Since the legal system and the media are often also controlled by the corrupt political officials, this makes domestic legal recourse or domestic whistle-blowing exposure very difficult.

As the Siemens executives testified within Germany admitting that they paid hundreds of millions of Euros to Southern European political officials for their individual benefit and to help finance their political parties as well as in many other non-European countries, if Siemens did not make the extortion payments, then they could not do business in much of the world. There are some methods that can effectively overcome such competitive pressures. For example, whistle-blowing can be done through the media of the home country rather than in the crony capitalist country. For example, in the Siemens case where the whistle-blowing was done in Germany, German managers living in Germany lost their jobs and were prosecuted in Germany, and Siemens was forced to

change some of its corruption cooperation behaviors. However, nothing much has changed in the crony capitalist countries that extorted the payments from Siemens.

There are at least five sets of ethics engagement methods that observers can use to help achieve and maintain ethical institutions and communities and resist both systematic and individual corruption: (1) vision- and values-based methods, (2) win-win incentive and ethics networking methods, (3) power-based top-down compliance and bottom-up whistle-blowing methods, (4) support for alternative institution building, and (5) participation in social movement methods (Sharp 1973; Nielsen 1989, 1996; Nielsen and Bartunek 1996; Rose-Ackerman 1999; Trevino and Nelson 2003).

## Cross-References

- [Capitalism](#)
- [Toxic Leadership](#)
- [Workplace Bullying](#)

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## Ethical Global Citizenship Education

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### Synonyms

Collective involvement; Glocal disposition; Identity progression; Intergenerational mindset; Values-creation

## Introduction

Global citizenship education (GCE) has grown in popularity over the last two decades to assist students in developing their knowledge and understanding of a variety of local, national, and global issues. UNESCO’s definition of GCE (2015, p. 15) is one of the most often used: GCE is concerned with fostering “the knowledge, skills, values and attitudes that learners need to be able to contribute to a more inclusive, just and peaceful world.” Ethical GCE is a “reflective” educational framework that fosters ethical principles (e.g., fairness, equality, compassion, and integrity) and knowledge (Bosio and Schattle 2021). Ethical GCE develops students’ global understanding, self-awareness, cross-cultural compassion, a sense of accountability for achieving the common good at home and overseas, a readiness to speak out and become actively involved in efforts to address key issues of shared global concern, and human values, such as empathy and unity toward sustainability. Ethical GCE represents a pedagogical approach through which educators make a distinct commitment to students’ liberation of the human spirit toward critical and global justice concepts (Bosio 2021a, b; Giroux and Bosio 2021; Torres and Bosio 2020; Bosio and Torres 2019).

## The Five Dimensions of Ethical Global Citizenship Education

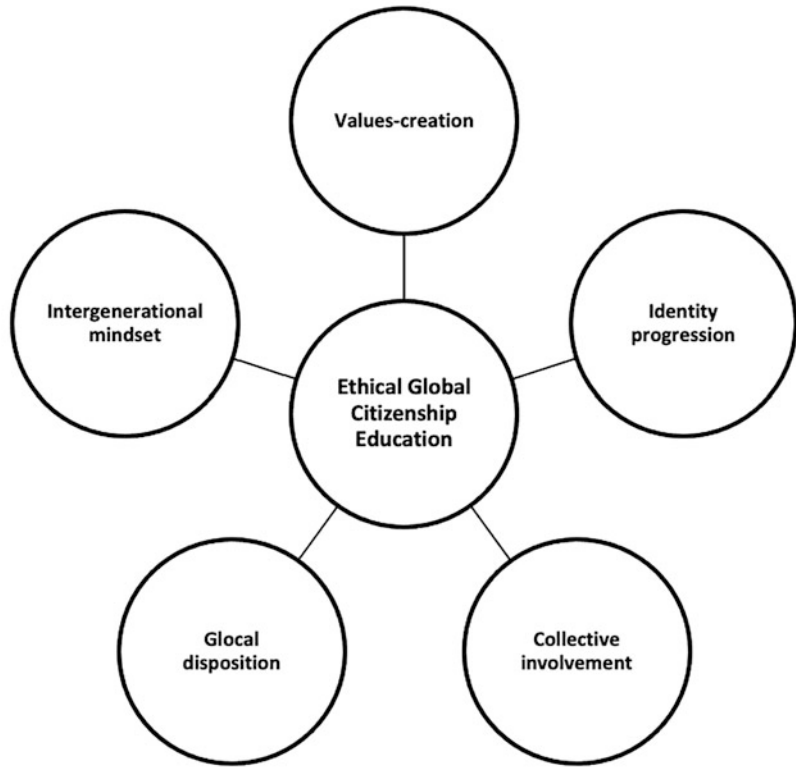
The concept of a “global ethic” informs and inspires ethical GCE. The notion of global ethic, when used in the context of ethical GCE, refers to all components of the learning/teaching process, as well as components of the student experience, which are divided into five dimensions: values-creation, identity progression, collective involvement, glocal disposition, and an intergenerational mindset (Fig. 1).

### Dimension 1: Values-Creation

The values-creation aspect of ethical GCE is associated with assisting students in developing authentic interconnections across the lives of

## Ethical Global Citizenship Education,

**Fig. 1** Ethical global citizenship education



various types of people based on *wisdom* (recognizing the interrelated nature of all human lives), *courage* (reflecting deeply on a personal level and recognizing one's own weaknesses and egotism), and *compassion* (having the ability to look beyond one's own immediate environment or cultural situations and empathize with other people's suffering). The values-creation element of ethical GCE is based on humanistic principles where educators encourage learners to establish "world-peace," albeit more peaceful societies, for example, by taking actions toward the gradual prohibition and abolition of nuclear weapons, in responding to the refugee crisis in ethical ways, and by constructing a culture of human rights. In this way, educators can foster in their students a sense of respect for the sanctity of life so that they can acknowledge the dignity of every human being (Bosio 2020).

### Dimension 2: Identity Progression

In ethical GCE, identity progression is referred to as the growth of human capability to be engaged

with and dedicated to values that express social responsibility in terms of attitudes, actions, and feelings. The "ethical global citizen" should be encouraged to commit to addressing issues and divergent opinions via critical reflective dialogue (Freire 1972), as well as being active in public life on local, national, and global scales. A feeling of ethical global citizenship may be developed by considering rights and responsibilities not only in terms of one's home country or town but also by viewing the globe as a single linked entity. This can lead to problem solving in various situations, one of which is the current requirement for a sense of global environmental citizenship in order to preserve the planet and its ecologies, reverse long-term environmental degradation, mitigate the threats of human-caused climate disruption and species extinction, and solidify Earth's capacity to sustain future generations. These values encourage people worldwide to commit to the types of ethical standards and conduct their lives in accordance with them.

### Dimension 3: Collective Involvement

While personal identification and personal convictions are vital, ethical GCE also contains a communal aspect that recognizes that action is required to promote these values in society and politics. An ethical global citizen should be able to participate in public discussions and focus on solving problems in a way that respects individuals with differing viewpoints, perspectives, and value systems – in numerous settings, be it local, national, or global. Social and political involvement is essential for ethical GCE. Dealing with twenty-first-century issues (such as COVID-19 pandemic, nuclear proliferation, cyberattacks, mass immigration, environmental destruction, and the global climate catastrophe) necessitates active citizen ethical engagement in every way. Ethical GCE must encourage tangible action as well as sustainable philosophy. It must provide sustainable suggestions or plans for the envisioned desirable society. In this regard, ethical GCE shifts from “good citizen” approaches to a more ethically focused strategy of caring for both the local and the global, which is referred to herewith as glocal. Ethical GCE supports learners to become active participants in their communities and nations’ social and political lives. Simple involvement, on the other hand, is insufficient. Action should be carried out in a meaningful and conscious manner that is fully respectful of the rights of others (Veugelers and Bosio 2021).

### Dimension 4: Glocal Disposition

A globally engaged citizen is a member of, and participant in, various communities, some of which overlap the following: local communities, regional communities, national communities, and international groups. Herewith, glocal citizenship refers to the diversity of values and mindsets that result from belonging and fulfilling obligations within these contexts. This perspective, which has implications for ethical GCE, has evolved from research in the social sciences and humanities contexts that suggest the world has become considerably more interconnected in recent generations and that this trend will

continue as the present century develops. Trade, immigration, communications, and technological transformations over the past decades have made it more possible than ever to consider the globe and its inhabitants as a single integrated unit.

### Dimension 5: Intergenerational Mindset

Fostering an intergenerational perspective within ethical GCE requires global citizens to recall and take into consideration insights from the past together with an awareness of future obligations that cross generations while confronting current global challenges (e.g., climate change, civil rights, racial discrimination, gender inequality, and health care availability). In this perspective, ethical GCE aims to assist learners in cultivating a deep awareness of their own and the world’s histories so that they may use lessons from the past while acting in the present. Furthermore, while customs and heritage describe a person’s own definition of citizenship, an ethical global citizen must consider and act with awareness of the consequences their current actions have for future generations. In order to avoid choosing ineffective short-term solutions, ethical GCE implies that efforts are made to address current issues and their implications for the present and the future.

### Practical Application

The five elements of ethical GCE broadly fall into three categories: *purpose* (i.e., values-creation), *relationships across self/others/communities* (i.e., identity progression, collective involvement, and glocal disposition), and *historical* (i.e., intergenerational mindset). Values-creation, for example, is more concerned with students’ capacity to cooperate meaningfully with, as well as accept accountability for, their respective roles within society, and their ability to create value in politics at the local, national, and worldwide levels. Identity progression, collective involvement, and glocal disposition are more focused on cultivating students’ inclusive and broad identities

(or selves), as well as individual participation in collective-sustainable activity. This concerns the aptitude to view and approach problems as a member of a glocal community, as well as a desire to understand, acknowledge, and accept cultural variations; a commitment to changing one's lifestyle and consumption behaviors to safeguard the environment; the inclination to address conflict without the use of violence; and the ability to reflect on a systematic and critical level – for instance, to be sensitive to dividing lines of identity and culture, defend human rights (e.g., the rights of ethnic minorities, women, and children), and rise to the demands of modern-day challenges (e.g., the COVID-19 pandemic).

Simultaneously, ethical GCE must produce global citizens who are not so focused on the present that they forget about the past and the future (intergenerational mindset). From this perspective, ethical GCE is primarily a reflexive pedagogical paradigm concerned with relational, existential, and praxis themes, because it enables students to critically investigate domains of theory and practice that traverse intellectual frontiers, concepts, and practices while promoting their capability to act within a comprehensive time window that encompasses both past heritage (s) and the potential ramifications their actions have for future generations. If considered in this light, ethical GCE may also encourage students to believe that they can contribute to the construction of a new future based on social justice. It may become a “pedagogy of hope” (Freire 1972) or a “pedagogy of value,” through which educational institutions and educators can show that they have not yet become ignorant about political and moral issues.

Thus, Ethical GCE can be thought of as a five-dimensional framework, with educators working to implement into their curriculum the five dimensions of values creation, identity progression, collective involvement, glocal disposition, and intergenerational mindset. Each dimension reflects a significant developmental route with specific characteristics that educators may incorporate into their GCE pedagogy to help students

become value creators, emancipated, empathic, and actively involved ethical global citizens. To foster ethical global citizens, educators should create programs that function across all five domains. This procedure does not have to follow a predetermined order or a linear path; it can be viewed as circular. For instance, establishing learners' collective engagement may lead to a later extension in the boundaries of one's citizen identity, or developing a value-creating and intergenerational disposition may lead to a later realization of a glocal disposition – in the lifespan of the individual learner.

## Conclusion

Ethical CGE as a teaching method must be based on concepts of mutual respect and accountability. Herewith, educators must assist students in learning to recognize both the desirable and undesirable moral obligations that come with living as a human being at this time – for instance, by recognizing the roles that developed countries, big corporations, and some political leaders have played in the creation of systems of inequality, oppression, and mistreatment throughout history. This framework may be tailored to fit the circumstances, goals, and objectives of individual schools and institutions. Lastly, the proposed framework, by its very nature, is open to critical scrutiny. It can readily be revised and presented as a flexible analytical tool, ready for further modification and refinement in relation to distinct educational contexts.

## Cross-References

- ▶ [Academic Ethics and Academic Integrity](#)
- ▶ [Academic Integrity and University Corporate Accountability](#)
- ▶ [Agency Theory](#)
- ▶ [Core Values](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Ethical Citizenship and Business Ethics](#)



- Feminist Ethics
- Gender and Social Security
- Human Rights
- Humanitarian Ethics
- Justice
- Medical Ethics and the Land Ethic

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## Ethical Hacking: Is It Ethical?

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## Synonyms

Business ethics; Ethical dilemmas; Pen testing; White hat hackers; White hats

## Introduction

### Why Is Ethical Hacking Necessary?

With today's Internet and the development of the information society, the physical world and the virtual one become strongly intertwined. Actions in the digital realm, in particular illegal or aggressive ones, can have direct impact on people, companies, and the society at large.

Personal data leaks facilitate identity usurpation in real-world transactions, both in the physical world and in the virtual one. Cybersecurity breaches in a company may lead to direct financial loss or trade secrets disclosure that can affect competitiveness and can impact the economy. Critical infrastructures (power plants, hospitals, banks, telecommunication companies, transportation infrastructures, food and water supply chains, etc.) are vulnerable to cyberattacks. Entire sections of our society are potentially paralyzed in case of a successful attack. Foreign unfriendly countries may target companies and critical infrastructures in order to get potential means of retaliation or even to reach a decisive advantage in case of a cyberwar. Even fundamental rights and other democratic values can be threatened, for example, when voting infrastructures are compromised.

From an ethical perspective, several values are at stake in this context: privacy, health, well-being, economic prosperity, security, autonomy, self-control, justice, fundamental rights, and other

democratic values (Pavone et al. 2016). There is a societal responsibility to protect these values and therefore to promote cybersecurity through balanced and proportional measures, not only responsive ones but also preventive ones.

In order to address cyber threats, a combination of technical, organizational, and social preventive measures are taken at different levels, from the conception of the system to its development, as well as during its operational phase. An important measure consists in regularly testing and evaluating the actual resistance of a functioning system to realistic (cyber) attacks committed by so-called *ethical hackers* or *white hat hackers*.

Ethical Hacking

Ethical hacking can be defined, in very broad terms, as the authorized attempt of cybersecurity violation for prosocial purposes. Ethical hacking should be clearly distinguished from black hat hacking, which is both unauthorized (and thus illegal) and aimed at malicious purposes (e.g., personal gain at someone else’s expense) and gray hat hacking, which is not authorized (and thus illegal) but not aimed at malicious purposes. The most common prosocial purpose of ethical hacking is the authorized testing of the security of a system.

What Ethical Hackers Are Not

Some hackers are unambiguously *not* ethical hackers: hackers with malicious motives who act illegally. A *skilled* hacker of this type is often referred to as a *black hat*. Black hats search for flaws in applications, protocols, operating

systems (OS), machines, and servers, in physical hardware or virtual devices, and in network systems, which can be compromised. When they find vulnerabilities, they access a computer system or an IT infrastructure without authorization. According to most countries’ laws, this is illegal. The typical goals of black hat hackers are to steal sensitive information, such as personal or corporate data, and either to sell these information to other (cyber) criminals or to blackmail users or companies, for example, by demanding a ransom in exchange to repairing a compromised system. Script kiddies are not real hackers but people who use tools or services developed by black hat hackers in order to pursue similar activities.

*Gray hats* are similar to black hats in relation to the law but differ from black hats in terms of their motivations (see Table 1). Their primary motivation is not to intentionally harm others or to gain financially at the expense of others. Rather, they have subjective motivations such as the intellectual enjoyment, pride, and peer recognition of their hacking skills. Alternatively, they are committed to personal moral or ideological views that require achieving some ethically good objectives (including forcing others to improve cybersecurity measures) while minimizing harm and, when these conditions are satisfied, justify the means, even when the means are illegal.

What Ethical Hackers Are

The most common meaning associated with the expression “ethical hacker,” or equivalently “white hat” hacker, is probably that of “a skilled programmer and computer expert who looks for vulnerabilities in software, protocols, OS, computers and servers, in other physical or virtual

Ethical Hacking: Is It Ethical?, Table 1 Black hat vs gray hat hackers

|            | Respect for the law     | Main motivations                                                                                                                                                                               |
|------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Black hats | No                      | Malicious or antisocial (financial gain at the expense of other people)                                                                                                                        |
| Gray hats  | No (or not necessarily) | Having fun, playing around, solving a challenge, obtaining peer recognition, improving the IT security of a system, subjective moral principles, ideological objectives (like the hacktivists) |

devices, and in network systems in order to improve the IT-security of a system” (Jaquet-Chiffelle and Loi 2019, sec. 9.3.2) and is *hacking by commission*.

Most of the time, the ethical hacker is an experienced and skilled professional employed by an IT security company, or more specifically by a pen-test<sup>1</sup> company, that is a contractor of another company whose IT security and computer infrastructures need to be tested. A contracting company will authorize and require the ethical hacker to try to circumvent its cybersecurity measures in order to find possible vulnerabilities and to highlight potential weaknesses. We may use “penetration testing” to indicate all activities in which the conductor of the attack is mandated by the target’s IT security and acting within the limits defined by such mandate.

The ethical hacker (or white hat hacker) acts legally and commit herself or himself to behave in a trustworthy way toward the contracting company. Indeed, in this configuration, the ethical hacker operates with the consent of the latter and abides by all applicable laws, and the perimeter of interventions is defined contractually.

A strong trust relation is required for a company to allow the ethical hacker to attack its own system. First, a nonethical hacker could take advantage of the mandate to steal sensitive information or to install permanent backdoors (or conceal some vulnerabilities) in order to keep unauthorized access to the system even after the expertise is over. Then, the ethical hacker might discover accidentally, while accessing the IT infrastructure, nonrelevant information for the expertise that shed light on legally or ethically questionable behaviors within the company. If such information were made public, the reputation of the contracting company might be at stake. Therefore, the ethical hacker’s faithfulness toward the contracting company is expected in order to prevent potential negative side effects of the security testing itself from the company’s perspective.

## How Trust Is Reinforced

Trust in the context of ethical hacking is therefore crucial. On one side, the ethical hacker should trust the contracting company that he or she will not be accused of illegal activities as a consequence of his or her attempts of cybersecurity violation realized during the course of the mandate. On the other side, the contracting company needs to be sure that the ethical hacker will act in a faithful way, respecting the company’s interests. Without such a strong trust relation, the company would hesitate to have its IT system tested for vulnerabilities and would balance the risks of being affected by actual cyberattack vs by the preventive ethical hacking itself. In order for the company to have incentives to hire an ethical hacker, the trust relation must be similar to the one between a medical doctor and his or her patients, or even between a lawyer and his or her clients.

Two elements contribute to building trust and defining the mandate of pen testers: a contractual agreement and a strict code of conduct that protects both their relationship with their clients and their client’s interests.

*Transparency* is a key factor in building trust. The contract between ethical hackers and their clients should address in a transparent way what is expected (companies only wanting the ethical hacker to confirm that there are no flaws and no IT vulnerabilities in their system might be disappointed), what is authorized and what is not, as well as the scope of the mandate (which parts of the IT system have to be tested and which ones are excluded if any). Non-disclosure agreements are necessary but not sufficient. The manner in which all discovered vulnerabilities and weaknesses are reported, and to whom, should also be precisely expressed in a transparent way.

The *reputation* of the pen-test company is decisive too in building trust and one of its most important assets next to its skilled employees. Internal procedures are often introduced to ensure reputation sustainability. All ethical hacker employees have to comply with a strict *code of conduct* that protects the contracting company’s interests and makes the pen-test company trustworthy.

<sup>1</sup> Penetration testing

The *code of conduct* specifies rules that the ethical hacker has to abide by in order to avoid attitudes that could create tort to the hiring company. Characteristic elements of a code of conduct are obtaining a written permission prior to assessing IT security, staying within the limits of the client's expectation, respect for the client and its employees' privacy, using documented processes for all actions taken to attack the system, transparent communication, removing any additional programs introduced in the IT system during the mandate, not introducing backdoors, and informing the client of all found vulnerabilities and weaknesses (the hacker cannot keep such information hidden for his or her own interest).

### Ethical Values at Stake

In this context, ethical values appear at three different levels: at a societal level, at a business level, and at a personal level (Jaquet-Chiffelle and Loi 2019, sec. 9.4.2).

At a societal level, priority is mainly given to protecting citizen's interests (privacy, health, well-being), country's interest (economic prosperity, security, autonomy), and democratic values (nondiscrimination, justice, and other fundamental rights). At a business level, values are often oriented by economic purposes (competitiveness, profit, reputation, and sometimes sustainability). At a personal level, values are usually driven by moral principles or ideological views (e.g., honesty, faithfulness, own sense of justice, fairness, equity).

Even when some of these values are shared between some of these three levels, they are not necessarily prioritized in the same way. Therefore, tensions can occur when conflicting values have to be taken into account, even within a same level, in order to make a practical decision.

### Ethical Dilemma for Ethical Hackers

On the one hand, ethical hackers have to comply with values defined in the strict code of conduct. On the other hand, being ethical may also mean respecting other (sometimes conflicting) values. Therefore, in some situations, ethical hacking cannot necessarily be deemed ethical in the broad sense.

Clearly, codes of conduct strongly focus on business-oriented values. When hackers' own ethical values and moral principles conflict with those values, especially when they include them with a lower priority than some other moral objective, ethical dilemmas and tensions between different orientations toward justice will arise. For example, penetration testers may find proof of grossly unethical behavior within the company they have been hired to test. A tension might arise if this unethical behavior has consequences that affect a large population or the country security, for example. The ethical hacker might balance the consequences of respecting the code of conduct vs breaking the code of conduct and revealing the behavior so that it stops. Respecting the code of conduct would allow the company to pursue its strongly unethical behavior which might affect personal values of many people, other companies' assets, or even societal ethical values. Breaking the code of conduct would bring a short-term direct improvement with respect to the unethical behavior of the company but might refrain other companies to hire ethical hackers and run penetration tests, which would affect the global cybersecurity in the country and therefore also endanger other ethical values at a societal level in the long run. The ethical evaluation to solve this dilemma is not straightforward. It depends on a fine evaluation of the consequences of both decisions, as well as on the own value prioritization of the ethical hacker.

In this case, we have a conflict between a strictly deontologically inclined morality and rule-consequentialist one. A strict form of deontology is entirely *agent-centered*: there is a strong moral distinction between the agent's own duties (e.g., abiding to the code of conduct), which are morality's own focus, and bad outcomes that are produced by other agents. Suppose that you and your co-workers end up being the prisoner of a sadistic terrorist who decides to torture you. She hands you a loaded gun and tells you "you either kill one of your colleagues, or I will kill both of them myself." A strict deontological morality solves the dilemma by refusing to kill. By contrast, a consequentialist morality is *outcome-centered*: you ought, especially in a situation like this

in which the payoffs are clear and there is little possibility of self-serving bias, to choose the lesser devil and kill one of the two colleagues. This will amount to a single homicide (a bad outcome), instead of two (an obviously worse one). The dilemma does not provide a strong case for the superiority of the consequentialist solution. Clearly, the rational arguments in favor of the consequentialist solution are very strong in this case. As a possible argument against it, consider a variation of the situation in which you do have a bias in favor of one of the two colleagues, e.g., you are his or her friend. The morality of the consequentialist choice may be disputable if you end up choosing him as the person whose life ought to be spared (as opposed to, say, flipping a coin). In the cybersecurity dilemma, consequentialism most plausibly dictates that the evil actions of the inspected company be made public, breaking the confidentiality agreement. This is (let us suppose) clearly the action that chooses the lesser evil. But a strict deontological view of morality views things otherwise: strict moral obligations of *the hacker* only concern what the hacker is *directly responsible for*, namely, to avoid actions that would violate duties to the employer. There is no comparable obligation to prevent *the employer* to do evil by violating *its* moral duties to others. As said above, deontological morality is focused on the agent's own action, so it gives priority to the duties which may be violated by one's own actions when this has to be balanced with preventing duty violations by others.

Dilemma can also arise even for ethical hackers willing to fully respect the code of conduct whatever the (ethical) consequences are. When an ethical hacker is testing the IT infrastructures of two different companies, testing the first company might reveal its unethical behavior toward the second one, using a zero-day vulnerability that would have been impossible to detect by the ethical hacker if he or she had only assessed the security of the second company. However, knowing the attack allows the ethical hacker to look for specific traces in the IT infrastructure of the second company and find evidence of the

attack. Respecting the code of conduct requires him (or her) both not to divulge this zero-day vulnerability (faithfulness toward the first company) and to reveal it to the second company (obligation to inform the client of all found vulnerabilities and weaknesses). Whatever the practical decision is, the ethical hacker will have to break the code of conduct from the perspective either of the first company or of the second one. The choice might depend on the ethical hacker's own values, morality, and personal evaluation of the situation. In this case, like in the former, different *substantive* moralities, grounded in moral values *outside* those made explicit by code, may dictate the resolution of the dilemma. As in the previous case, a strict deontological morality requires that the ethical hacker leaves the second company due to an irresolvable conflict of interest. A consequentialist morality requires that the vulnerability be communicated, as this is the action that achieves the highest level of security for all parties involved.

## Conclusion

Due to the fact that prosocial goals, even within the business sphere, may conflict, ethical hackers may face ethical dilemmas. The standard rules included in ethical hackers' code of conducts may not provide solutions to these dilemmas, which will have to be solved by appealing to the hackers' own morality. Hence the solution to these dilemmas is not always "ethical" in the same narrow sense in which code of conducts are. This points to the need of a broader and deeper engagement with ethics for practitioners.

Ethical behavior cannot be reduced to a checklist of ethical conditions to fulfill. Practical decisions often need to take into consideration conflicting ethical values, as well as how these values are prioritized. The prioritization itself is not absolute and depends in particular on the ethical hacker's own moral choice, e.g., either a strictly deontologically inclined morality or a rule-consequentialist one.

## Cross-References

- ▶ [Axiology and Business Ethics](#)
- ▶ [Business and Society](#)
- ▶ [Business Code of Ethics](#)
- ▶ [Business, Law, and Codes of Ethics](#)
- ▶ [Conflict of Commitment](#)
- ▶ [Core Values](#)
- ▶ [Ethical Decision-Making Process](#)
- ▶ [Ethical Dilemmas](#)
- ▶ [Ethics of Meaningful Work](#)
- ▶ [Gender and Social Security](#)
- ▶ [Maintaining Data Integrity](#)
- ▶ [Normative Ethics](#)
- ▶ [Pragmatism and Business Ethics](#)
- ▶ [Trust and Institutions](#)
- ▶ [Utilitarianism](#)
- ▶ [Virtue Ethics](#)
- ▶ [Whistleblowing and Information Ethics](#)
- ▶ [Work Ethic](#)
- ▶ [Workplace Values and Ethical Performance](#)

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## Ethical Issues Facing Domestic Workers

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## Synonyms

Marginalized home laborer

## Introduction

Many families today rely on the labor of domestic workers to meet their caregiving needs (e.g., child care and elderly care) and their domestic responsibilities (cleaning, cooking, and other household maintenance tasks). Domestic workers, who the International Labour Organization (ILO) simply define as including those who are employed in private households, are primarily women. In fact, figures from 2016 show that one in 25 women worldwide are working in domestic work (ILO 2016). In 2015, the ILO estimates that there were 67.1 million domestic workers worldwide, 17.2% of whom are migrant domestic workers (Galloti 2015).

There are many ethical issues that are associated with domestic work.

## Recognizing Domestic Work as “Real” Work

Domestic workers find it difficult to receive proper financial compensation. That the majority of domestic workers are women also lead to increased stigmatization of domestic work. In light of the ongoing devaluing of women’s work, with care and domestic work perceived by many societies as coming “naturally” to women and therefore not truly requiring much effort, many domestic workers find it hard to get their labor contributions recognized.

In addition, because domestic work is part of the informal economy, its economic and social value does not get recognized even though most households with caregiving and/or domestic responsibilities will not be able to function without domestic workers. Such undervaluing raises an important ethical conundrum concerning the recognition of feminized forms of labor, introducing the question of how can – and how should – domestic work be recognized. Although countries such as the Philippines have passed legislation that stipulate a minimum wage for domestic workers, other countries remain reluctant to do so because of the fear that setting a set wage for domestic workers would present undue financial



hardships for employers. Achieving a balance between fair financial compensation for domestic workers and affordability for employers becomes a pressing issue. Initiatives passed in France and in Belgium that allow the state to partially subsidize the payment of a minimum wage for domestic workers may be one way to meet this balance.

### **The Difficulty of Regulating Domestic Work**

Domestic work is undertaken within the private sphere of the household. Unlike other work sites, where labor regulations and health and safety standards are set, households are not a regulated work site. Consequently, domestic workers have a challenging time ensuring that their labor rights are met, not only in terms of financial compensation but also in terms of ensuring that they receive appropriate breaks and time-off, that they work in safe and nonhazardous environments, that employers respect the terms of their employment contracts (if they have signed one), and that their right to privacy is respected (if they are living with their employers).

More crucially, the very nature of domestic work is such that the relationship between domestic workers and their employers oftentimes does not resemble a standard working relationship but has instead been characterized as falling closer to a family relationship. The adage that domestic workers are “part of the family” is in fact commonplace. Conceptualizing the employment relationship as such further compounds the difficulties that domestic workers face when seeking the recognition of their labor rights. For example, refusing employers’ request to work overtime or to undertake tasks *beyond* domestic work becomes difficult for domestic workers when they are seen as “family members” who have to participate in household maintenance. For live-in domestic workers, these boundaries become even less defined. The ethical dilemma thus concerns, first, how states can realistically ascertain that labor standards are met when households are, by definition, private spaces and second, whether and how domestic and care work can and should be distinguished from other forms of work.

### **Migrant Domestic Worker Programs as Contributing to Inequality Between States and to Prolonged Family Separation**

Most domestic workers are migrant women who left their families behind in order to work abroad. Global South countries, through their labor brokerage regimes (Rodriguez 2010; Guevarra 2009), encourage the out-migration of their female nationals because the remittances sent by migrants are a crucial source of national revenue. Because of the imbalance in power between migrant-sending countries and migrant-receiving countries, the ability of migrant-sending states to pass multilateral policies that will strengthen their ability to protect their nationals while working as domestic workers abroad is sharply curtailed. And even when migrant-sending states pass policies that are intended to protect migrant domestic workers – such as prohibitions in the out-migration of its nationals to work in countries that are known to be abusive towards migrant domestic workers – abysmal economic conditions within their states mean that people find ways to migrate to “banned” states. The larger question of whether migrant domestic worker programs can ever be ethical because they rest on continued power imbalances between migrant-sending and migrant-receiving states thereby emerges. That these programs exacerbate the brain drain within migrant-sending countries, thereby creating labor shortages in crucial industries, also becomes an issue.

In addition, migrant domestic worker programs contribute to inequalities between families. Migrant domestic workers have to leave their families and their children behind while frequently working for families in richer states that do not have to live apart. The fact that migrant domestic workers leave their children behind to care for the children of families in affluent countries brings up questions of uneven standards of care. Critics of migrant domestic worker programs argue that these programs enforce family separation, forcing countless of children to grow up without their parents. Such critics argue that migrant domestic workers should have the option of being able to come with their families. While

scholars have pointed to the resilience migrant women and their families exhibit when adapting to family separation (Francisco-Menchavez 2018), these situations are unideal. The prolonged effects of family separation on migrant women and their families include but are not limited to mental and emotional stress, depression, anxiety, and marital breakdown. Even though labor migration confers economic gains for migrant women, whether the financial gains they receive are enough to compensate for the personal hardships emerging from prolonged family separation introduces questions about the ethics of maintaining existing labor migration programs.

### **Determining Migrant Domestic Workers' Settlement Rights in Migrant-Receiving States**

Migrant domestic workers' long-term presence in migrant-receiving states introduces questions of settlement. While the vast majority of countries that accept migrant domestic workers do not provide migrant domestic workers with opportunities to settle permanently in their countries, the reality that many migrant domestic workers have been present for prolonged periods of time mean that for some immigration advocates and researchers (Carens 2013), any ethical immigration policy should accord them with the right to permanent settlement. In countries like Canada, migrant domestic workers' ability to apply for permanent residency was granted following migrant domestic workers' calls that "if they are good enough to work, they are good enough to stay."

### **Cross-References**

- [Feminist Ethics](#)
- [Gender and Household Economics](#)
- [Gender, Economics, and Unpaid Work](#)
- [Work-Family Conflict and Policies](#)

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### **Ethical Issues in Providing Behavioral Health Treatment to Vulnerable Populations**

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### **Synonyms**

Disenfranchised populations; Ethics in clinical practice; Health disparity; Health equity; Human rights

### **Definition**

Mental health vulnerabilities exist across the lifespan and involve numerous risk factors. Vulnerability involves these complex, interactive, and cumulative risk factors that result in adverse effects on health throughout the lifespan (WHO 2001). The US Surgeon General's Report on Mental Health identifies that "even more than other areas of health and medicine, the mental health field is plagued by disparities in the availability of an access to its services." These disparities are viewed readily through the lenses of racial and

cultural diversity, age, and gender (DHHS 1999, P. vi). There are significant differences in “social, economic and educational contexts among many population groups which subsequently place them at greater risk for poor mental health” (Pearson et al. 2015, p. 14).

Braveman et al. (2011) defined health-care disparities as typically “plausibly avoidable health differences according to race/ethnicity, skin color, religion, or nationality; socioeconomic resources or position (reflected by, e.g., income, wealth, education, or occupation); gender, sexual orientation, gender identity, age, geography, disability, illness, political or other affiliation; or other characteristics associated with discrimination or marginalization (S150).”

Other factors characteristic of a population with behavioral health needs putting them at risk for care inequities and health disparities include degree of psychiatric illness impairing functioning, level of perceived dangerousness, and degree of stigma they experience, related to behavioral health. These terms and factors are in turn, conceptually part of the broader definitions of health disparity and health equity, terms discussed at length in the literature, particularly in the Healthy People 2020 movement identified by the US Department of Health and Human Services (USDHHS 2010). The National Institutes of Health defined health disparities as “differences in the incidence, prevalence, mortality, and burden of diseases and other adverse health conditions that exist amount specific population groups in the United States.” Health disparities occur with populations having medical and behavioral health-care needs. Providing care to populations with health disparities is challenging.

These concepts are also reflected in a number of international ethics documents including the United Nations International Universal Declaration on Bioethics and Human Rights (UNESCO), the Belmont Report, the Declaration of Helsinki, and the Council for International Organizations of Medical Sciences (CIOMS) guidelines (Zagorac 2016). All emphasize the right to health and health services with the elimination of marginalization and exclusion of persons for any grounds. All of

these documents focus on the need to protect the vulnerable in research and care models, while the manner of providing this protection is not elucidated in any of these guidelines (Zagorac 2016).

All policy makers and international agencies agree that vulnerable populations need protection without identifying the exact process occurring at an actual care level in a treatment setting. It is difficult to precisely define health disparity in a heterogeneous population. While this might be the first step in defining the behavioral health issues present in a disenfranchised population, it is muddled by the myriad of influencing factors on the concept of vulnerability. If vulnerability is a fluid concept, it potentially changes over the lifespan. Research has identified that racial minorities, those in underserved socioeconomic groups, and those with chronic psychiatric illness are vulnerable by static factors. Others can change, such as socioeconomic status, health status, and community of residence. Identifying the individual factors that make vulnerability and constant risk while being aware of the individual’s unique circumstances is essential to providing ethically balanced care.

Importantly, all of these categories reflect the individual’s or group’s status in a social hierarchy. Not all health disparities define health differences. Instead, they are relevant to “social justice because they may arise from intentional or unintentional discrimination or marginalization” and, in turn, “are likely to reinforce social disadvantage and vulnerability” (Braveman et al. 2011, p. S150). The major professional groups providing behavioral health treatment (physicals, nurses, psychologists, social workers) to all populations clearly state and endorse nondiscriminatory health-care practices aimed at minimizing health disparities. All mental health professionals encounter vulnerable populations in their work. “Mental healthcare professionals face numerous and difficult challenges” (Hem et al. 2014). Uncertainty about the right treatment, need for coercive treatment measures, and the individual’s competence are all influences.

The ethical issues inherent in providing behavioral health care are embedded in all levels of care

provision beginning with the individual needing care and moving through the professional providing care, the setting of the care, the community where it is given, the philosophical model of the institution where the care is given, and the financial structure the society uses to pay for the care. Each of these entities has their own ethical challenges and dilemmas.

### **Applying Ethics to Specific Behavioral Health-Care Practices: Community Health Clinics**

The Primary Health Care Behavioral Health model has been proposed and implemented as a model for community treatment in many health systems both in the United States and internationally. It focuses on a team-based model of care that integrates physical and behavioral health needs. It is population based and can accommodate a large number of patients within a community. The goal is continuity and longitudinal engagement with patients and families rather than being specific to one episode of illness (Reiter et al. 2018). Vulnerable populations tend to use the community health-care system for their care as it is affordable, available, and focused on the entire person or family requiring services.

In this model of care, the clinic is located in a community known to providers. Care is shared by a number of health-care specialties and is full service, i.e., involving medical, dental, adult and pediatrics, obstetrical, and behavioral health services in one location. The ethical issues presented by this model of integrated care reflect many of the ethical issues encountered by other providers, in other settings. They will be summarized here as an exemplar.

Runyan et al. (2018) identify the common ethical issues particular to the community health-care system. They note that the traditional model of ethical care has applicability to the single-episode model of treatment, with a clear beginning and ending point and one clinician in charge of the care. In this interdisciplinary model, several individuals are involved with the patient and might

have various understandings on the ethical variances that are presented in this model. Reiter and Runyan (2013) note that while the primary health-care model focuses on the whole family, specialty mental health care typically looks at the care of the individual.

Ethical dilemmas require a view that is non-disciplinary related and pertains to the primary care environment. Issues of confidentiality, collaboration, and involvement of other family members can contribute to ethical dilemmas. The community health treatment model strives to decrease discrepancies in health status, services, or outcomes based on social inequalities among particular segments of a population. These differences comprise the factors noted early on. The concept of health equity involves the promotion and achievement of the highest level of health for all people and the absence, over time, of health differences related to age, gender, ethnicity, and underserved status.

### **Applying Ethics to Psychiatric Practices**

Ethical psychiatric care involves providing the individual and family with care that fosters development and health. This involves providing support for individual/family/community strengths, development of collaborative partnerships to prevent and treat illness, enhancing public and professional education and awareness, and advocating for mental health promotion, treatment, and translation. Application of ethical practices means that the mental health professional adheres to the highest standards of behavior and respect toward individuals in their care, regardless of that person's status or presentation.

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## Ethical Issues in Use of Digital Technology in Physiotherapy

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## Synonyms

Digital physiotherapy; Ethics in physiotherapy; Individualized state-of-the-art physiotherapeutic treatment; Online management of injuries; Online

physiotherapy; Tele-physiotherapy; Virtual physiotherapy services

## Introduction

Digital physiotherapy represents the use of electronic communication and information technology to deliver online physiotherapy consultations, diagnostics, and actual implementation of remote therapies by using state-of-the-art tools based on a framework that facilitates a patient-therapist relationship regardless of location.

The rapid development of information and communications technology, as well as the fact that the world is experiencing an unprecedented global pandemic, requires that healthcare professionals adjust to these changes. Physiotherapists all over the world are now delivering health care in a new remote way, using online tools to enable patients to improve therapeutic outcomes and therefore increase a service user's independence and control in managing their own healthcare problems. For quite some time, physiotherapists have been using different mobile devices such as phones, tablets, and smartphones in both treatment and as treatment support because of its high reach and low-cost solutions (Dicianno et al. 2015). The transition from traditional treatment methods based on information technology, more precisely to applications based on smartphones, is nowadays extremely important for the effective and efficient treatment of various groups of patients (Jin et al. 2008; Physiopedia 2020a). It has been shown that the use of advanced technology has had a positive effect on therapeutic results (Owens et al. 2020). By using smartphone programs specific to home physiotherapy programs, patients experience a new way of performing physiotherapy that encourages their active participation during physiotherapeutic treatment.

## Online/Digital Physiotherapy

Digital physiotherapy is considered to be more comprehensive than tele-physiotherapy because



it represents the range of specific technologies available and their impact on physiotherapy client-centered practice and service models. According to World Confederation for Physical Therapy (2020), digital physiotherapy should be used to refer to healthcare service delivery, as well as support and information that are delivered remotely using digital communication and devices. The main goal of digital physiotherapy practice is to facilitate the effective delivery of a client-oriented approach of physiotherapy services by improving access to health care, information, and managing health care resources.

Online or digital physiotherapy represents an alternative to a standard face-to-face physiotherapy appointment, based on which patients can receive instructions, exercises, and support through an online program to be completed in a home environment (RateUsOnline 2020). Given the ongoing pandemic, various healthcare facilities have been increasing the practice of virtual reality physiotherapy, which is also beneficial for patients due to its convenience, control, and reduction of unnecessary costs. Recent analysis showed that 70–75% of patients prefer virtual treatment over in-person physiotherapy session (RateUsOnline 2020). Nevertheless, online physiotherapy is a relatively new practice; it is designed in a way that helps patients receive the exact type of care they would receive if they were admitted for healthcare treatment in the traditional way. The only difference is that patients do not meet with the physiotherapist (Lambert et al. 2017).

Digital physiotherapy has many benefits for patients as it provides a sense of personal autonomy and empowerment, enabling them to take control in the management of their condition (Brennan et al. 2009). Within the process, patients are becoming active partners rather than passive participants in their care. Online physiotherapy enables access to rehabilitation for patients living in remote areas, as well as to those with mobility issues associated with physical impairment, access to transport, and socioeconomic factors (Theodoros and Russell 2008). Additionally, this type of physiotherapy also reduces transportation costs and saves patients the time they would spend

on transportation (Kairy et al. 2009). However, online physiotherapy is not beneficial only for patients but also for physiotherapists, since it represents a continuation of rehabilitation that they are able to monitor (Brennan et al. 2009; Australian Physiotherapy Association 2020). According to previous research, online rehabilitation within the patient's own home environment leads to greater functional outcomes (Hale et al. 2003).

### **Individualised Patient-Centred Physiotherapy**

Kittelson et al. (2020) studied the concept of person-centered health care from different perspectives and in this context and on the basis of evidence-based physiotherapy practice, formulated directions relating to patient-centered physiotherapy. Thus, patient-centered physiotherapy represents a collaborative approach to physiotherapy services developed in partnership with patients. This means that the relationship is based on respect and is at the same time adapted to individual patient's needs, values, and preferences, whereby patients engage the assistance and support of a physiotherapist.

Although individualized patient-centered physiotherapy is considered an integral part of a physical therapy practice, it does not have a general definition (Wijma et al. 2017). The philosophy behind the concept emphasizes the organization of delivering physiotherapy based on patients' needs, preferences, and experiences. Despite the fact that the concept is widely endorsed, it still lacks detail and clarification in order to be effectively implemented (Jesus et al. 2016). Practicing online patient-centeredness in physiotherapy requires a dedicated physiotherapist capable of performing an individualized patient's treatment. Additionally, the physiotherapist must be capable of continuous communication (verbal and nonverbal) with patients and has to be focused on his continuous education and self-development during all aspects of treatment. Moreover, social skills, specific knowledge, and, last but not least, confidence are of essential



importance to be able to work with patient's defined goals in treatment and to properly empower patients through providing the support needed (Wijma et al. 2017). Thus, it is important to explore the patients' view on patient-centered physiotherapy, and, on the other hand, it is equally important to also identify the physiotherapists' perspectives on the meanings, attitudes, and limitations related to the same concept. If the patient and the physiotherapist do not have at least a similar view on the patient-centered physiotherapy, this could mar the implementation of the concept as the patient might be unsatisfied (Ahenkorah and Snowdon 2015). Equally important for the successful implementation of the concept is to identify potential barriers by physiotherapists, such as financial constraints, lack of staff, space and equipment limitations, generally low morale, lack of patient understanding about their role in physiotherapy and their health condition, etc. (West et al. 2005). However, in the process of preparing a patient's physiotherapy program, physiotherapists can often only rely on their clinical experience and reasoning, which could in the end also result in patient-centered physiotherapy (Cruz et al. 2012).

## Ethics of Online Physiotherapy

Ethical aspects must be taken into account in all forms of health care, including in the context of digital physiotherapy. Due to the fact that physiotherapists can see patients via virtual physiotherapy on a case-by-case basis, decisions must be based on clinical judgment, the client's informed consent, and professional standards of physiotherapy care (Brennan et al. 2010). Implementation of online physiotherapy requires that organizations or physiotherapists ensure the same level of ethical standards, compared to the provision of physiotherapy services in the traditional way, when technology is not used. However, before implementation of online physiotherapy, it is important to determine which patients are suitable for this kind of therapy, according to patient's resources, information technology knowledge, possession of appropriate technology, and the urgency of

medical care. Additionally, it is important to take into consideration the patient's abilities to participate in online physiotherapy (visual or hearing impairment). Thus, physiotherapists should always consider whether virtual physiotherapy is the best intervention for the specific patient, especially when dealing with vulnerable groups. Furthermore, physiotherapist should think about the patient's treatment results and desired outcomes (Cottrella and Russell 2020). It is also important to have the patient's written consent of voluntary participation, as they must also be informed of the fact that they may at any time withdraw from such provision of health services (Australian Physiotherapy Association 2020). In order to ensure appropriate ethical standards, practitioners must first consider goals of online physiotherapy consultations while ensuring patient safety. As part of the latter, they must ask themselves if the patient's health condition can be addressed via online physiotherapy and how urgent it is for the patient to receive the physiotherapy treatment. As previously mentioned, the practitioners have to consider the patient's ability to interact with technology as well as suitability of the technology possessed by patients. Additionally, it is necessary to evaluate the benefits and the barriers of practicing online physiotherapy (Physiopedia 2020; World Confederation for Physical Therapy 2020).

## Patient Consent

Within the informed consent of the patient (Sim 1998), the guiding principle must be respect for the patient's autonomy (Beauchamp and Childress 2001). Therefore, the patient's consent needs to be obtained before starting online physiotherapy treatment; additionally, physiotherapists need to consider issues regarding technology, first in terms of the patient's technological capabilities and IT knowledge, and must then provide information about online treatment specifics, that is, benefits and barriers to the use of IT (Chaet et al. 2017).

When informing patients about technology, health professionals have to consider the fact that the required information may vary between patients due to their familiarity with technology (Pirtle et al. 2019). In online treatment of

vulnerable groups such as children and the elderly, physiotherapists additionally need to include the patient's parent, caregiver, or advocate (World Confederation for Physical Therapy 2020).

Prior to any treatment, physiotherapist should therefore consider how to provide patients with clear and concise information about telehealth and any information about expenses in this respect. Additionally, patients need to understand why physiotherapists plan to see them via online sessions and not in person. As previously stated, obtaining written or verbal consent is mandatory when performing online physiotherapy, as well as any additional consent in case of recording or taking pictures during the physiotherapy treatment (Physiopedia 2020).

As soon as we start talking about video treatment, we need to be aware that *Patient privacy* concerns may arise. Considering the fact that – in the context of online physiotherapy treatment – patient's medical information is available on multiple devices, there is increased risk of security issues, which can affect the patient's willingness to participate in online sessions (Mehta 2014). Accordingly, it is imperative that we provide the same level of privacy and confidentiality in online physiotherapy as if we were providing healthcare services to patients in the traditional manner.

The use of online physiotherapy also creates many issues in relation to *Technology security issues*. In this regard, it is necessary to provide a secure platform with end-to-end encryption (World Confederation for Physical Therapy 2020). In most cases, people trust that common applications are safe to use; however, some do not trust applications unconditionally (Dart et al. 2016). It is also necessary to consider solutions for storing electronic information such as patient data (photographs and videos) that need to be kept in a secure location and only accessed by authorized healthcare professionals caring for the patient's health care (World Confederation for Physical Therapy 2020).

As part of the development of digital physiotherapy practices, it is necessary to include regulatory bodies, which will have to define ethical standards as well as guidelines for charging for

online health services (World Confederation for Physical Therapy 2020).

## Cross-References

- [Autonomy and Informed Consent](#)
- [Ethics and Economics in Healthcare Decision-Making](#)
- [Professional Ethics in Healthcare](#)

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## Additional Readings

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## Ethical Issues When Interacting with Indigenous Music and Musicians

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## Synonyms

Indigenous musics in intercultural contexts;  
Respectful use of Indigenous musics

## Introduction

The music of Indigenous peoples – and indeed the “Indian sound” as described by Philip Deloria (2004) – has long fascinated European colonizers. In the United States and Canada, composers and musicians have used Indigenous musics as a way to create a uniquely American or Canadian sound – European in its form, but with Indigenous elements that seek to distinguish it as North American. This approach was promoted by ethnologists like Theodore Baker, Alice Fletcher,

and Marius Barbeau, among many others, who actively encouraged composers to use their recordings and transcriptions of Indigenous musics to create new works. As a result, there is a copious number of “Indianist” compositions, written for the most part by non-Indigenous composers. These include works in a range of genres, from Western art music, to Tin Pan Alley songs, to country and western hits. Although many of these works date back to the early twentieth century, the practice of integrating Indigenous musics continues to shape Western music genres, as particularly evident in the use of Inuit throat games in Western art music at the end of the twentieth century.

Indigenous peoples have used non-Indigenous interest in Indigenous musics to their own advantage, for example, as a way to ensure that their music is passed down to future generations or to challenge stereotypes. Yet in many cases, Indigenous musics have been used in unethical ways, such as in inappropriate contexts or without proper permission from those to whom the music belongs. In response to these types of abuses and the broader inadequacies of university-based ethics boards and the Western legal system, many Indigenous peoples have published ethical guidelines (Castellano 2004), and there are now numerous Indigenous-created policy documents and academic articles on the ethics of research (broadly defined) with Indigenous peoples. Most can be applied and/or adapted to music and collaborations with Indigenous musicians. In doing so, it becomes clear that the ways in which we (both Indigenous and non-Indigenous peoples) interact with Indigenous musics and musicians must center on respect and mutuality and that we must also consider the ethical and political implications of our aesthetic choices.

The following seven themes are drawn from Indigenous-authored scholarly literature and policy documents. Since most of this literature does not refer to music, each section provides suggestions about how the themes might be applied to music as well as questions collaborators should consider when working with Indigenous musics and musicians. These themes are intended to be used as guiding principles, not as a how-to

manual; and whenever possible, guidelines and protocols developed by a specific Indigenous community should be followed in addition to, or instead of, these principles. These nation-specific guidelines may be available in written format or may only be available in consultation with elders. As a final introductory note, this article is intended for a non-Indigenous readership who wishes to engage with Indigenous musics and musicians. However, Indigenous musicians and composers are not exempt from principles of ethical collaboration. In fact, Indigenous people who work with their own cultural belongings are typically held to the highest standards of accountability – often-times because of their lifelong relationships with their communities.

### **Theme One: Appropriation and Permission**

The issues of appropriation and permission are often addressed in the literature on respectful engagement with Indigenous peoples. Indigenous peoples consider improper access, collection, use, and/or interpretation to be theft; misrepresentation of a music culture and the imposition of dominant aesthetic categories similarly fall under the umbrella of appropriation. Although some of these practices may be considered ethical from a Western vantage point, Indigenous peoples have their own ethical standards and customary laws about how cultural belongings can and should be used, not only by outsiders but also by insiders (Battiste and Henderson 2000: 167). Existing (Western) laws related to copyright and fair use do not recognize these Indigenous laws and are in fact often at odds with Indigenous laws (Assembly of First Nations 2009: 15). For example, Western laws grant archives and collectors – not Indigenous source communities – rights to music-related belongings and do not recognize collective ownership of cultural materials. For this reason, potential collaborators should look to the standards of the specific Indigenous community with whom they wish to work in order to determine fair and ethical use of their music. These nation-specific ethical standards

have been developed in order to protect traditional knowledge from misuse (Assembly of First Nations [n.d.](#): 5).

The issue of appropriate representatives of a community emerges when determining the ethical and fair use of Indigenous musics. More specifically, not all community members are authorized to transfer knowledge or give permission to use their people's music; and collective permission might be required. Collecting (knowledge or music) from individuals not authorized to transfer knowledge is seen by Indigenous peoples as "akin to illegitimate land transfers historically or [the] purchase of sacred artefacts in violation of community ethics on access" (Castellano [2004](#): 105). Thus, in obtaining permission, Indigenous authorities as well as community-recognized elders and knowledge keepers must be consulted and their decisions respected as final (Ermine et al. [2005](#): 8). Furthermore, permission for use should establish an ongoing relationship and recognize that the community can withdraw permission at any time. The need to obtain permission is required for all musics that belong to an Indigenous nation, even music used for social (nonsacred) purposes and music viewed as nontraditional. Some of the questions collaborators wishing to avoid appropriation and misrepresentation should ask include: Has permission been obtained from community-recognized authorities/elders? Will the music be used in a culturally appropriate way? And how will ongoing permission for use be established?

## Theme Two: Mutual Respect

Respect is a theme that frequently emerges in both scholarship and policy documents. Although respect can be negatively associated with power (where a person or group with power expects obedience), in the context of Indigenous/settler relations, the concept of respect is used to emphasize the importance of partnerships of equality (a sharing of power) and the valuing of Indigenous perspectives and cultures on their own terms. A partnership approach recognizes that projects should be defined, developed, and completed with direct input from Indigenous peoples (Battiste and Henderson [2000](#): 132). From the perspective of

music collaboration, this means working closely with an Indigenous community to come to a consensus about which Indigenous song/tune, style, and/or genre is most appropriate for the project and what individual or individuals might be the most suitable collaborator(s) since not all Indigenous people have the relevant expertise (*ibid.*, 140). Music projects also require a collaborative approach to decisions about how the traditional or contemporary piece, style, or genre will be integrated into a new work or performance. Clearly outlining the roles and responsibilities that individuals have in the project (e.g., composers or co-composers, performers, elder consultants, and so on) can help facilitate a partnership model that centers on respect, as does embarking on a project as mutual learners where both partners "bring and gain knowledge" (Barney [2014](#): 2).

Projects that center on partnerships of equality ensure that Indigenous perspectives are given equal space from conception to completion and that Indigenous musics and musical practices are viewed as valuable on their own terms (i.e., by the standards set by Indigenous peoples). As such, collaborators should consider how a project incorporating Indigenous music might be constructed or viewed (perhaps unintentionally) as an act that refines or otherwise betters it or that maintains the dominance of Western music by forcing Indigenous musics to conform to Western standards. Expecting Indigenous music to conform to Western music encompasses issues of space, such as using Indigenous music as color or integrating Indigenous music without disrupting the expected form of a (Western) composition. It also involves issues around performance practice, for example, requiring Indigenous musicians to read music notation, but not similarly expecting non-Indigenous musicians to learn without a score or expecting that Indigenous music and musicians follow Western standards of musical presentation (e.g., in a quiet concert hall). To avoid these ethical pitfalls, some of the questions collaborators should ask include: How will partnerships be developed? Who will have decision-making power over the project? What processes are in place should disagreements arise? How will responsibilities/roles be determined and developed? And what measures are in place to ensure



the musicians and music traditions are treated as equals?

### **Theme Three: Benefits for Indigenous People and Communities**

Projects that engage with Indigenous music and musicians need to benefit Indigenous individuals and their communities, moving away from past practices of mining Indigenous intellectual property (Assembly of First Nations 2009: 5). These can comprise a range of benefits such as financial reimbursement, including direct compensation for the use of a community's music or the employment of Indigenous people; educational or professional opportunities and capacity-building, such as internships or learning opportunities that foster personal and community growth; entertainment and community enjoyment; recognition and accolades; and the revival and/or resurgence of Indigenous musics, among other possible benefits. Ideally, collaborative music projects should at the very least be equally beneficial to the non-Indigenous and Indigenous participants and should be particularly attuned to empowering Indigenous individuals and communities in their musical and cultural lives. (That is, as a reversal to past practice, the benefits accrued by non-Indigenous parties should be secondary to the benefits accrued by Indigenous individuals and communities.) Questions that collaborators should ask include: What are the financial, employment, educational, or other benefits? Who will gain the most from this project? How will equality of benefits be ensured and who will decide if, and to whom, the project is beneficial? Does the project promote community empowerment and capacity-building? And does it support the resurgence of musical practices in the community?

### **Theme Four: Giving the Music Back**

Ethical interactions with Indigenous musicians and music require giving the music back to the community. This giving back might incorporate

performances in the community, or recordings of performances that are made available to the community, or other possibilities depending on the desires or needs of the people. Liner or program notes should be accessible, readable, and translated into the community's traditional language. Presenting notes orally instead of, or in addition to, a written format may also be required. Community members should be given the opportunity to comment on all aspects of the performance or composition, and collaborators should be responsive to concerns and suggestions. This approach recognizes Indigenous peoples as "the guardians and interpreters of their culture, traditions and knowledge systems" (Assembly of First Nations n.d.: 6). Finally, collaborators should consider a literal giving back, determining in consultation with the Indigenous nation with whom they are working who will have rights to the new composition(s), recording(s), or other materials. At the very least, Indigenous peoples' right to have their cultural belongings removed from a project at any point or to ask that a composition or recording be no longer performed must be respected; that is, Indigenous rights to the music must be protected in perpetuity (Assembly of First Nations 2009: 14). In many cases, joint ownership (which encompasses issues around copyright and royalties) of the project will be the most appropriate protocol. Questions collaborators should ask include: How/in what ways will the compositions, performances, recordings, or other products be brought to community members? Will translation of materials be required? And in what ways will Indigenous rights to the music be safeguarded in perpetuity?

### **Theme Five: Community Well-Being**

Community well-being is an important consideration in all engagements with Indigenous music and musicians. Musical engagements should begin with full and informed consent, including clear and open discussion of the roles and responsibilities of all involved, as well as discussion of, and agreement on, what piece/style/genre will be used and presented. Any potential harms should



be discussed; in a music context, harms might involve misuse of the music by a third party, separation of the music from its cultural context, or misplaced ideas about to whom the music belongs. Projects should, furthermore, aim to be responsive to the community, addressing the needs particular to the nation. For example, communities may wish to use musical collaborations to address stereotypes, to engage youth with language revitalization, to connect with other Indigenous peoples, or to give the community a sense of pride in their shared culture. In some cases, community well-being might require delaying or cancelling a project if it places too many demands on a community whose attention is better turned to other concerns (Dunbar 2006: 182). Questions collaborators should pose in addressing community well-being include: What measures are in place to ensure informed consent? And in what ways is the project responsive to community needs?

### Theme Six: Self-Determination

The themes raised thus far emerge from a foundational belief in Indigenous self-determination. Although self-determination is somewhat of an elusive term and is as such used in a variety of ways, it is most frequently defined as the right of Indigenous peoples to pursue economic, social, and cultural development in the ways that they see fit and to determine their political status, including in what ways they wish to interact with other nations, in other words the right to manage their own lives. Musically, this means recognizing an Indigenous nation's right to engage in international musical interactions or alternately to not engage in these interactions; to determine whether they want their music used in new contexts, or prefer to have it remain relatively unchanging (or of course anything in between); to make decisions about who should speak (or perform) on behalf of the community; to control representations of their own music; and more generally to manage their own music and musical lives. Given the importance of acknowledging Indigenous self-determination, potential

collaborators need to approach an Indigenous community knowing that the collective has the right to decline any and all potential collaborations and, if they wish to participate, to decide in what ways they wish to be involved. Questions collaborators should ask include: Does the project center on substantial community engagement, approval, and participation from start to finish? And does it support Indigenous autonomy and sovereignty?

### Theme Seven: Challenging Colonial Relationships

This final theme encourages potential collaborators to use music to actively interrogate and dismantle colonial relationships (Chilisa 2012: 298). As Stó:lō musicologist Dylan Robinson notes in an article on performances that bring Indigenous and Western art musics together, interactions between musical traditions have ethical and political implications. Many of these implications may not be initially obvious. For this reason, “even composers with the best of intentions [can] inadvertently reinforce the hierarchy of music practices that maintain the dominance of art music as the genre to which one must conform” (2012: 237). Prior to engaging with Indigenous communities, potential collaborators should develop a thorough knowledge of Indigenous/settler relations. In the ensuing project, collaborators should consider how music might be used to reinforce or alternately redress inequalities. The assumed supremacy of Western art music, as well as the way in which it is often positioned as the norm, can, for example, be reshaped through thoughtful and careful musical collaborations. These collaborations can also be used to challenge assumptions about what constitutes “good” music (e.g., how ideas such as perfection, individuality, difficulty, or broad-based community involvement shape which musics we value), about who should lead music projects, and how music can and should be consumed and for what purpose (e.g., for social or spiritual purposes, or for intellectual challenge), among other possible assumptions. Questions collaborators should consider

include: How will discomforts (e.g., confronting one's own biases) be managed? How might this project be used as a way to support decolonization or to examine power and privilege? And what kinds of relationships are embedded in the composition, performance, or recording?

## Concluding Reflections

The issue of ethical engagement with Indigenous music and musicians ultimately needs to be understood through long-term relationships with the communities with whom one wishes to work. There is no checklist or comprehensive guide that will always be applicable in every circumstance; other, more specific, ethical principles will emerge upon consultation with Indigenous communities and will, furthermore, depend in part on the kinds of collaborations and the particular musics used in the collaborations. Drawn from the work of Indigenous scholars, the principles outlined above provide a starting point from which collaborators can develop nation-specific knowledge.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Ethical Considerations for the Presenter and Performing Artist Dynamic](#)
- [Ethical Responsibility of Orchestras in Contemporary \(Multicultural\) Societies](#)
- [Resource Extraction and Indigenous Community Consent](#)

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## Ethical Leadership

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## Synonyms

Leaders' ethical behavior; Virtuous leadership

## Definition

Ethical leadership is a leadership style that highlights the ethical dimension of leadership in management. It refers to the leader's values, ethical traits and ethical behavior in organizational settings, and the way they relate to employees, organizations, and society. Ethical behavior is understood as one that can be judged according to generally accepted moral norms of behavior (Treviño et al. 2006). Ethics refers to a set of principles and moral rules of behavior that guide human relationships (Merriam-Webster

[Dictionary](#)) about what is morally good and bad. And leadership involves influence processes within human relationships (Graen and Uhl-Bien 1995; Yukl and van Fleet 1992). Thus, ethics in leadership translate into leader's ethical behavior that make followers to act responsibly toward others, by protecting their human dignity and each other rights and needs (Gini 1998; Guillen and Gonzalez 2001) in human relations. In other words, ethical leadership is the process of leading in a humanistic and socially responsible way (De Hoogh and Den Hartog 2008, 2009) by pursuing ethical goals in business and influencing others in an ethical manner (Eisenbeiss 2012).

The most widely known definition of ethical leadership was proposed by Brown et al. (2005) as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making.” Thus, an ethical leader integrates ethics in his/her personal life and in his/her role as an organizational manager.

### Characteristics of Ethical Leaders

Ethical leaders usually are described as being transparent, respectful, and authentic. They are recognized for their integrity, for having altruistic motivations, and for behaving ethically in their personal and professional life (Khuntia and Suar 2004). They are characterized by showing behaviors and traits that reflect fairness and trustworthiness; for having respect to others (Brown et al. 2005; De Hoogh and Den Hartog 2009; Kalshoven et al. 2011b; Tanner et al 2010), making fair and principled decisions, and explicitly communicating and guiding in ethical behavior (Treviño et al. 2003); for being committed to organizational goals (Khuntia and Suar 2004); and also for being concerned for the broader society, that is, by leading in an ethical and socially responsible way.

The main aspect that have been highlighted for most of researches on ethical leadership is that ethical leaders must have ethical motivations,

showing adherence to ethical values, and also consistency in their ethical behavior by demonstrating the pursuit of ethical values across time and situations (Tanner et al. 2010). Internalized ethical values transform into leaders' virtues, which according to Aristotle, represent a set of qualities that make people to act with excellence, by building a good character. In leadership, this good character has been seen as “moral excellence,” (Hendrix et al. 2004) which in turn, makes ethical leaders attractive and credible, because followers admire leaders' ethical behavior (Guillen and Gonzalez 2001). Virtues have also become seen as moral managerial competencies that contribute to leadership effectiveness because it allows the demonstration of excellence in the leadership role (Macaulay and Lawton 2006). According to Melé (2009), what is expected from managers nowadays is to balance making profit (*doing things right*) with leading in a fair way (*doing the right thing*), which are the characteristics of an ethical leader.

Furthermore, it seems that ethical leadership is not only a question of behaving correctly but also motivating others to behave ethically (Brown and Treviño 2006). Moreover, for being effective influencing others ethical conduct, leaders must be recognized as ethical leaders. In this vein, some researchers (Treviño et al. 2000) have proposed that ethical leadership is composed by two distinct but complementary essential behaviors: the moral person and the moral manager. Having individual traits such as honesty and integrity, moral excellence combined with fair decision-making, and doing the right thing, characterizes the moral person. The moral manager implies that the leader makes an explicit effort in assuring ethical behavior by using a reward system to keep standards of ethical conduct at work and also acts as a role model in terms of ethical conduct by regularly talking about ethics and values.

In summary, ethical leaders build an ethical character by cultivating virtues such as integrity, fairness, and temperance and put them in practice in their leadership roles. Ethical leaders exert moral excellence by focusing in ethical purposes such as long-term outcomes that integrate social-economic and environmental results, through

ethical practices by building trustful relationships and making fair decisions (Lawton and Páez 2015). In this sense, ethical leaders contribute to the assurance of corporate social responsibility by pursuing virtuous relationships with all their *stakeholders* (Ehrhart 2004), that is, they work for the good of their stakeholders and attempt to have in mind and protect the interest and needs of the different groups with whom they interact both internally (e.g., employees and board of directors) and externally (consumers, providers, government, community, and media, among others). In this way, ethical leaders build trustful relationships with employees (internal stakeholders) and build long-term and respectful relationship with other people and institutions outside the organization (external stakeholders), including the broader society.

### Antecedents of Ethical Leadership

Within the antecedents of ethical leadership, that is, those factors that are more associated with the perception that a manager leads in an ethical way are individual and contextual or situational factors. Ethical leaders usually have traits as agreeableness (*being altruistic, trusting, and cooperative*) and conscientiousness (*responsible, trustful, and dependable*) (Kalshoven et al. 2011a; Xu et al. 2011). They also show high levels of moral development (*the ability to detect ethical issues and make moral reasoning based on universal principles of justice and rights*), by which they make fair and principled decisions (Schminke et al. 2005; Treviño et al. 2006). Nevertheless, these personality traits explain a small amount of variance in ethical leadership behaviors.

Situational or external factors have bigger amount of impact on ethical leadership behaviors than personality traits. Childhood ethical models and ethical role modeling during leaders' career have a positive influence in the emergence of ethical leadership in organizational leaders (Brown and Treviño 2014). Good role models in terms of ethical behavior (parents and chiefs) provide potential or future organizational leaders

information about how to lead in an ethical manner.

Another relevant contextual factor is organizational ethical climate, which seems to play a key role in the emerging and maintenance of ethical leadership. Ethical climate is about the perceptions of organizational practices that have ethical and justice content (Victor and Cullen 1988). It reflects collective judgments about fairness in the organization (Schminke et al. 2015) and represents employees' beliefs concerning what constitutes right behavior at the workplace (Martin and Cullen 2006). In such kind of environments, leaders feel encouraged to display and develop their ethical leadership style, because it is valued, expected, and supported.

### Outcomes of Ethical Leadership

Ethical leadership is a leadership style that has been associated with positive effects on employees, by enhancing positive attitudes and behaviors at work while diminishing the negative ones in organizations (Bhal and Dadhich 2011; Brown et al. 2005; Brown and Mitchell 2010; Brown and Treviño 2006; Kalshoven et al. 2011b; Mayer et al. 2012; Ruiz-Palomino et al. 2011; Zhu et al. 2004). Positive attitudes and behaviors at work are relevant to organizations and employees, because they reflect employee's good disposition to do the job, which translates in better performance, healthy work climate, and employee well-being.

One of the most important positive attitudes for organizations is job satisfaction, which reflects how satisfied an employee is based on his/her fundamental evaluation of work experiences (Harrison et al. 2006). It has been one of the most studied attitudes in organizations because it is the most related to relevant work outcomes (Judge et al. 2001; Organ 1988; Podsakoff et al. 2000), in terms of favorable behaviors. Satisfaction also has been one of the main attitudes enhanced with the presence of ethical leadership (Brown et al. 2005; Elci and Alpkın 2009; Koh and Boo 2001; Neubert et al. 2009; Okpara and Wynn 2008; Rowold et al. 2009; Tsai and Huang

2008; Valentine and Fleischman 2008; Vitell and Davis 1990), because employees appreciate the good work environment that these leaders create, characterized by fair procedures, trust, and respectful treatment.

Ethical leadership has also shown to be influential on employees' positive behaviors at work, such as helping behaviors, performance, and ethical decision-making (Brown and Treviño 2006; Caldwell and Dixon 2010; Kacmar et al. 2011; Kalshoven et al. 2011b; Kalshoven and Boon 2012; Lu 2014; Mayer et al. 2009; Páez and Salgado 2016; Piccolo et al. 2010; Podsakoff et al. 2000; Qi and Xia 2014). Helping behaviors, most commonly known as "organizational citizenship behaviors (OCBs)," represent those behaviors that serve to the *maintenance and enhancement of the social and psychological context that supports task performance* (Organ 1997) and *in the aggregate promotes the effective functioning of the organization* (Organ 1988). Typical OCBs are helping others with their work, respecting others rights, and being on time for meetings and commitments, within others. These kinds of behaviors arise and/or increase when the boss is an ethical leader, because employees have a clear role model to learn from, and also, they feel motivated to correspond to the good treatment they receive.

Ethical leadership also has shown to diminish negative attitudes and behaviors at work such as dissatisfaction, deviance, counterproductive, and unethical behaviors. It has been found that this kind of negative behavior diminishes and even disappears in units led by an ethical leader (Detert et al. 2007; Mayer et al. 2009; Mayer et al. 2010; Mayer et al. 2012; Newman et al. 2015; van Gils et al. 2015). The main reason is that in most cases, negative behaviors in the organizational context arise as a response of employee dissatisfaction or mistreatment, aspects that an ethical leader do not embrace and makes continuous efforts to prevent in his/her unit.

Another relevant outcome of ethical leadership for organizations is the improvement of ethical climates and cultures (Engelbrecht et al. 2005; Treviño et al. 2003). As ethical climates favor ethical leadership behaviors, ethical leadership also contributes to foster ethical work climates

by promoting ethical values, making ethical decisions, and practicing fairness.

## Conclusion: When Deeds Speak, Words Are Nothing

In general, ethical leadership is related to ethical behavior at work both on the part of the leader and on those people with whom he/she relates (Treviño et al. 2006; Turnispeed 2002). In fact, there is some consensus about that leaders shape the ethical tone of an organization through their own behaviors and decisions (Weaver et al. 2005; Weber 2010), creating ethical organizational cultures and climates. Finally, it has been found that it is a style that is globally valued and associated with leaders' effectiveness, across different cultures (Resick et al. 2006), that is, people around the world appreciate ethics in leadership and respond positively to it by behaving better at the workplace and by being more willing to perform better at job.

## Cross-References

- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility Assurance](#)
- [Cross-Cultural Aspects of Leadership](#)
- [Ethical Climate and Ethical Culture](#)
- [Human Dignity and Business Ethics](#)
- [Human Rights](#)
- [Humanistic Management](#)
- [Justice](#)
- [Leadership Integrity](#)
- [Leadership Motives or Intentions](#)

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## Ethical Leadership and the LGBTQ Homeless Youth Crisis

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### Synonyms

Alienation; Ethical leadership; Homelessness; LGBT community

### Introduction

During the 1960s, it was unthinkable that the lesbian, gay, bisexual, and transgender (LGBT) movement would have evolved to where it is now, early in the twenty-first century. Indeed, the widespread *pathologization of gender variance*

(denigration of alternative expressions of gender identity), along with countless forms of oppression—everything from targeted raids on bars and other social gatherings to exclusion from government employment, loss of employment, ridicule in hackneyed and stereotyped media portrayals, public shaming, and the destruction of families due to “outings” (forced exposure) and violence were routine for the LGBTQ community during the 1950s and 1960s (Katz 1992; Johansson and Percy 1997; Stein 2001; Solomon and Patrick 2015). Today, the community has much to celebrate, including much greater and more positive exposure in popular culture and the media (Lawrence v. Texas 2003; Jacobs et al. 1997).

It was not until the Stonewall movement of the 1960s that LGBT persons started to fight against the political and societal oppression of the day (Franke-Ruta 2013). This was a watershed moment not only for the LGBT community in the USA, but in many other parts of the world as well. It must be mentioned here that the Stonewall movement or the Stonewall riots are often referred to as the modern gay liberation movement, beginning June 28, 1969 (Johnson et al. 2018; Johnson 2017a, b).

The history of modern LGBT rights was accompanied by great challenges and great victories such as the federal legalization of same-sex marriage in 2015 within the USA. Patricia Hill Collins (2007) called transversal politics and coalition building anchored in engaging multiple group standpoints to advance social justice through intersectional knowledge projects. This was indeed the case with the advancement of the LGBT movement within the last several decades (Johnson 2017a, b). However, while the US legalization of same-sex marriage is epic, and allies of all types have assisted the movement, there are still many issues that the LGBT community must work to overcome. For example, the plight of many transgender people to be accepted is an issue which is still looming large. This acceptance should not only come from the greater community but within the LGBT community as a whole (Johnson 2017a, b).

One of the most looming issues to be dealt with is the matter of LGBT homeless youth (Johnson

et al. 2018). During the Stonewall movement what is not often acknowledged or addressed was the large amount of LGBT homeless youth frequenting the Greenwich Village (aka the village) area of New York City, which is where the Stonewall Bar was located and continues to be located today. The LGBT homeless youth and drag queens were the ones who fought back against law enforcement. The drag queens decided that they had enough of being harassed and blackmailed by law enforcement as this was every week occurrence (Oliver and Ali 2019).

Therefore, one would assume that the issue of LGBT homeless youth is chronic and has been around for decades. Still, the issue of LGBT homeless youth is a troubling one and has basically been woefully overlooked by many LGBT leaders and political leaders as well. Here LGBT youth is defined as identifying as LGBT, roughly 12 to 24 years of age, and displaced from their home by parents. This displacement, also referred to as “being kicked” out, has everything to do with gender identity and or sexual orientation (Abramovich 2012). According to the True Colors Fund (<https://truecolorsunited.org/our-issue/>), some parents cite religious convictions for abandoning their LGBT child. Other parents evicted their LGBT child from the home due to biased beliefs from societal constructs. Despite the reasons, there is a disconnect between the LGBT youth and their parents. LGBT youth aging out of the foster care system may also lead to housing displacement. It is estimated that 7% of all youth are homeless in the USA. Of the 7% homeless youth, it is widely believed that at least 40% are LGBT (<https://truecolorsunited.org/our-issue/>).

## Consequences for LGBT Homeless Youth

There are several troubling outcomes for LGBT youth who experiences chronic homelessness (Johnson et al. 2018). The first consequence happens because the youth is forced to find shelter wherever they can (Montano 2019). This would include sleeping on park benches, sleeping in parks, and/or any other places that maybe free.

All of these sleeping situations make it difficult for the LGBT homeless youth to attend school and plan for their future. Cis females (women born biologically female) are put in a difficult situation due to the need for feminine hygiene products needed generally once a month. Youth are often harmed living on the streets. Predators look at youth sleeping in the park as easy targets and may try to molest them while trying to sleep on a park bench or in the grass (Montano 2019). This situation is challenging for any homeless youth, especially for gender-nonconforming, nonbinary, and queer youth, because they are looked upon as easy prey. Though this situation does not only apply to LGBT homeless youth. Secondly, homelessness for many LGBT youth may lead to prostitution. Oftentimes these youth have no resources or outlets for legitimate means in order to make a living either because they have little formal education and/or are too young to be employed. Therefore, they rely on their body to hustle for money. Unfortunately, sex work could potentially lead to HIV/AIDS or other sexually transmitted diseases (STDs), and death. The television show *Pose* offers viewers a true-to-life view of how it is for LGBT youth, often of color, windup living on the streets, and often having to engage in unsafe sexual practices while prostituting themselves for money (Montano 2019; The Williams Institute 2015).

Substance abuse is also a consequence of LGBT homeless youth (National Network for Youth 2019). Resulting from living on the streets and couch surfing, these individuals are introduced to drugs as a way of coping with the stress that comes from being homeless and LGBT. These drugs include meth, cocaine, marijuana, and alcohol, to suggest only but a few substances. Studies indicate that homeless youth are three times more likely to try these substances and 18 times more likely to try crack cocaine than their peers who experience a stable home environment (National Network for Youth 2019).

have not been many federal dollars appropriated for the situation (Johnson et al. 2018). Most of the assistance for homeless LGBT youth has come from nonprofit organizations and NGOs. It is a missed opportunity for societal systems and local communities to ignore this crisis (Chapin Hall 2017; Kirk and Pill 2018).

The next section concludes this topic on LGBT homeless youth by suggesting three policies that may assist in at least reducing homelessness for LGBT youth (Kirby 2008).

1. It is doubtful that a national program could be enacted anytime within the next couple decades. Therefore, a reasonable solution may come from the states. Here the states can provide funding for greater amounts of shelters specially for LGBT homeless youth. At these shelters youth can finish their GED diploma, and take classes towards earning their college degree or a vocational career. The shelters should also employ a trained counselor to work with the youth as many of them may be suffering from trauma. There should also be access to health coverage. This is especially important for transgender youth who are in the process of transitioning and maybe in need of hormone therapy.
2. State leaders need to consider homeless LGBT youth important the same way as other health situations are considered in this country, such as crack cocaine. A failure to acknowledge homeless LGBT youth as a crisis feeds into the myth that very few people care about this topic.
3. The matter of LGBT homeless youth should be a call to action for public administrators and anyone concerned with the well-being of youth in general. Society can ill-afford to leave one homeless LGBT youth uncared for as this person may have the potential to be a US president, university professor, software engineer, or thought leader.

## Ethical Leadership Need

The issue of homeless LGBT youth has been insufficiently addressed nationally, and there

## Cross-References

- [Alienation](#)
- [Cross-Cultural Aspects of Leadership](#)

- [Ethical Issues in Providing Behavioral Health Treatment to Vulnerable Populations](#)
- [Ethical Leadership](#)
- [Human Rights](#)

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## Ethical Literacy in Leadership Development

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## Synonyms

Ethical disposition; Ethical judgment; Ethical logic; Ethical sensitivity; Leadership; Management; Moral judgment; Moral reasoning; Training

## Introduction

Ethics concerns the moral values that guide human decision making and behavior. Ethics aims not merely to describe human conduct but to set out what it should be. Many human decisions and actions are based on moral principles. For example, can we justify deviating from universal standards of hiring for the sake of promoting equality? Can we prioritize profit over customers' well-being? Do we form or terminate a strategic alliance with a partner demonstrating racism in its resource allocation policy?

Ethical literacy training focuses on developing awareness of moral issues and developing decision-making and behaviors that take into

account moral considerations. Ethical literacy can be developed independently, but it is often done in a structured group, as part of formal training or education. Ethical literacy is considered particularly important for leaders because of their influence over followers and their power to reshape social and organizational realities.

Over the years, the concept of leadership has been given many definitions (Shepard et al. 1997). Leadership is frequently conceptualized as social influence of the leader over followers, a process that is change-oriented around a mutual vision and goals grounded in values (Shepard et al. 1997). Leadership development may be centered on personal aspects (one's knowledge, experiences, skills, identity, information processing, personality, self-learning and development abilities, etc.), the interpersonal ones (social skills, such as communication and networking, and authentic relational abilities, such as openness, trust, and modeling), or both (Day et al. 2014).

This entry focuses on formal leadership development, where individuals aspiring to reach managerial positions or already in junior or middle-level management positions seek to develop their leadership and managerial knowledge, attitudes, and skills in a structured and organized program. Formal leadership development can take the form of an ongoing professional development program within the organization or outside of it, as part of a higher education certificate or degree.

## Ethical Literacy

Ethical literacy aims to develop the components that drive moral cognitive processing. It targets two components: *ethical sensitivity* and *ethical judgment* (Hannah et al. 2011). Rest et al. (1999) defined moral sensitivity as “interpreting the situation, role-taking how various actions would affect the parties concerned, imagining cause-effect chains of events, and being aware that there is a moral problem when it exists” (101). Ethical judgment is about “the cognitive processing of moral dilemmas – those complex intellectual choices between right versus wrong, or

right versus right” that mark one's intentions to act (Hannah et al. 2011: 664).

Scholars further break down ethical judgment into two components: *ethical logic* and a *dominant ethical disposition* (Bartels et al. 2014; Berkovich and Eyal 2020). Ethical logic is a key factor in ethical judgment. In a reality of multiple ethical considerations, in the case of each dilemma, people form a complex array of interconnections between various ethical perspectives, which reflects their trade-offs between competing moral values (Bartels et al. 2014). For example, some may regard procedural justice and individual care as highly conflicting, whereas others may consider them to be less so. The former are more likely to commit to one ethics over another when encountering dilemmas that embody these two ethical considerations (e.g., whether in an economic downturn to fire the most recently hired employee despite being the sole provider and expecting a new baby), whereas the latter are more likely to switch their stand in dilemmas that demand choosing one option (i.e., either to support procedural justice or to support individual care).

The second component of ethical judgment is demonstrating a dominant ethical disposition (Berkovich and Eyal 2020), which refers to an individual inclination to prefer specific ethical consideration in various ethical conflicts. For example, an individual has a dominant ethical disposition toward procedural justice if he/she chose it repeatedly in dilemmas over other considerations (e.g., utilitarianism, care). An individual may have several dominant ethics that are manifest in his/her choices, and which may form one of two ethical profiles. For example, individuals who have a more transformational leadership style display an ethical activism profile, that is, high use of social critique, individual care, and professional considerations to resolve ethical dilemmas. By contrast, individuals who have a more transactional leadership style display a profile of ethical conformism, with high use of procedural justice, utilitarianism, and local community preferences in resolving ethical dilemmas (Berkovich and Eyal 2021).



Ethical literacy is manifested at the individual level, but each individual's ethical literacy is the product of his/her sociopolitical positioning and context. For example, among majority group members, a lack of statistical correlation was found between social critique and utilitarianism, whereas a significant negative correlation emerged in members of marginalized minority groups (Eyal et al. 2021). This means that there are few individuals belonging to a marginalized group who choose to transform the social order and at the same time adopt utilitarianism to solve moral dilemmas, whereas many more individuals in this group view these two ethical considerations (i.e., social critique and utilitarianism) as being coming at each other's expense.

### **Types of Formal Leadership Development Programs**

The literature proposes four categories of leadership preparation programs: traditional, attitude development, activist, and neo-traditional (Berkovich and Eyal 2020). Traditional leadership development programs emphasize the advancement of technical skills (Berkovich and Eyal 2020). In these programs, students' self-identity is seldom addressed directly or challenged by the content and instructional strategies. Attitude development leadership programs emphasize the advancement of reflective consciousness and often expose students to various philosophical perspectives and case study analyses to nurture students' personal view on leadership in general and their leadership style in particular (Berkovich and Eyal 2020). Activism leadership development programs emphasize the advancement of action-oriented skills for students who have been pre-selected according to their deep commitment to a specific set of values, often by demonstrating a proven record of action (Berkovich and Eyal 2020). In recent decades, in light of the growing awareness of the social responsibility of organizations and of growing critique of traditional leadership development programs over their lack of effect, there has been a rise in the neo-traditional type of leadership

programs (Berkovich and Eyal 2020). These programs combine elements of nontraditional programs that include such strategies as mentoring and peer learning, and a quest for leaders' identity creation. Unlike traditional leadership development programs, attitude development, activism, and neo-traditional leadership development programs aim to directly explore students' self-beliefs, values, and self-identity, as well as their effect on their leadership identity and behaviors. Ethical literacy training occurs mostly in attitude development, activism, and neo-traditional leadership development programs. In these types of programs, we find less frontal teaching and more active learning (i.e., peer learning, in which students reflect about their values and actions), and situated learning (i.e., case- and problem-based teaching, where students are called to reflect on real contexts in which the existing and new knowledge are applied) (Berkovich and Eyal 2020).

### **Ethical Literacy Training in Formal Leadership Development**

Ethical literacy development is a process of communication between lecturer and students, and between students and their peers, which aims to encourage new insights of students into social and professional life. These insights in turn help students develop greater awareness of ethical aspects and to commit themselves to the use of moral values in decision making and behaviors. Ethics education often aspires also to provide students with an opportunity to take the time to work through their personal and professional codes and spend extensive time evaluating and exploring possible conflicts between their own values.

Ethical literacy training includes imparting and discussing moral philosophies that outline what is a "good" or "proper" way of life. Ethical literacy education can assume various forms: some set out to amplify students' sensitivity to moral elements at work (what may be termed as the "ethical toolbox" approach); others aspire to direct students toward the "right" codes of conduct and affect their willingness to rely on certain moral



values in forming their decisions (what may also be termed as the “ethical codex” approach).

In general, for various reasons, the “ethical toolbox” approach is more dominant in formal leadership development, specifically in higher education. According to this view, training aims to transform students’ ethical viewpoint but not in a manner that marks the importance of a given limited set of moral values and behaviors. Programs based on the “ethical toolbox” approach often include students’ self and group reflections about ethical values, reflections on the students’ biography, and its effect on their ethical conduct at work. In the course of the program, students read texts on ethics and morality, and analyze case studies, and their ethical implications. The common conception today is that managerial and leadership situations are complex and multifaceted. Therefore, the assumption is that students should be familiar with multiple ethical perspectives (e.g., procedural justice, individual care, utilitarianism, and social critique) that they can use when exploring a given moral dilemma. The logic behind this notion is that when multiple ethical perspectives are considered simultaneously and systematically, the best ethical decision is reached as the solution.

Ethical literacy development can be embedded in all the courses in the program or it can be presented as a standalone course. Some scholars argue that embedding ethics in all courses exemplifies more clearly the integration of ethics in all professional aspects. Others suggest that a standalone course, dedicated exclusively to ethics, helps delve deep into the issues and signals the importance of the topic (Berkovich and Eyal 2020). The more common practice is the standalone ethics course.

Leadership development programs can have diverse admission policies that might have strong relationships with their ability to develop ethical literacy. These admission policies can take one of several forms: open admission, selection of applicants based on their moral reflexivity or moral inclinations, or selection of applicants based on their professional initiatives and the manner in which they manifest moral principles.

Open admission is the most outreaching and simple way to operate, but it has been criticized as being susceptible to admitting students with no ethical understanding of the profession, and even students with ethically problematic conceptions of the profession (Berkovich and Eyal 2020). Open admission may be part of neo-traditional leadership development programs, but it is rare in attitude development and activism leadership development programs. The latter often use various selection measures to compare applicants’ a priori ethical understanding and views (Berkovich and Eyal 2020). Among these measures, one can find personal interviews, essays of applicants, professional portfolios, group simulations, and the use of psychological assessments.

### State of the Research on Ethical Literacy Training Effectiveness

Despite the great interest in developing the ethics of trainees, research knowledge is lacking. Among the two most common practices in ethics training evaluation are trainees’ subjective experiences during training (28%) and versions of the Defining Issues Test (DIT) (15%) (Steele et al. 2016). Trainees’ subjective experiences are affective reactions, such as satisfaction, views about the utility of training, and views about efforts demanded by training materials. The DIT is a multiple dilemma test based on Lawrence Kohlberg’s theory of moral development. According to Kohlbergian logic, there are several ethical stages (legal rights → social contracts → universal principles), and the last is the most ethically worthy stage. DIT is one of the oldest and most popular measures of ethics, but it has been greatly criticized for reframing masculine, Western, and liberal values as more ethical (Steele et al. 2016).

Reviews of the evaluation and effectiveness of ethics education indicate some of the key problems in the current research (e.g., Berkovich and Eyal 2020; Steele et al. 2016). First, part of the literature focuses on the outcomes of established leadership development programs and not on the consequences of the ethics education module.

Second, some studies use graduates' experiences and behaviors, although the connection of these elements with the goals and syllabus of a given ethics education course has not been established. Third, many evaluations use trainees' reports of their subjective experiences during training as a proxy for the degree to which their moral judgment has been transformed. This is problematic because social desirability and self-enhancement biases possibly play a part in this kind of self-report. Fourth, some works did not pay sufficient attention to the students' preliminary background and ignored students' self-selection to programs. For example, individuals who favor social critique ethics and care ethics are more likely to go into nongovernmental leadership development. In light of these biases, scholars recommend to design a study that would include pre- and post-ethics training tests of participants who undergo training, with a control group that does not undergo the ethics training (Steele et al. 2016).

## Cross-References

- Authenticity
- Cross-Cultural Aspects of Leadership
- Empathic Leadership
- Ethical Decision-Making Process
- Ethical Dilemmas
- Ethical Leadership
- Leadership Development
- Leadership Moral Foundations
- Moral Self-Awareness
- Role of Philosophy in Business Ethics
- Transformational Leadership

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## Ethical Management of Psychiatric Care of Children and Adolescents

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## Synonyms

Autonomy; Beneficence; Fidelity; Justice; Nonmaleficence

## Definition

Ethical management of psychiatric care involving children and adolescents is defined as clinical management that always considers the emotional, cognitive, social, and physiological development

of children and adolescents. Children and adolescents are considered a vulnerable population given their varying dependence on the adults in their lives including caregivers, parents, and other family members. They need protection in clinical care situations and when involved in research (Koelch and Fegert 2010). Psychiatric care management can occur in many different settings but is essentially a psychiatric professional providing treatment services to a child and adolescent population and their family. The basic principles of ethics can be applied to nearly all care situations and environments.

When optimizing all aspects of functioning, understanding the individual's particular developmental stage must be considered along with the level of disorder, acuity of symptoms, psychosocial situation, and family structure. Ethical management of this population is a complicated process for the psychiatric provider given that all children and adolescents are dependent and usually legally managed by an adult parent or guardian. Influences can include the legal status of the child, the setting where care is being provided, the guild of the provider, i.e., physician, nurse, psychologist, or social worker, and the emergent nature of the child or adolescent's need for care.

## What Are the Issues?

The basic principles of ethics when treating children and adolescents include the following:

**Autonomy:** Defined as the individual's involvement as the agent of decision-making, considerations of autonomy also include agency, or an awareness of oneself, desires, and intentions. It includes independence or the absence of coercion and outside influences and rationality, or the capacity for reflection on own desires.

**Respect for an individual's autonomy:** This principle has underlying themes of privacy, confidentiality, valid consent/assent, and refusal of treatment. These concepts are complicated when the individual is a child or adolescent.

**Nonmaleficence:** Defined as the duty to do no harm to patients, this concept is the cornerstone of ethical practice and behavior of individuals

providing care. It involves an awareness of evidence-based practice, normative treatment, and standard of psychiatric care for a pediatric population.

**Beneficence:** Involves taking active steps to contribute to the welfare of a child or adolescent. This involves weighing the benefit-risk ratio of various treatments and interventions and planning interventions according to the needs of the individual and family. It can involve advocating for a particular treatment or working closer with a child welfare agency to insure that a child is safe. It involves an awareness of systems and their influence on the child or adolescents functioning.

**Fidelity:** The caregiver is always in the service of the best interests of the child/adolescent/family. This must take precedence over any other competing interests including guardians, insurance companies, school systems, industry-related companies, or colleagues. The child's needs must have primary importance.

**Justice:** This is the process of offering fair treatment to all. The caregiver provides the same level of care to an individual or family regardless of socioeconomic level, race, ethnicity, gender, or family constellation. While this care might be tailored to an individual's language needs or ethnicity, the quality of care is not influenced by these individual factors.

All of these factors are taken from the American Academy of Child and Adolescent Psychiatry, Code of Ethics. Although applicable to children and adolescents, this is adapted from the Principles of Medical Ethics of the American Medical Association and the Code of Ethics of the American Osteopathic Association (AACAP 2014).

## Authoritative Ethics Documents

In addition to these basic principles outlined in child psychiatry, there are overarching principles that also influence and govern ethical psychiatric care of children and adolescents on an international level. The Universal Declaration on Bioethics and Human Rights was adopted in 2005 by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Member states

committed to respecting and applying the fundamental principles of bioethics (UNESCO 2005). The Declaration was aimed at putting forth the rules governing respect for human dignity, human rights, and fundamental freedoms. The Declaration notes the interrelation between ethics and human rights. This Declaration was a supportive foundation for the principles governing ethical issues in child and adolescent psychiatry.

The Declaration identified a number of other factors as guiding principles including the basic recognition that all persons have unconditional worth, all individuals are worthy of equal treatment in a similar situation, and caregivers will use discretion when reviewing special circumstances of particular individuals. A respect for cultural diversity and pluralism occurs and recognizes that ethical standards must be interpreted according to the cultural norms or social groups and societies.

The Belmont Report, published in 1979 by the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, offers guidelines pertaining to protection of human subjects in research. This document introduced the concept of vulnerability in populations (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research 1979). Other documents dealing with protection of human subjects include the Council for International Organizations of Medical Sciences (CIOMS) guidelines and the Declaration of Helsinki. These all addressed ethical treatment of individuals (Zagorac 2016).

Non-discrimination and non-stigmatization prohibits discrimination while working towards elimination of stigma. It is recognized that doing this requires social transformation, an understanding of ethics, and ongoing ethics teaching.

## **Principles of Ethics Applied to Child Psychiatry Research and Treatment**

Individuals are not seen as a means to a scientific end and can make their own decisions about care. This identifies concepts of ethical research involvement, informed consent, and the ability for the individual to withdraw from a study at

any time. Parents or guardians also have the ethical right to withdraw their child or adolescent from treatment or research at any time. Privacy and confidentiality guarantees a control and respect of personal information. Shared information is private and only shared with consent and understanding of the purpose of this sharing. Vulnerable groups, including children and adolescents, must have access to health care worldwide.

The concept of social responsibility considers the wider social dimension of the scientific process by specifying five elements of universal priority. These include access to quality health care, access to adequate nutrition and water, improvement of living conditions and the environment, elimination of marginalization and exclusions of persons on the basis of any ground, and the reduction of poverty and illiteracy (Pearson et al. 2015).

Benefits from advances in scientific fields such as biology, genetics, and medicine are ideally available to all. Finally, the Universal Declaration on Bioethics and Human Rights notes that human beings are an integral part of the biosphere and should engage in responsible management to ensure life for future generations (UNESCO 2005).

The key to ethical psychiatric management of children and adolescents begins with the educational process for those who provide care. Understanding the broader Declaration and the basic ethical principles outlined by the American Academy of Child and Adolescent Psychiatry (AACAP) and the American Psychiatric Association (APA) is essential to understanding the type of psychiatric care that can be ethically provided to a pediatric population.

Applicability of ethical practice when providing psychiatric care to children and adolescents requires diligence and an attention to detail. Providers are encouraged to identify and address their own issues of countertransference that might impinge on applying ethical concepts. Providers must choose employment in care environments that support ethical standards. Finally, providers must be willing to use the broader psychiatric community of peers to process and discuss the various ethical dilemmas that will arise in psychiatric treatment of children and adolescents.

## Cross-References

### ► Research Integrity and Research Misconduct

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## Ethical Peer Review

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## Synonyms

Blinded review; Clinical peer review; Double-blind review; Expert refereeing; Open peer review; Post-publication peer review; Review board; Scholarly peer review; Single-blind review

## Definition

Peer review is a systematic process of evaluation of work by experts in the relevant field. To be a peer, the experts must be similarly qualified to the originators of a work (e.g., scholars in the same discipline, professors of the same rank, practitioners in the same discipline). The work

evaluated could be scholarly manuscripts, grant applications, conference submissions, data, or the clinical activities of professionals such as physicians or teachers. A primary objective of peer review is to improve the quality of work by providing impartial feedback to the originators or implementers of the work. Expectations for the evaluation should be clearly stated but reporting formats can vary from checklists, written summaries, direct observation of work, or other methods appropriate to the work and the platform on which the evaluation is conducted. Although peer review is considered an essential element of scientific publishing and awarding of grants, widespread implementation and acceptance of peer review did not occur until the 1970s (Baldwin 2018).

## What Are the Issues?

Ethical peer review depends upon trust, transparency, and accountability. Breaking those bonds of trust causes harm to everyone involved. The management of the peer review process must be fair and those who perform the reviews must act responsibly, without prejudice or conflict of interest. Biased or compromised peer review can prevent an author from receiving funding, publishing an article and receiving credit for work done, or cause reputational harm to the authors, the institutions involved, or funding sources. Precluding justified publication could cost an author a job or academic advancement, actions that have detrimental, long-term effects. Peer reviewers are principally volunteers who rarely receive credit for the reviews they perform. Although normally considered a pre-publication activity, post-publication peer review has become more common and accessible. Models or frameworks for peer review include elements of timing, identification of the reviewers and/or the authors, facilitation and mediation of the review process, publication of reviews, and ownership of peer review comments (COPE Council 2017). Training of peer reviewers is sporadic, and the quality of reviews may be unreliable. Authors who receive constructive critique in reviews of their

work benefit from the feedback as they revise and improve their submissions. The scientific community gains a degree of assurance that the science behind a publication has been vetted and determined valid. Funding agencies are reassured that the money awarded will be spent on worthwhile projects.

*Issues in journal publishing.* Editors are normally in charge of the peer review process at a journal. They assign reviewers to a manuscript, monitor the progress of the reviews, read the returned reviews, assess the reviews, and base a decision on the reviews as well as on the scope and vision of the journal and other input from the editorial board. The editor then communicates the decision to the submitting authors. These actions are based on trust: the editor trusts the reviewer has the time and expertise to do a competent review, has done a thorough review, and does not have any competing interests or biases that influenced the report. Editors trust that peer reviewers have provided legitimate contact information related to their identity, workplace affiliations, and actual performance of the review. In turn, the peer reviewer trusts that the editor will maintain appropriate confidentiality and will not substantively alter the submitted review. When any part of that trust is violated, the system cannot function optimally. Journal websites should be truthful in their claims about peer review.

The typical peer reviewer for a journal or a grant is someone who has published in the journal or received a grant from the organization. There is not necessarily any mandated training or formal mentoring for novice reviewers. It follows that clear instructions should be available for peer reviewers and that those reviewers read and follow the stated instructions. Because peer review is a volunteer activity, timeliness is always an issue for peer reviewers and editors. There is typically an agreement between the editor and the reviewer that a review be completed within a specific time frame. An agreement to complete the review implies an ethical duty to fulfill that requirement, including the scope of the work and timeliness of completion. Authors await the results of peer reviews that inform the decision of the editor, and delayed responses mean a delayed

publication. Because reviewers are solicited from the peers of the authors, there are many opportunities for conflicts of interest to occur. Working in the same field, some reviewers and authors will likely be competitors, thus, declarations of competing interests are essential. Reviewers must also respect the confidentiality of the process and not use or share any information from the submitted work to advance their own work or to cultivate favor with another person or group working on a similar project. Peer reviewers are obligated to report any suspicion of misconduct uncovered in the work, and editors are obligated to follow through on ethical issues whether that discovery comes before or after publication. The *COPE Ethical Guidelines for Peer Reviewers* (COPE 2017) describe important considerations for peer reviewers and there are some online training programs to help peer reviewers become useful reviewers (see for example, the QUT Office of Research Ethics and Integrity peer review training at <http://www.orei.qut.edu.au/integrity/peer-review.jsp>). Reviews can be critical but should always be respectfully conveyed.

Models of peer review vary widely and if reviews are conducted ethically and transparently, there are many acceptable options. For most journals, peer review is conducted on an electronic manuscript submission and review platform designed to prevent unethical behavior (e.g., authors are not able to manipulate the selection of or revise the reports submitted by reviewers). The COPE website has many examples of the ethical violations that can occur with peer review processes and decisions ([https://publicationethics.org/cases/?f%5B0%5D=im\\_field\\_classifications%3A2779](https://publicationethics.org/cases/?f%5B0%5D=im_field_classifications%3A2779)). The *COPE Ethical Guidelines for Peer Reviewers* (COPE 2017) explains features of the various models of peer review but does not recommend one model over another. Models are commonly referred to as follows: double-blind – neither the author or the reviewer are identified during the process; single-blind – the reviewer is given the names of the authors, but the reviewers are not identified to the authors; open – the authors and reviewers are identified to each other, and reviews may be signed and published along with the final article. Reviewers should



understand the model under which they have accepted a review assignment. Even if a review is conducted under an open model, reviewers should not publicly post their reviews on another public site unless that is specifically allowed by the journal. Post-publication commentary can occur on public websites, in blogs, on social media, and via letters to the journal editors. Rules of civil discourse should prevail no matter where the commentary occurs. Editors may edit reviews or commentary to standards of politeness.

*Issues in other types of peer reviews.* Not all peer review is carried out on journal articles or books. Regardless of the type of review or the method of conducting a review, the same ethical principles apply. Fair treatment under transparent conditions should be the norm. There will likely be new types of peer review evolving that will require clear and transparent guidelines.

Although reviews of grant applications are similar to reviews of scholarly publications, there is often an element of determining an award amount. This financial aspect of the review process may require additional expertise in evaluating underlying processes in place for grants management, quality assurance of a new program, and institutional reputation. Grant review panels may be specifically convened based on these additional criteria and there will be much more input from the staff of the granting agency. Declarations of competing interests are required for transparency of the process.

Peer review of professionals is a performance review of clinical or technical work, the findings of which can influence an individual practitioner's job advancement, income, or requirements for additional education or supervision. Professional review panels are normally administered by a subcommittee of an institution, such as a hospital, school, or professional society. There are similar expectations regardless of the profession that the process be fair and impartial and that the individual under review receive a constructive report of any needed improvements.

A review of scientific data may or may not be conducted along with an article submission. If data review is a necessary part of a peer review for a research manuscript, that requirement should

be made clear to the reviewer and the reviewer should only accept if he or she has relevant expertise in data analysis. There is a recent trend towards requiring deposition of data into a third-party public data repository outside of the journal and the publishing house. Confidentiality on the part of reviewers when handling data from a third-party repository is essential. Likewise, there should be clear and transparent information from the data repository about the handling of the data. This is likely to become a bigger issue in the future as more journals require data access for reviewers and even readers; however, there are many technical and ethical issues to be sorted before the practice is widely adopted.

Book acquisition is a part of publishing, but books may not be reviewed in the same manner as a journal submission. There are many more steps in reviewing books, including the early proposal, a financial review, content review among other possibilities. Book proposals may originate from within the publishing company by an acquiring editor or be submitted by an interested author. The process is largely driven by the acquiring editor and a positive outcome is dependent on a financial review from the company. Technical or non-fiction books, including academic textbooks, undergo one or more rounds of content review or fact checking. Book editors might not provide a lot of constructive feedback on rejected proposals, but once a book contract is signed, it is likely the editor who provides much of the developmental critique rather than peer reviewers. A final step could be review by potential adopters of the book, especially textbooks and workbooks. (For more extensive information on book acquisition and publication, see Ginna 2018).

## Cross-References

- ▶ [Anonymity, Confidentiality and De-identified Data](#)
- ▶ [Conflict of Interest in Research](#)
- ▶ [Publication Ethics](#)
- ▶ [Research Integrity and Research Misconduct](#)

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## Ethical Performance and Health

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## Synonyms

Ethical performance; Health; Mental well-being;  
Physical well-being; Spirituality

## Introduction

This entry reviews ethical performance and health from multiple, interrelated angles. It first discusses the effects of health on ethical performance at the micro (individual) level, and subsequently considers the consequences of ethical performance on health on a macro (organizational and societal) level. The philosophy behind this dual perspective is to demonstrate the reciprocal effect of both phenomena onto each other.

## The Influence of Health on Ethical Performance

Numerous studies have determined the mind–body connection where the activity of one triggers responses from the other. This connection confirms the belief that when we neglect, stress, or deprive the mind of optimal health functioning, the body suffers the consequences in some shape or form, vice versa. Eating habits, mental patterns,

stress, and relationships are just a few factors that can influence our mental and physical well-being. These factors can also affect our ethical performance in life; the way we perceive things, whether and how we consider ourselves and/or others, and whether or how we take ethical and legal matters into consideration. In the sections below we will briefly review the correlation between mental and physical well-being and ethical performance from each aspect.

## Mental Well-Being

Mental health is vital to a person’s ethical performance in life. “Brain functioning changes sensations into perceptions and thoughts into actions. Reverberations in brain circuits lead to conscious experience; these reverberations also structurally alter the brain. Stressful experiences change brain regions involved in memory and emotions, impairing memory and increasing anxiety and aggression” (Travis 2009, p. 31). McEwen (2006) underscores that the brain is the key organ that determines what is threatening, and therefore, stressful, while also controlling the behavioral and physiological responses thereto.

Work environments can be overwhelming and stressful, causing some workers to engage in the use of substances in order to manage the pressure. Alcoholic and narcotic substances aim to numb a person’s undesirable emotions, which are created and located in the amygdala, an almond-shape set of neurons located deep in the brain’s medial temporal lobe. Yet, although drugs and alcohol may help numb adverse sentiments, they also affect other parts of the brain, including the frontal lobe, which is considered the brain’s executive center. This center controls our abstract thinking, rule acquisition, planning, and flexibility in responses, including rule shifting, while it also triggers suitable actions and inhibits unsuitable ones (Crews and Boettiger 2009).

A person whose frontal lobe and executive functions are suppressed by substances will be more likely to engage in inappropriate, or unethical, actions than one whose frontal lobe functions are not affected. According to Crews and Boettiger (2009), the frontal lobe is also responsible for weighing consequences of future

actions. When the frontal lobe and its executive functions are affected, the brain stem tends to take over. The brain stem is the most primitive part of the brain, responsible for basic body functions such as breathing, heart rate, blood pressure, and consciousness. When the brain stem takes over, a person no longer considers the consequences of behaviors, and resorts to survival instincts instead. The use of substances as coping mechanisms can result into addictions, where tolerance builds and more substances are required. Once an addiction is formed, the person's mental focus will center on a substance-induced escape, which could lead to less focus and less ethical behaviors in the workplace. Furthermore, during an inebriated episode, an addicted person experiences a loss of frontal lobe function and increased impulsivity (Crews and Boettiger 2009), which rarely allows for the consideration of risks tied to his or her behaviors, hence decreasing his or her concerns about behaving morally responsible.

Those who do not use alcoholic or narcotic substances may suffer mental health issues due to personal and work-related factors known to cause stress. Stress has a similar effect on the brain as do substances in regard to how it impacts the frontal lobe. Stress produces a hormone called cortisol. Although not harmful when generated in moderate levels, too much cortisol can have negative and sometimes long-term effects on the brain.

Stress can disrupt synaptic regulation (the ability of nerve cells to pass electrical or chemical signals to others), which leads to decreased sociability and avoidance of interactions with others (Bernstein 2016). Stress affects brain regions such as the hippocampus, amygdala, and prefrontal cortex. When stress hormones are released, the brain responds by undergoing structural remodeling, which alters behavioral and physiological responses (McEwen 2006). According to McEwen, functional imaging revealed smaller hippocampal volume in stress-related conditions. Since the hippocampus is the brain's memory center, stress levels can affect a person's memory in both simple and complex tasks. This can lead to decreased productivity and other problematic personal and work-related behaviors. Furthermore,

chronic stress is linked to a reduction in size of the brain, specifically shrinkage of the prefrontal cortex, the area responsible for memory and learning (Bernstein 2016). The prefrontal cortex is also responsible for planning complex cognitive tasks, personality expression, and moderating social behaviors. Substance abuse and stress can temporarily suppress prefrontal cortex functioning, which increases impulsive behaviors. Impulsivity in the workplace can result in immoral conduct, such as assault and theft.

As mentioned earlier, stress levels can also affect the amygdala. This may happen when stress produces dendritic growth in neurons in the amygdala, causing a person to become more emotionally reactive, which can affect ethical decision-making and conduct in the workplace (McEwen 2006). According to Jones (1991), ethical decisions are defined as decisions that are both legal and morally acceptable to the larger community. An increase in impulsive and emotionally reactive behaviors makes it more challenging for the brain to consider decisions that are both legally and morally acceptable to others.

### Physical Well-Being

The notion of physical well-being has long been dictated by the general perception, and the way this perception is formed. Whereas an individual, especially a woman, used to be considered physically well when plump in the nineteenth century, today, the epitome of health is slimness. Being slim is, indeed, often the way to go in order to stay clear from health issues such as high blood pressure, increased cholesterol, and diabetes, but for some people, it can become an obsession that far exceeds just hitting the gym on a regular basis. Especially young people are often victimized by their desire to meet contemporary standards, upon which they may develop compulsive behaviors, such as eating disorders. Eating disorders often derive from dissatisfaction, insecurity, or a sense of inferiority within a person about the way he or she looks. While physical in manifestation, eating disorders are often considered "mental disorders" and there is an assumption that they often impair general functioning (Bloodworth et al. 2017). Such disorders can intensify a disconnection

between mind and body and fortify feelings of shame and isolation (Starkman 2016).

Factors that should not be underestimated in their influence on people's body dissatisfaction are television, social media, and peer competition (Ferguson et al. 2014). The media-marketing platform, in particular, seems to have taken control over the eating habits of many people, especially younger ones, rendering the conventional reliance on physiological hunger of little value (Forgács et al. 2018).

There are several ethical concerns to be distinguished in this context, starting with the potential immorality of media and peers to make people feel inferior in their normal state. Additionally, there is the concern of potential increases in immoral behavior from those suffering from longitudinal malnourishment due to ongoing food deprivation in order to meet generally accepted physical standards. Malnourishment is known to lead to attentional dysfunction and impulsiveness, diminished ability to adapt to stressful situations, susceptibility to affective disorders like anxiety, and diminished motivations and exploratory behaviors (Mendoza-Salunga 2004). This circles back to the earlier explained survival mode (taking over of the brain stem), in which moral considerations become the least of a person's concerns.

In a more general sense, physical well-being could be considered a matter of healthy living, represented through care of one's body mass index, regular exercise, mindfulness toward dietary restrictions, and refraining from unhealthy habits such as smoking, alcohol, or drug abuse. Unhealthy lifestyles and the resulting physical diseases are damaging not only to the affected individuals, but also to their workplace and the economy at large. Unhealthy people usually require more time off, therefore placing the burden of completing their work on others, who then get exposed to greater pressure and stress. In that regard, they form a drain to their workplace and the economy in which they perform. Considering Pettit's (2001) *Theory of Freedom*, in which he claims that being free to do something warrants being held responsible for that act, Brown (2013) questions whether individuals should be held

morally responsible for their (un)healthy lifestyles. If this philosophy is considered valid, then engagement in unhealthy lifestyles could be considered immoral conduct toward other members of society.

As alluded above, physical well-being is intertwined with our mental state of mind in far more ways than eating disorders resulting from dissatisfaction with one's body structure. Physical pain or discomfort invariably gets signaled to the brain, thus escalating the physical context to a mental one. Since ethical decisions are also a mental endeavor, we may detect a mutually supportive correlation between a sense of well-being and ethical behavior. Corroborating the above, Mintz (2018) points out that there is a positive correlation between well-being, happiness, and ethical behavior. He affirms that our sense of well-being is largely influenced by our feelings of happiness and meaning: the more meaning we experience in our life, the happier we generally feel, and the greater our willingness to behave ethically. On the other hand, feelings of anxiety, a frequently occurring workplace phenomenon with numerous foundational causes, often result in notions of being threatened, possibly leading to self-interested unethical behavior (Kouchaki and Desai 2015).

## The Influence of Ethical Performance on Health

Doing the right thing, even if the outcomes are not always desirable, generally instills a sense of inner peace and calm, and reduces the chance of retrospective senses of guilt. Guilt has been known to have troublesome effects on individuals, varying from ongoing stress and paranoia, to more radical manifestations such as mental disturbance or even suicide. In personal as well as professional settings, it is therefore prudent to keep in mind that everyone is the leader of his or her actions, and that doing the right thing, albeit requiring courage sometimes, has the most positive effect on our long-term well-being.

Behaving ethically is an act that is oftentimes not considered as thoroughly as it should. Even in

the health profession we find that ethical performance is tainted by a number of factors, varying from personal perspectives (paternalism) to influences from income generating sources (such as the pharmaceutical industry). In a study among 425 health care professionals in Barcelona, Spain, it was found that the professionals demonstrated a high level of ethical performance when it came to listening, having compassion and protecting their patients. Yet, when it came to promoting patients' wishes and respecting patients' self-management, the study revealed that there is still quite some paternalism upheld in this critical industry.

### Internal Ethical Performance

Organizations that make it their business to embed ethics in their performance structures are usually also the ones that embrace a climate of diversity and inclusion, which positively impacts the health and well-being of individuals, business, and society (Sanyal et al. 2015). In recent decades, the term "Spirituality in the Workplace" has become essential in describing senses of interconnectedness, trust, a motivational organizational culture, reciprocity, and improved overall performance (Marques 2005). Spiritual performance, whether at work or elsewhere, starts at the personal level, either through internal or external influences, and can positively influence those around the individual, due to interactions, observations, motivation, and support, thus establishing a constructive "ripple effect" (Marques 2006).

When internal stakeholders engage in workplace spirituality, they obtain better awareness of each other's inner and outer life, increased sense of meaning and purpose in work, and a sense of community beyond economic self-interests (Ashmos and Duchon 2000). In verifying this narrative, Otaye-Ebede et al. (2019) collected data from 51 branches of a retail organization in the United Kingdom and discovered a number of interrelated facts, among which are a) a positive correlation between workplace spirituality and the organization's ethical climate, prosocial motivation, and moral judgment; b) an influence between the ethical climate on the relationship between workplace spirituality, prosocial motivation, and

moral judgment; and c) an influence between ethical climate, support, and service.

### Social Responsibility

Social Responsibility in light of organizational performance, is described in different ways by different people. Duarte et al. (2010) found that there are at least three ways to interpret corporate social responsibility: (1) performance of an organization that engages in efficient and ethical business performance; (2) when an organization actively contributes to the well-being of society, behaves in an ecologically friendly way, and acts in the field of social solidarity; and (3) when an organization implements human resources practices that demonstrate respect and concern for the well-being of employees and their families. The overarching theme among these three perspectives is an intersection between ethical performance and well-being or health.

Companies that engage in social responsibility practices, and communicate these properly to their employees, find that the overall perspective about the importance of ethics gets positively influenced among these employees. In turn, this perspective could result in increased ethical sensitivity in such work environments, thus influencing senses of equity, justice, and fairness, which positively affect employees' sense of job satisfaction and well-being (Valentine and Godkin 2009). When employees actively participate in Corporate Social Responsibility (CSR) practices, a greater collegial bond could be established, which may positively influence job performance – due to a heightened sense of ownership. It should also not be overlooked, that the overall perspective about the organization, by internal and external stakeholders, is positively influenced, which will have a constructive effect on both, the input and the output side of the business (Valentine and Godkin 2009).

Finally, a company engaging in social responsibility is making a conscious effort to improve societal health and well-being, and this interrelationship should not be overlooked either.

## Cross-References

- [Commodification of Care](#)
- [Corporate Social Responsibility](#)
- [Environmental Ethics and Sustainability](#)
- [Work-Life Balance](#)

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## Ethical Representation of Data

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## Synonyms

Biased reporting; Clinical significance; Misrepresented data; Reporting guidelines; Statistical significance

## Definition

Data that are omitted, misreported to intentionally mislead, or misrepresented in any way to support an outcome or a theory are not ethically appropriate. The misrepresentation, either intentional or unintentional, can be achieved by manipulating numbers, figures, graphs, images, or selective



reporting of information crucial to a complete understanding of the project. According to the COPE taxonomy (2013), the definition of ethical representation also includes the availability of appropriate consents, approvals, and copyright forms.

## What Are the Issues?

Scientific advancement depends upon building evidence, often over multiple small experiments or theory developments. The results of this scholarship are presented in the peer-reviewed, scholarly literature. The report of a study requires several essential elements to qualify as a foundation for further developments. When authors misrepresent the steps in methodology and analysis, other researchers can be misled in their attempts to either replicate or advance an idea. Research done on human subjects must be done according to the principles developed by the World Medical Association (WAME 1964) at their 18th General Assembly in Helsinki, Finland. The Helsinki principles form the basis for institutional, regional, or national ethics approval boards for medical research involving human subjects or any of their identifiable human material (e.g., blood, tissue, genes) or any identifiable data contained in a repository (biobank). Assurances such as approvals or copyright release forms also demonstrate to the scientific community that the findings are ready to release to the community at large.

*Issues in conducting research.* Conceiving and conducting a research project can be a difficult task that requires enough financial support, intellectual preparation, time, and fortitude. Graduate education is considered the training ground for the future scientists of the world; thus, there is a vast enterprise within universities devoted to educating these scholars. The actual conduct of research within higher education is supervised by proven scholars in a discipline who have received grant funding or recognition as mentors. Universities also maintain human subjects review boards to

oversee the ethical conduct of student and faculty research. There are, however, perverse incentives that may have an adverse effect on research conduct, such as publishing requirements for promotion and tenure of faculty, time constraints for the educational progress of students, media and public relations for the institution, and funding requirements. Time pressures to complete a project may result in an inappropriate selection of human subjects or an underpowered study, rather than an unbiased selection of enough eligible subjects to make a meaningful analysis. In cases where publicity about an investigation raises expectations of novel or important results, negative findings might not be reported. Funders or sponsors of research should not be allowed to influence the reporting of results, such as encouraging suppression of unfavorable results. Some graduates from the academic research enterprise move on to apply their research skills to develop new products for large multinational corporations engaged in the pharmaceutical and device manufacturing industries, while others remain in the academic environment to continue research.

*Issues in publishing research.* Even when a research project has been conducted ethically and with due attention to avoiding the most common errors in methodology, the possibility of intentional or unintentional misrepresentation of data can occur in the written report. For most academic research, the written report is a manuscript submitted for publication to a peer-reviewed journal. Competition for acceptance of manuscripts is high for the most well-known journals in any given field. Therefore, the temptation to present all findings in the best possible way can reach the level of unethical misrepresentation of data. Some of the most common misrepresentations occur in describing subject recruitment, the plan of analysis, and the conclusions. When graphs, tables, images, or figures are included, there are several common flaws that intentionally or unintentionally misrepresent findings.

Recruiting human subjects for research is time consuming and often involves multiple people on the research team. Informed consent for

participation must be obtained without any coercion from researchers, including any payments or rewards given to subjects. The recruited subjects must be representative of the population of interest, and the researchers must report at least some details of those who refused (e.g., reason for refusal, number of refusals) to provide an unbiased picture of the participants. The plan for analysis of data must be decided a priori and followed to avoid substituting more favorable analyses or eliminating inexplicable findings. The data plan must also include information on missing data points and any methods used to impute missing data. All this information should be included in the manuscript, even if it is included in supplemental files. Researchers must avoid making conclusions beyond what the data support. Some common statements to avoid include trending toward significance, proves our theory, and settles the question.

The use of graphs, tables, images, or figures requires careful attention to avoid errors and misrepresentation. Misplacing numbers in a cell or mislabeling a row or a column is easy to do during the preparation of a manuscript. A careful proof-reading by more than one individual is useful at several stages of the process. As a visual representation of a finding, a graph can be deceiving if the scale is not appropriate to the data reported or the axes are mislabeled. Images and figures are a serious problem for some disciplines, and the use of image enhancing software can make an image appear significant when it is not. Reporting the results of statistical analyses must be done carefully to avoid misrepresenting findings. For example, in clinical research, statistical significance (i.e., a  $p$ -value of  $<0.05$ ) does not always equate to clinical significance. A recent warning about the misuse and misinterpretation of  $p$ -values from the American Statistical Society (2016, p. 132) advises, “Cherry-picking promising findings, also known by such terms as data dredging, significance chasing, significance questing, selective inference, and ‘ $p$ -hacking’ leads to a spurious excess of statistically significant results in the published literature and should be vigorously avoided.” Decisions about which analyses to perform should be declared a priori

and reported completely to provide context for the results. An example of the context needed for interpretation can be seen in reporting a statistically significant decrease in blood pressure from 148/92 to 142/90 among participants using drug A compared with drug B. While the calculation of the  $p$ -value could be significant, the clinical significance might not warrant any change in practice.

Several useful checklists and toolkits for reporting health research can be found on The EQUATOR Network (<https://www.equator-network.org/>) to guide researchers as they develop manuscripts for publication. The reporting guidelines strive to improve the quality and transparency of health research for publications. Authors can use the appropriate guideline when writing a manuscript, and reviewers can use the guideline to verify that all the essential elements of a study are reported. Many journals require the use of these guidelines and give specific instructions for authors and reviewers on their use.

## Cross-References

- [Anonymity, Confidentiality and De-Identified Data](#)
- [Conflict of Interest in Research](#)
- [Duplicate Publication and Salami Slicing](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)

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## Ethical Responsibility of Orchestras in Contemporary (Multicultural) Societies

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### Introduction

Symphony orchestras in liberal democratic, multicultural countries face a specific set of ethical challenges in the early part of the twenty-first century, due to domestic and international imperatives related to the importance of diversity and inclusion, and to the protecting of Indigenous cultures.

In order to contextualize these challenges, it is helpful to consider the origins and evolution of the symphony orchestra as a vessel of European aurality and aesthetics that can now be found in many parts of the world.

### History of the Symphony Orchestra

The Western symphony originated in Europe. The term “symphony,” when used alone, can refer either to the musical ensemble (characterized by a sizeable number of instrumentalists, of which those playing Western bowed string instruments — violins, violas, and cellos—form the core) or to a specific form of musical composition written for the symphony orchestra. Early symphonic music appeared in the sixteenth and seventeenth centuries as instrumental music that functioned as an accompaniment to other activities (liturgies, dances/ballets, dramas, operas, or background music for parties). During this time, music was commissioned and patronized by a combination of nobility, the church, or merchants who wanted to display their wealth through artistic productions. Though standardized now, the instrumental makeup of early symphonic compositions was limited by the musicians and

instruments to which composers—via their patrons—had access.

Through the eighteenth and nineteenth centuries, symphonic music evolved away from its accompanying function into what music historian Richard Taruskin describes as an “autonomous art” intended “primarily for contemplation, not for use” (Taruskin 2005, p. 65). This is the form by which the symphony, as ensemble, is currently understood and for which the symphony, as a type of composition, was developed. Since the eighteenth century, the minimum complement of instruments and number of players that constitute a symphony orchestra has been standardized. A degree of elasticity has allowed orchestras to incorporate technologically improved models of brass and wind instruments into its core, as well as a number of non-European percussion instruments.

In the latter part of the eighteenth century, musical patronage shifted from private entertainments for the aristocracy to public subscription concerts intended for a listening (and paying) audience. This shift allowed composers—of whom Ludwig van Beethoven (1770–1827) was one of the first—to self-produce performances of their own compositions, including symphonies. Arguably, this granted composers greater control over their compositional direction. Moreover, the ubiquity of printing allowed for the dissemination and performance of symphonic works across Europe and its colonies and, ultimately, anywhere that musicians versed in European-style symphonic performance practice lived. This, too, contributed to the standardization of the symphony orchestra: simultaneously creating a rigidity of orchestral practice while expanding the access of audiences (and potential composers) to the symphony.

For the past two centuries, the symphony orchestra has accrued a reputation of having significant cultural value, to the extent that the Romantic idea of “universal brotherhood” that Beethoven attempted to express through his Ninth Symphony has been transferred to the notion of the Western symphony orchestra as a pinnacle of human cultural achievement in a universal sense. The continued persistence of the

symphony's prestige and inherent universal cultural value may lie in a combination of its early association with the aristocracy; its historical coincidence with European colonialism and attendant presumptions of cultural superiority; and the European Romantic concept of the "artistic genius" whose masterworks were disconnected and uninfluenced by time and place. As a consequence, many symphony orchestras (particularly in Western capitalist countries) have come to be supported either wholly by the state (in some European countries) or by a combination of public, corporate, and private funding.

### Orchestras and Public Funding

In Western capitalist countries, state investment in the cultural sector is premised on the understanding that "the traditional market system of supply and demand—whereby consumers are willing to pay more than the mere production costs for a product (good) so that the producer might realize a profit—is not sustainable" (Attariwala 2013p. 72). This is particularly true for a professional symphony orchestra which may, for a given performance, require in excess of 100 players and for which there is a not insignificant public desire to experience acoustic music of this magnitude. Ticket sales alone, though, cannot compensate for the multiplicity of factors (beyond simply remunerating the musicians) required to produce a symphony concert. Thus, state and corporate funders subsidize symphony concerts with the understanding that artistic and cultural activities yield positive externalities, such that those who are not direct recipients of subsidy for the artistic endeavor still stand to benefit from access to the artistic work (Attariwala 2013, p. 73). As future generations might also be indirect beneficiaries of contemporary investment in arts and cultural activities, it follows that such activities should be adequately funded in order that the cultural "product" continues to yield meaningful sociocultural value.

Public funding models (such as arm's length arts councils) for the cultural sector developed

largely after the Second World War and in response to the fiscal impoverishment of European empires as a result of the war. At the same time, and for the same reason, empires withdrew from previously held colonies. The repercussions of these two actions—public funding intended for public (rather than exclusive) good and postcolonial cultural resurgences following decolonization—have contributed to the ethically problematic situation in which orchestras now find themselves.

### Cultural Expression, Value, and Decolonization

As newly independent countries underwent decolonizing shifts in the latter half of the twentieth century, manifestations of the decolonization—particularly in Africa and Asia—included reclaiming pride in local forms of cultural expression. In the larger (albeit predominantly white, Europeanized) territories—such as the United States, Canada, Australia, and New Zealand—as well as in the former European empire nations themselves, waves of immigration (and slavery) resulted in increasingly multicultural societies. Significantly, the decline in empire was accompanied by a revaluing of non-European selves and culture, resulting in demands for liberal-democratic rights and respect to be extended to members of Indigenous, non-European, and/or ethnocultural minority groups. These groups also demanded equal access to cultural funding, including funding that supported artistic expressions of their cultural differences. In many cases, multiculturalism and tolerance have been signaled through modes of expressive culture such as music, dance, art, food, and costume, precisely because they are the least socially problematic modes of signifying difference.

Thus, the current predicament confronting symphony orchestras in multicultural countries (and the various public and corporate structures that fund them) stems from political and social pressure to show that institutions benefitting from substantial amounts of public funding should be

both accessible to, and demonstrably reflective of, the greater society in which they operate. Yet, many symphony orchestras do not attract members of postcolonial heritage into any level of their infrastructure, including the preprofessional educational level. Additionally, and problematically, attempts to actively recruit members of postcolonial ethnocultural groups into the orchestra's educational infrastructure by drawing upon tropes of the music's universality and "greatness" only perpetuate colonial paradigms of cultural superiority. Such initiatives, moreover, disrupt both international directives (United Nations' Declaration on the Rights of Indigenous Peoples, 2008) and nation-specific decolonizing agendas. Thus, the philosophical concerns about culture and cultural value raised by decolonization have contributed to a twenty-first-century dilemma regarding the continued sustainability of symphony orchestras as an "international" form, begging answers as to whether, and how, they can be ethically responsible in the wake of the decolonizing dynamics of contemporary liberal-democratic, multicultural nations.

## Cross-References

- [Ethical Issues When Interacting with Indigenous Music and Musicians](#)
- [Public Goods](#)

## References/Additional Readings

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## Ethics and Artificial Intelligence

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## Synonyms

Artificial intelligence – AI

## Introduction

We have been encapsulated by images of humanoid robots, often portrayed in science fiction movies and TV series, that look, speak, and act, like us. This human mimicry is what is often what is understood as "artificial intelligence" (AI) in popular culture. It is typically the most inviting, interesting, and visual picture of AI that allows us to understand the potential of this technology. These types of AI robots often take on the role as our assistants, colleagues, friends, and even lovers. Conversely, media has also portrayed AI through dystopian images, such as Skynet in the Terminator franchise, whereby, these machines turn against us and try to either enslave or eradicate us altogether. AI is conveyed as either leading us to utopia or being our downfall.

While these depictions are still in the world of science fiction, AI has started to receive increased attention over the past decade as something that will propel the economy and humanity like no technology before it. There is certainly a lot of hype around how AI is the future for business, and can solve many challenges we face today, throughout a wide array of domains (health care, transportation, insurance, agriculture, and administration, to name a few). However, what is meant by "AI" is sometimes vague, which makes it difficult to identify the ethical issues that we need to consider.

## What Is AI?

AI is typically understood as the performance of intelligence by digital technology, to a degree independent from human control. Of course, what classifies as acts of intelligence and to what degree they must be independent from human control is open for debate. How to distinguish between advanced (non-AI) technological solutions and AI solutions is often challenging, and many people group a wide array of digital applications under the “AI” banner. For example, recently, it was reported that 40% of “AI startups” do not even use any form of AI (Vincent 2019). There is such a huge buzz around AI that everyone wants to be seen using it.

AI is intelligence that is different from natural intelligence, as it is constructed and created through digital technologies. These advanced intelligent systems have the capability to perform complex tasks normally associated with humans, “such as image recognition (vision), speech recognition (hearing), and natural language generation (speaking). AI is artificial mimicry of tasks and functions that would otherwise require human intelligence” (Ryan 2020).

AI takes the form of computer programs and software to process, predict, and prescribe actions. This type of AI is being used to determine whether one should be granted bank loans or insurance payouts, identifying areas that police should patrol, criminals’ likelihood to reoffend, provide prognosis for cancer patients, detect fraud, and provide tailored recommendations for end users.

AI can also be embodied within robotic machinery, taking a humanoid form, or in the form of cars, drones, farming machinery, medical devices, and so forth. However, not all robots have AI, there are also “dumb robots” that are completely under the control of a human agent or do extremely restrictive tasks (e.g., bomb disposal units, robots in manufacturing plants, etc.). Robots that have AI often create their own unique challenges, which will be shown throughout this chapter.

## What Is AI Ethics?

A subdiscipline has emerged around AI ethics, which is comprised of a wide array of individuals: computer scientists, ethicists, cognitive scientists, roboticists, legal professionals, economists, sociologists, gender, and race theorists. This has led to a very interesting branch of research, addressing issues surrounding the development and use of AI. This chapter will give a very brief snapshot of some of the most pertinent ethical concerns. Many of the issues in the Big Data Ethics chapter in this collection are often applicable to AI ethics, because of the data that these technologies retrieve, store, and use, so will not be duplicated here.<sup>1</sup>

While data-related issues are not new or unique to AI, AI does hold the potential to dramatically retrieve and analyze data that would not be possible otherwise. Data is being used in unique and transformative ways, such as the use of facial recognition to identify individuals from photos or CCTV; AI robots to retrieve live video feed about the patient(s) that it is monitoring; or in new ways, such as self-driving cars collecting an abundance of data about our surroundings, how we drive, and passengers in the car. There is the potential to infringe on individuals’ privacy, restriction of resources, or at worst, the creation of a surveillance society.

## AI and Discrimination

AI is being used to make predictions about future events, but also, in many contexts, it provides prescriptions of actions that should be taken. With the inclusion of AI in the decision-making process, it has raised several problematic concerns related to unfair bias, discrimination, and justice. There is the possibility that unfair biases arise

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<sup>1</sup>Many of the challenges faced in the ethics of Big Data correlate with AI ethics. This is because vast streams of data are being retrieved, stored, cleaned, processed, and used, by AI applications. Many of the issues discussed in the Big Data Ethics chapter are equally applicable here, therefore.



from the *data that is inputted* into the AI model, the *types and ranges of data used*, the code within the *algorithm* itself, or biases in how the recommendations (*output data*) from AI are interpreted.

For example, self-driving vehicles' computer vision has recently been shown to have a much lower accuracy to detect people of color, putting them at a much higher risk (Cuthbertson 2019). Banks, insurance companies, and HR are using AI to identify risk individuals who will not pay back loans, are committing insurance fraud, or suitable candidate based on their personal data. Much of these recommendations are based on data, such as the individual's postcode, names, gender, and the university they attended. In other words, AI has been making assumptions based on data that is closely linked to one's ethnicity, gender, class, and background.

Even scarier is the idea that AI can be used to "predict" our behavior, personality, moods, and even likelihood to commit (or re-commit, for reference see COMPAS in the USA (e.g., see Rahman 2020)) crimes (spoiler: it cannot). In the latter example, AI is making these predictions based on racially biased datasets and on racial feature similarities. This modern form of phrenology is hugely problematic and is a form of pseudoscience that keeps being used, despite being discredited time and time again.

AI is also being used by police to predict potential crime hotspots, based on historical data, using predictive algorithms. However, there is the threat that AI will identify impoverished areas, leading to overpolicing and feelings within the community of constantly feeling monitored, and/or it will cause other areas to be neglected and underpoliced. This would have a self-perpetuating and reinforcing effect on crime, as the data confirms that these were indeed crime hotspots, thus advocating for their increased patrolling.

## AI and Manipulation

There is also the potential that different forms of AI will manipulate our behavior. For example, the use of targeted advertising, using advanced AI

methods, to identify and customize ads and lure us into buy their products. There is a much stronger capacity for companies to specifically target individuals with the use of AI. AI has also recently been used to manipulate individuals in voting, by creating, circulating, or reinforcing misleading content, targeting those who may be swayed one way (see the 2016 US Presidential Elections and the United Kingdom's Leave Brexit Poll).

There are also many forms of AI that are specifically built to deceive and manipulate, such as "deep fakes," which create fake video, audio, or image content that looks or sounds exactly as though it were real. Deep fakes manipulate individuals into believing that certain actions occurred, individuals behaved in a certain way, and altogether, manipulating our perceptions of reality. There have already been problems with deep fake "revenge porn" and there is also a concern about their potential to incite social unrest, violence, and war. This use of AI poses grave threats of disinformation, which thus impacts our informed decision-making and actions.

## AI and Responsibility

It is unclear who is responsible for the actions of AI. As this technology will be learning, behaving, and interacting with humans, relatively independently, there is concern about responsibility allocation when things go wrong. Who should be held responsible when self-driving vehicles' malfunction causes a crash (see the 2016 Uber death in Arizona); AI programs that say racist or harmful things (see Microsoft's Tay); or it underscores school grades, stopping people from getting into the university they were hoping for (see the UK's 2020 algorithmic grading debacle)?

As AI acts autonomously from human action, it is difficult to classify it as simply an instrument for human action. AI can independently make important decisions about our lives. Traditional instruments can be misused by the user, or they can malfunction because of a manufacturing fault; however, the autonomous actions caused by AI may materialize outside of these traditional

parameters. Furthermore, the design and use of AI often brings a very large range of stakeholders together, making it quite difficult to pinpoint the stage of development that led to the harmful event.

The type of tasks that AI should be given is also quite controversial. The level of responsibility of AI, its potential risk, and its capacity to fulfill these activities can be difficult to identify. Some have proposed that greater understandability, transparency, and “explainable AI” will allow us to trace the causes behind an AI’s action, thus making it easier to allocate responsibility. However, there is often a trade-off between developing AI that is more effective, but may have less understandability about how it arrived at those decisions (some may be completely unknown, otherwise known as “black box actions”), and a form of AI that is more understandable, but perhaps less effective.

## AI and Autonomy

There is much debate about what level of autonomy AI should possess, with one of the main concerns surrounding a future where there is difficulty to differentiate AI agency from human agency (Allen et al. 2006; Crnkovic and Çürüklü 2012). AI will have an increased level of independence from human agency, so some claim that they need to have a built-in ethical response to real-world situations, becoming “artificial moral agents” themselves (Crnkovic and Çürüklü 2012). Utilitarianism, deontology, and virtue ethics have been proposed as ethical frameworks that could be programmed into AI to guide their behavior (Wallach and Allen 2008). Others propose implementing AI with bottom-up approaches to ethics or building-up moral competencies through learning itself (Anderson and Anderson 2015). Crnkovic and Çürüklü (2012) add that the use of AI will vary, and so too will the level of autonomy in specific contexts and applications. Many of the same issues that arise with all these ethical frameworks will emerge when implemented within AI,

but creating many new, challenging issues, with one of the most challenging: should they even have this kind of capacity or agency in the first place?

## AI and Moral Agency

One of the concerns around AI is whether it should be given the capacity to become a moral agent. However, another one is how do we know that AI is acting as a moral agent and not simply emulating how a moral agent should act. Some have suggested developing a “moral Turing test,” whereby an interviewer asks AI a series of questions, to see if they can distinguish the machine from a human’s moral reasoning. There is also the “comparative moral Turing test,” where the interviewer is asked to compare the answers of a human and AI to see if they can identify if the robot is giving a less moral answer of the two (Allen et al. 2000). However, both tests are flawed as they still do not answer whether the AI understands what they are saying or if it is just a carefully, and intelligently, reiterated phrase that materializes from their programming. Establishing a method that can determine the moral agency of an AI is challenging and is an ongoing area of research within the field.

## AI and Robot Rights

Closely aligned to analyzing the moral agency of AI is how we behave and interact with AI, and what type of moral considerability should it receive. At what level should we begin granting AI with specific rights and acknowledging its moral considerability? Typically, this question gets asked in the context of AI robots, but some still speculate about our behavior towards non-embodied AI (take, for instance, the fictional HAL 9000 from 2001: A Space Odyssey). The field is divided between those who believe we can and/or should, while others state that we cannot and/or should not, attach rights to AI robots.

Kate Darling (2016) claims that we should grant AI robots with rights because it feels wrong to harm them, regardless of their capacities. Some propose that AI will have a higher form of intelligence in the future that will require us to grant them rights, so we should preemptively do this before they demand them (Asaro 2006). In contrast, Joanna Bryson (2010) proposes that we *could* design machines with this level of intelligence, but that we *should not*, as it is morally undesirable. We should not create AI that necessitates the granting of human-like rights to these machines. Whereas others propose that we will never be able to design a machine, nor should we, that would necessitate the granting of rights, because they are still simply artifacts of human creation (Johnson 2006). While Gunkel (2018) believes that we should grant AI robots moral consideration regardless of their ontology, because this is how we act in the real world; namely, we behave ethically towards others without knowing their inner capacity or ontological development.

### AI's Effects on Human Relationships

The widespread use of AI may have a dramatic effect on human-human interactions. If AI becomes advanced enough that people are unsure if they are interacting with a human or AI, it may cause us to be very apprehensive when interacting with others, for the fear that we are interacting with a robot. This is an issue that is commonly referred to the “uncanny valley,” where people report being comfortable interacting with a human-like AI robots up to a certain point. When that likeness is indistinguishable, it becomes undesirable and unnerving. Lifelike AI may also impact the way that we behave towards other human beings. The objectification and instrumentalization of robots may cause us to behave in a similar way towards other human beings.

Using AI in certain contexts may also replace many valuable human interactions. Replacing humans with AI in health and care settings

holds the potential to dehumanize, objectify, and instrumentalize those patients. Respect of the individual patient and their sense of dignity would be harmed if there is a sense that these “burdens” should be taken care of by AI robots, instead. Our interactions with the elderly, vulnerable, and persons with disabilities may be directed towards AI, creating, or exacerbating, feelings of isolation, loneliness, and debasing their humanity.

### AI and Unemployment

There is also a huge concern around employment when AI is set to replace many human jobs, as they will be able to do them more efficiently, for less money, and without much of the “hassle” of employing humans (insurance, health care, trade unions, etc.). However, what will become of the individuals who used to work in these jobs, and will it negatively transform some sectors entirely, as a result? There is a tension in the field, with some proposing that AI will allow us to have more free time, reducing the length of workweeks, and will replace many of the “dirty, dull, and dangerous” jobs within society. Individuals can retrain, upskill, and altogether, do safer, cleaner, and more interesting work.

However, there is also skepticism, with fears that the capitalistic society in which we live will simply force individuals in (often) low-paid and low-skilled jobs out of jobs, with no opportunities for future employment. While technologization and its effect on employment is nothing new, the sheer range and abundance of jobs that will be under threat by AI replacements is unparalleled, so requires careful attention to ensure that this transition is desirable, ethical, and balanced for society.

### Cross-References

- ▶ [Artificial Intelligence and Ethical Journalism](#)
- ▶ [Artificial Intelligence and Teaching Values in Science](#)

- **Big Data Ethics**
- **Corporate Social Responsibility and Engineering Ethics**
- **Technology Ethics: Origins, Paradigms and Implications for Business and Society**

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## Ethics and Corporate Social Responsibility

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## Synonyms

Business ethics; Corporate citizenship; Corporate social performance; Sustainability

## Introduction

There is no unanimously accepted definition of corporate social responsibility (CSR) but it is generally taken that this notion involves the idea that business has responsibilities towards society, which go beyond those of making economic profits.

Discussion on CSR emerged in academic literature in the 1950s, and some time before in business practice. In the 1970s, CSR became mainstream in terms of academic analysis of the pros and cons of the concept. The debate was stoked by Milton Friedman, who denied that such a thing as social responsibility could be applied to business beyond making profits. At the turn of this century, the relevance of CSR emerged again, along with other related concepts such as corporate citizenship and sustainability.

Business ethics (BE) gained impetus in the early 1980s and, in the following years, became an accepted academic discipline and entered into business practice. Business ethics, in broad terms, deals with the ethical dimension of business. Inasmuch as BE and CSR are related concepts, a conversation on the connection between them soon started. Two opposite positions were presented. The first was mainly defended by Archie Carroll (1991), who argued that the ethical responsibility of business is only one aspect of corporate social responsibility (others are economic, legal,

and philanthropic). The second, supported by most business ethicists, is that business ethics covers all aspects of business, including business in society. Corporate social responsibility, therefore, is no more than one aspect of the broader field of business ethics. This entry takes the latter position, which entails a philosophical foundation of ethics.

## Ethics

According to Aristotle and the other ancient Greek philosophers who started the reflection on the human experience of morality, ethics refers to good and bad. Not in any partial sense (good business, good car, good health, etc.) but good for the human; that is, what contributes to human flourishing. In this understanding, human virtues are central, as are the corresponding objective ethical values. However, from the eighteenth century, ethics was largely focused on determining right and wrong actions. In this perspective, ethical theories should propose rationalist principles in order to provide tools for evaluating ethical issues and for solving dilemmas. Emotivism, which bases moral judgments on subjective feelings, also had relevance. Nowadays, however, there is a renewed interest in the classic vision of ethics as a guide for human flourishing, although without rejecting its usefulness in evaluating specific human acts. This followed severe criticism of the modern conception of ethics as rationalistic-based principles and emotivism (Anscombe 1958; MacIntyre 2007)

At the beginning of the business ethics movement, a principled-based ethics (deontology, utilitarianism, social contract theories, and others) was dominant. At that time, much attention was paid to misbehaviors of employees and managers, including bribes, frauds, misleading consumer information, abuses in labor, among others. Subsequently, companies have implemented initiatives to detect, to stop, and to prevent bad practices. Thus, business ethics was related with specific issues rather than with promoting good. In the following decades controversial issues such as pollution, insider trading, financial scandals –

like Enron and Madoff, and the subprime mortgage crisis – nourished the custom of focusing business ethics on misbehaviors.

In 1990s, the situation changed with the growth of virtue ethics and its application to business. This line of thought emphasized the idea that ethics is mainly about doing good, which includes – but it is not reduced to – avoiding bad. In this Neo-Aristotelian view, ethics is a guide for human excellence for every human action and not reduced to evaluating whether an action is right or wrong or as a means for solving ethical dilemmas (Melé 2019: 9–10; 17–18).

From a societal perspective, the latter focuses on acting in accordance with whatever might be reasonably discovered as good for all (common good). A good society includes, for instance, respect for human dignity and rights, a clean environment, means for a decent life and for personal growth, a fair legal system, social cohesion, peace, and so on. Virtue ethics, as noted, also pays attention to determining what a right action is. The evaluation is made by taking the conformity or otherwise of the action with virtues (justice, truthfulness, etc.) as its reference, or by relating virtues with principles that denote respect for human dignity and human fulfillment.

Taking ethics as the guide for human excellence, it can be related with CSR in three ways. First, as a lens through which one can look at and evaluate CSR theories and practices, second, as a motivator for assuming CSR in corporate activity, and third, as a source for determining specific contents of CSR.

## Ethics as Evaluator of CSR

Looking at different CSR proposals through an ethical lens allows us to evaluate them and to consider whether a theory of CSR entails a sound ethical foundation.

Several theories of CSR and subsequent developments have been presented (Crane et al. 2008). Some approaches take social expectations or social values as the normative core for the responsible behavior of business. Exploring social values and expectations and local ethical

costumes makes sense in business but it is not a guarantee of good ethics. To accept that social moral values and customs are what determines morality leads to cultural relativism, which is quite problematic. For example, some societies are quite permissive with corruption, or do not respect certain human rights, or pay scant attention to safeguarding the environment. Similarly, to consider the satisfaction of the stakeholders and promote their engagement is important, but these are not sufficient for a sound ethical approach.

A number of CSR proposals take political theories as the normative core, including the liberal citizenship perspective (Crane and Matten 2008) or Habermas' deliberative democracy (Scherer and Palazzo 2011). The business firm is a part of the society and, in a certain sense, can be considered as a sort of citizen or perhaps as a political actor. These approaches are not based on ethics, however, unless one derives ethics from political theory, which is beyond the understanding of ethics as a guide for human flourishing.

Some CSR approaches are based on a philosophical pragmatism in which any ethical theory is welcome if it makes the model work. This is, for instance, the case of Freeman's stakeholder theory (Freeman 1994), and the subsequent "Corporate Stakeholder Responsibility". Nevertheless, the stakeholder approach could be acceptable if a sound ethical theory is applied.

Finally, a CSR theory can be aligned with the Aristotelian approach to business, which "is ultimately nothing other than the recognition of business as an integral part of the larger society." (Solomon 1992: 185). From this perspective, business should contribute to the common good of the society. This is the main social responsibility of business. Virtues foster CSR oriented to the common good (Arjoon 2000).

## Ethics as a Motivator for CSR

The reasons for companies taking an interest in CSR and undertaking consistent actions can vary widely. A first motive might be to protect

themselves against risky situations, or to counteract a reputational crisis they have suffered. Sometimes, it can be a way of seeking reputation proactively. Positioning the company in the market and distinguishing it from competitors can be another reason to assume CSR. On other occasions, it will be for a reason of political opportunity, to facilitate the relationship with other social agents. CSR can be for organizational motives, such as attracting responsible employees or to retain talent. Finally, some companies will be interested in CSR due to the conviction that is the right thing to do and there is intrinsic value in assuming social responsibilities. In this latter position, ethics works as a motivator for CSR.

There are companies that act for the sake of an immediate economic impact and with a low commitment, while others do so from conviction, which requires greater commitment, although the economic impact may be perceived as low. Ethics as a motivator of CSR is in this latter group

Companies may move not for a single reason, but for a mix of reasons. If these motives support each other, they will create positive synergies that will make it easier for the company to advance in its socially responsible actions.

In some, initial motivation to assume CSR is an immediate economic impact, although over time they might move to mid-term results. However, many others seek the return on investments in social responsibility in a long-term. This is favored when managers are convinced that there are deeper reasons to persevere in their interest in social responsibility.

Companies may be motivated to work on CSR for the so-called "business case," meaning that CSR brings about benefits for the company as well as for the community. Experience shows companies are interested in CSR only to the extent that it is useful – that is, as an instrument for profits – they end up disappointed with their achievements.

Ethics inspires the so-called "moral case," which denotes that CSR is assumed because acting responsibly is good in itself. Only those companies that get to this deepest reason will keep



their commitment alive, although economic results may not come in the short run. Managers of these companies will consider CSR as an ethical requirement, not just a fad.

### Ethics as a Source of Contents of CSR

CSR is quite often reduced to certain corporate actions with social content, such as philanthropic donations, promotion of volunteering among employees, sponsorship, corporate community involvement, and others. However, a wider view of CSR entails responsibilities associated with the interactions between business and society. In this latter perspective, three types of responsibilities can be distinguished (Melé 2019: 298–301): (a) social responsibilities for the operations of the company, (b) social responsibilities associated with stakeholder relationships (these may be termed “integrative responsibilities” as they favor the integration between the firm and its stakeholders), and (c) socio-political responsibilities, derived from considering the corporation as a social actor within the society. Some of these responsibilities are legal obligations while others derive from ethics (some authors will consider the latter as “voluntary” to emphasize that they are not legally compulsory).

Ethics – and more specifically business ethics – can shed light for a correct understanding of the content of these responsibilities:

- (a) *Operational responsibilities*. These refer to the ethical and social aspects of specific business activities, such as products, work organization, wealth creation and distribution, impact on the environment and the continuity of the firm. Business ethics has studied the products offered and sold by companies widely, including discussions on topics such as the type of product and its development, truthfulness, and transparency on significant features of the product, safety, fair prices, honesty in advertising and promotions, and good service. With work organization, ethics
- requires the promoting of decent work by respecting labor rights and by fostering meaningful work and personal growth through work. Generating wealth fairly refers to avoiding fraud, monopolistic abuses, and any other abuse of power. Since business operations involve certain impact on environment, these should show all aspects of ecological responsibility (responsible use of raw material, energy, and waste, avoiding pollution, recycling and stewardship of the product, including fostering recycling). Ethics also requires a prudent and just wealth distribution, considering the legitimate rights of stakeholders and the stability of the company. Finally, striving for continuity of the firm by good management and governance allows the firm to serve the common good through the fore mentioned operational responsibilities.
- (b) *Integrative responsibilities*. This second type of responsibilities refers to how the company deals with its stakeholders ethically. Firstly, it requires respect for the stakeholders’ legitimate rights – generally included in the law – such as honoring contracts and promises, giving these respectful treatment. A deeper ethical consideration of stakeholders includes a sincere dialogue with them, paying attention to their legitimate interests, trying to prioritize their demands, and solving possible conflicts, as well as promoting reciprocity and mutual collaboration. These responsibilities are aligned with human flourishing and the promotion of the common good.
- (c) *Socio-political responsibilities*. Considering the company as a social actor entails responsibilities beyond its ordinary activities, contributing to the well-being of the societies where it operates in accordance with the capabilities and the mission of the company. Beyond paying taxes – obviously compulsory by law – socio-political responsibilities include contributing to social activities such as actions of philanthropy, social investments,

or sponsorship, and to any other action appropriate for improving the society where the company operates. Particular importance is given to how the firm contributes to sustainability, which includes the well-being of future generations.

Good corporate governance establishes guidelines and supervises management in operative and integrative responsibilities to maintain the company as a good social actor.

### **Ethics and International Standards for CSR**

In recent times, the United Nations has promoted valuable initiatives related to CSR, in which, without mentioning ethics, there is, effectively, orientation towards the common good, and in this sense ethics, as the common good of the society – actually of society worldwide – is integrated into CSR.

One of these is the Global Compact, an initiative launched by the United Nations Secretary General Kofi Annan. In 1999, he proposed nine principles for companies to work on for human rights, labor, and the environment. Subsequently, a tenth principle was added in 2003 to fight against corruption. A more recent proposal of the UN is the Sustainable Development Goals (SDGs) launched in 2015. The SDGs contain 17 objectives that cover the most relevant topics for the future of the planet that will hopefully be resolved by 2030.

In recent years, sustainability has tended to replace the concept of CSR, both in the academic field and in the activity of companies. However, the notion of CSR is still alive and expresses how companies integrate their social and environmental concerns in their operations and in their relationships with their stakeholders. A more explicit reference to ethics is sometimes lacking in CSR texts. Some authors speak of the “triple-bottom line approach” to express how companies try to achieve a balance

between economic, environmental and social imperatives. Others have coined the acronym ESG to refer to the environmental, social, and (good) governance criteria that should guide the activity of companies. Regardless of the term that is used, a more explicit reference to ethics – which would enrich understanding of CSR – is often lacking.

### **Cross-References**

- ▶ [Business Ethics as an Academic Discipline](#)
- ▶ [Common Good Principle](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Corporate Social Responsibility in Business Groups](#)
- ▶ [Corporate Social Responsibility: A Bibliometric Research](#)
- ▶ [Corporate Sustainability and Climate Change](#)
- ▶ [Social Responsibility and Business: The Milton Friedman Position](#)
- ▶ [Virtue Ethics](#)

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## Ethics and Crisis Management

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### Synonyms

Corruption; Ethical crisis; Ideal type; Reputation capital; Responsible leadership; Stepwise model

### Introduction

The problem of ethical leadership in turbulent and unfriendly business environments is legion. It might even be said that never before in the history of business has the effects of organizational crises mismanagement been endured by so many through the unethical behaviors of so few.

While the problem of unethical leadership is undoubtedly a global one, the urgency of generating ethical leadership to advance the development of Africa has never been more evident than it is today. According to Transparency International (2016), African countries occupy half the ten lowest ranked countries on their “perceptions of corruption index” ([https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016)).

However, more than two-thirds of the 176 countries and territories covered in the 2016 survey fall below the mid-point of the “perceptions of corruption index” where 0 equals “highly corrupt” and 100 “very clean.” The global average score is 43 indicating perceptions of substantial levels of corruption in a country’s public sector. Although the survey is focused purely on public sector institutions such as the

police and judiciary, grand corruption thrives in such contexts where politicians and private businesses collude in illicit practices for mutual enrichment (Transparency International 2016). The unethical/corrupt behavior of management is also evident in their reaction to crises, so there is a correlation between unethical management and unethical management reactions to company crises. Thus, crisis management, which can be defined as a: “Set of procedures applied in handling, containment, and resolution of an emergency in planned and coordinated steps” ([www.businessdictionary.com/definition/crisis-management.html](http://www.businessdictionary.com/definition/crisis-management.html)), can be handled ethically or unethically with concomitant profound knock-on effects to its reputation.

Recent crises at Volkswagen over exhaust emissions, Ford over the Kuga “flammable car” which found senior management in denial despite clear evidence, and tax evasion at Deutsche Bank who were forced to pay \$95 million to resolve a US government lawsuit that accused it of tax fraud for using “insolvent” shell companies to hide significant tax liabilities from the Internal Revenue Service in 2000. These are all examples of recent crises generated, wholly or partly, by unethical management practices.

However, the way management reacts to such crises is critical in its ability to maintain its existing ethical reputation and to even to accumulate additional reputation capital (defined as the accumulation of positive consumer perceptions from past and current ethical management behavior and actions attached to a particular company) if it is its responses to such crises are handled particularly well.

### The Tylenol Example: An “Ideal Type” Case Study of Ethical Management Crisis Intervention

An “ideal type” strictly refers to “a common mental construct in the social sciences derived from observable reality although not conforming to it in detail because of deliberate simplification and exaggeration. It is not ideal in the sense that it is excellent, nor is it an average; it is, rather, a

constructed ideal used to approximate reality by selecting and accentuating certain elements” (<https://www.britannica.com/topic/ideal-type>).

However, the term is used in the Tylenol example to be described below, as a foundation example for the development of a mental construct (i.e., one which conforms to the definition given above). The foundation example offered by Johnson & Johnson of how to respond ethically to an organizational crisis offers a platform to build a model derived from it, which also is embellished with additional aspects gained from the extant literature, into an ideal typical model of ethical management crisis intervention that selects and accentuates certain elements taken from the foundation example or case study taken from reality. Possibly the most celebrated ethical management crisis intervention is that of Johnson & Johnson’s subsidiary, McNeilab. Inc’s reaction to what became known as the “Tylenol crisis.” Tylenol is an aspirin-based drug that was introduced into the market in 1961 and swiftly became popular and profitable. In 1982 seven people in Chicago died after taking Tylenol medication and, after a thorough investigation, it was found that the tablets responsible for these deaths had been impregnated with cyanide. The company then conducted a further investigation which took several weeks to complete, to ascertain whether the capsules had been contaminated during the production process, or the bottles in which they were sold had been tampered with when being marketed (Kaplan 1998). Having established that it was tampering of the bottles in which the capsules were sold that was the problem, the company responded ethically by swiftly recalling 31 million bottles of the drug worth 100 million US dollars. Five hundred thousand letters explaining the situation were sent to doctors, hospitals, and Tylenol distributors which also gave instructions on what to do with existing supplies of the drug. Company management set up toll-free hot-lines that consumers could use to ask questions relating to the drug and resolve specific problems.

After the crisis, Johnson & Johnson had to find a way to deal with the tampering of the Tylenol bottles without losing their reputation for producing a quality product and packaging it

appropriately. They also had to allay consumer fears that the bottles could not be tampered with in the future if they were to maintain the sales of and profit from their most popular product. As a direct result of the poison incident, the US government instructed manufacturers of over-the-counter medicines to design tamper resistant packages. Johnson & Johnson responded by including all three precautionary measures of glued end flaps, a plastic neck seal an inner foil seal, and a label with the instruction not to use the product if the seals were broken, despite being required by the US government to use only *one* of these precautionary measures. This openly showed the company’s sincerity in correcting the situation by demonstrating to consumers its genuine concern and willingness to go the extra mile and sustain the extra cost to protect consumer health and welfare. The company also embarked on a manufacturing and distribution drive to make the new packaged product available in the shortest possible time. The trifold barrier tampering proof package was new in design and is today generally adopted by food and pharmaceutical manufacturers worldwide. The multistep process implemented by Johnson & Johnson in response to the crisis was widely acknowledged and lauded by the media. As a result of the ethical response by management, Tylenol rapidly regained its status in the marketplace a product of consumer choice. Johnson & Johnson by their timely ethical management response to the crisis and by following a step-wise systematic approach that used open communication and clear demonstrations that it put its consumers health and welfare before profits was able to recapture the market for its product without much difficulty.

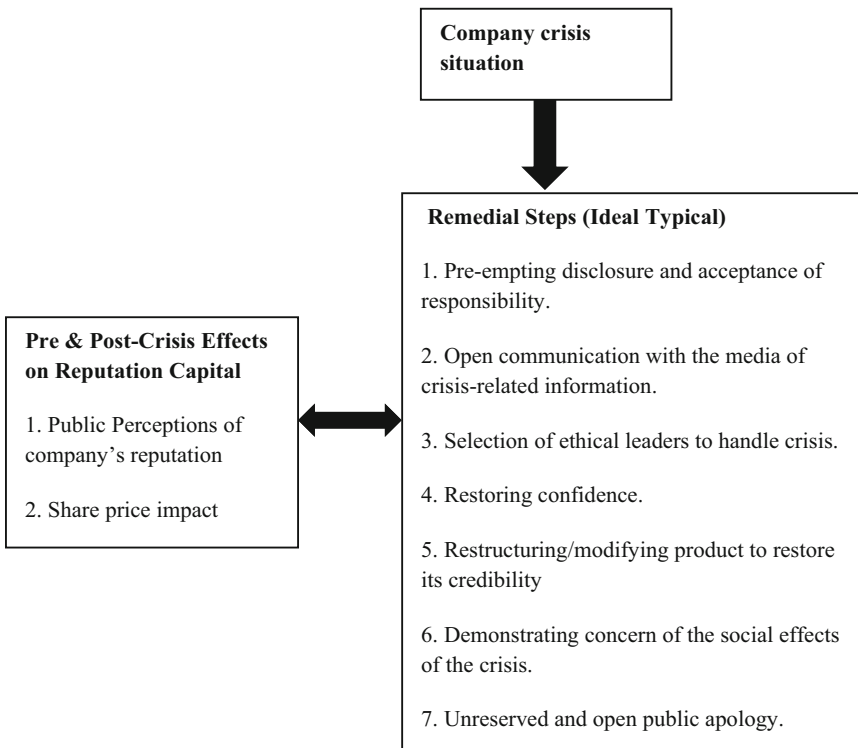
## Ethical Leadership in Crisis Management

Coldwell et al. (2012) in a recent study of crisis management in the South African industrial context use Weber’s “ideal type” methodology (Morrison 2006) by adopting The Johnston & Johnston’s widely recognized example of international best practice in crisis management. Coldwell et al. (2012) use a combination of a

qualitative approach using case studies and a quantitative time series analysis to investigate South African firms which had recently suffered crises which had a strong propensity to undermine their corporate reputations. Findings from the study (Coldwell et al. 2012) suggest that both the number and content of remedial steps taken by companies and the speed in which they are implemented in conformance with a seven step model (illustrated and described below) reduce the size of the share price falls immediately after crises occurrences. The findings also suggest that larger share price appreciations over 6-month postcrises are associated with greater perceived corporate reputations and brand strengths (reputation capital). Coldwell et al.'s (2012) stepwise model of ethical management crisis intervention is illustrated in Fig. 1.

Figure 1 shows the basic schema of the step-by-step ethical management intervention crisis model. The model suggests that company crises

should be dealt with by the implementation of seven prescriptive remedial steps derived from the best practice (ideal type) example of Johnston & Johnston described earlier in the paper. The first step must be a rapid recognition of the crisis by management and an unequivocal acceptance by management of its ethical responsibility to resolve it. This must be backed up with open and transparent communication with the media and management's action being taken to first control and later resolve it. The media and public interaction needs to be carried out by ethical leaders who are trusted and known to the public for being such through their past reputations and through their current openness, honesty, and reliability in all their public interfaces concerning the crisis. Once the responsibility for the crisis is admitted and a genuine unequivocal apology made for this, the process of rebuilding consumer and public confidence in the company and its products can proceed from a firm base of consumer trust.



**Ethics and Crisis Management, Fig. 1** The ethical management stepwise crisis intervention model (Adapted from Coldwell et al. 2012)

Next remedial step management takes to solve the crisis through restructuring, redesigning, and modifying the company and/or product needs to be widely communicated to consumers and the public at large to rebuild its credibility. This should be linked with a clear statement of the company's ethical societal (economic, social, and environmental) responsibility. Whether or not already made, a final open apology to its consumers, the community, and the public as a whole should be made by the CEO. The tendency in many cases is for a company's senior management to absolve itself from direct blame or responsibility for the crisis and to try to deflect this on others. There is a tendency also for management when faced with a crisis with specific ethical ramifications, to batten down the hatches by stopping completely, or severely restricting media communication and to give a parsimonious and qualified "others are blameworthy too" apology. Actions by senior management in reaction to a crisis with ethical ramifications of this ilk nearly always heighten public anger and add fuel to the growing suspicion that important information is being deliberately hidden. Senior management's actions of this kind undermine consumer and public confidence in the product and company brand and in the ethicality of its management. This can seriously reduce or even, in some cases, completely destroy any social and reputation capital the company may have enjoyed.

Figure 1 indicates postulated associations between the variables. A corporate crisis with specific ethical ramifications sets in motion a reaction by management that involves remedial steps to limit and potential damage and, ultimately, resolve it (indicated in Fig. 1 by the arrow interlinking a specific crisis situation with the 7 remedial steps that ought to be taken by ethical management). Reputation capital is built up through effective and ethical management reactions and management that implements the seven major steps of the stepwise model can be expected to be companies that have already generated such capital (thus the two-way arrow interlinking these variables). Also, Coldwell et al.'s (2012) study, briefly described earlier, shows clearly that both pre- and postcrisis

built up reputation capital and the full, or nearly full, endorsement of the seven-step ideal type crisis management model has a positive impact on post-crisis share price values (indicated in Fig. 1 by the two-way arrow interlinking these variables).

## Conclusion

Ethical management in response to a crisis with specific ethical ramifications requires timely and responsible actions to control the damage wrought by the crisis on its effective functioning and, ultimately, to find a durable solution to it. Prescriptive remedial steps for achieving this have been indicated in a model that can be regarded as "ideal typical" in that management may not be in a position to fully follow the seven indicated steps. However, recent empirical evidence and the experience of successful company behavior in the past as documented in the extant literature suggests that near or complete conformance to the model described in the paper will result in the development of reputation capital while reducing the propensity for negative reactions in financial markets.

## Cross-References

- Corporate Social Responsibility
- Corporate Social Responsibility Reporting Frameworks
- Ethical Leadership

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## Ethics and Economics in Healthcare Decision-Making

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### Synonyms

Ethical decision-making; Ethics effectiveness; Healthcare ethics; Organizational ethics

### Definition of the Topic

The action or process of making important decisions regarding organized provision of healthcare to individuals or to community, which must include ethical and moral principles and be at the same time economically justified in terms of sustainability of the healthcare system.

### Introduction

During the course of their work, healthcare professionals encounter various ethical decision-making dilemmas which may concern three primary relationships: patient and provider, patient and payer, and provider and payer. High ethical standards need to be implemented into the decision-making process, and the necessary systematic changes must be made for the sustainability of the healthcare system in order to decrease healthcare costs and consequently improve the trust in change processes. Organizational

leaderships are in the best position to improve healthcare using ethical principles based on the fact that the healthcare reform requires ethical decision-making from leaders. The basic ethical principles and their implementation in the various relationships at different levels create an essential and successful change of the healthcare system (Bruning and Baghurst 2013).

## Healthcare Ethics

Healthcare ethics ranks within the field of applied ethics and deals with moral decision-making situations arising from practicing medicine in addition to the procedures and the policies that are designed to guide such practice (Taylor 2002). The world is rapidly changing, and new medical knowledge and technological advancements trigger new and important moral issues; therefore, healthcare professionals are constantly facing multiple challenges relative to ethical dilemmas (Taylor 2002; Bhanji 2013). Most conflicts occur between healthcare professionals and patients in connection with making the best possible medical treatment decisions, and nurses represent, in most cases, both the advocates and resources of the patients (Bhanji 2013). In these challenging situations, healthcare professionals use the ethical decision-making process, which is based on four healthcare ethics principles, namely, autonomy, beneficence, non-maleficence, and justice (Beauchamp and Childress 2001). According to those principles, it is possible to estimate the significance of the ethical decisions in clinical settings; however, it is important to note that these ethical principles may vary according to each situation. Additionally, it also depends on the laws governing the principle and the conditions applied (Bhanji 2013).

## Organizational Ethics

One of the most emerging fields dealing with the study and practice of the ethical behavior of organizations is organizational ethics (Ells and MacDonald 2002). According to Ells and

MacDonald (2002), organizational ethics, in order to be effectively applied to healthcare setting, needs to pay special attention to specific organizational characteristics, which must be combined with business and bioethical tools. Moreover, organizational ethics requires that values associated with political decisions or past practices are precisely defined and evaluated. Morally acceptable values must serve as policy decision guidelines, and morally unacceptable values must be revised, discarded, or excluded from policy processes (Ells and MacDonald 2002). Organizational ethics concerns patient care and public good, connecting the ethical principles of solidarity and subsidiarity while honoring the public's trust. It is important that governance deals with organizational ethics in order to ensure that the organization's values (reflecting its mission and identity) influence all aspects of the institution (Garvey 2015).

## Ethics Effectiveness

An effective leader is able to change himself in terms of the suitability of the changing needs of the team and person (Webster and Webster 2018). In the past, some very broad definitions of a successful leader appeared which are based only on the ability of the leader to bring about changes for better or worse (Ciulla 2012). In addition to bringing about changes and being successful at doing something, ethical questions, such as "Was the change itself good? What were the leader's intentions? Was it the right thing to do?" and "Was it done the right way?", always arise (Ciulla 2012). Additionally, Ciulla (1995) states in her work that a good leader acts both ethically and effectively; however, the reality is that some leaders follow high ethical standards in the course of their work, but are not very effective, and vice versa, they are very effective but not also ethical. *The Journal of Clinical Ethics* (2018) previously devoted many articles to quality in terms of structure, processes, outcomes, access, and effectiveness and also to ethics evaluation of consultations (Ibarra 2013). Two

questions about ethics consultation were identified by Tulskey and Fox (1996), namely, "Is it worthwhile?" and "Is ethics consultation effective?" (Ibarra 2013). Effectiveness was later defined by Fox (1996) as "the degree to which an intervention achieves its intended goals"; however, she is convinced that the goals of ethics consultation must be clearly specified in order to be able to evaluate ethics consultation effectiveness. With reference to who is responsible for integrating ethics within a healthcare organization, Dörries et al. (2011) claim that this is the responsibility of effective ethics committees, which should, according to Nelson et al. (2010), improve the quality of care by addressing the most important ethical issues at the system level with the collaboration of healthcare professionals, ethics committees as well as quality improvement professionals who should focus on less effective approaches with the purpose of focusing on concrete ethical issues on a case-by-case basis.

## Ethical Decision-Making in Healthcare Leadership

Leaders in healthcare sector are responsible for healthcare improvement by using ethical principles due to the fact that the healthcare reform requires leaders with ethical decision-making who can apply ethical principles to various relationships. Furthermore, the healthcare leader's influence also creates fundamental and successful changes in healthcare (Bruning and Baghurst 2013). According to Voges (2012), Professor Richard A. Culbertson described five precepts as the foundation of ethical decision-making in healthcare leadership, namely, beneficence, non-maleficence, respect for persons (autonomy), justice, and utility. Beneficence is the principle that considers the obligation of benefiting a particular institution and its staff, patients, and community. The second principle is non-maleficence, representing the obligation to bring no harm to the institution or patients, healthcare staff, or community, and the third is connected with protection and

preservation of the individual autonomy of those who are affected by leadership decisions and administrative practices, with a special focus on the autonomy of patients and healthcare staff. Justice represents the leadership's obligation to provide fair and unbiased decisions within the organization, and the fifth principle, utility, is a combination of the previous four with the purpose of providing the appropriate competencies within the decision-making process (Voges 2012).

## Health Economics and Ethical Decision-Making

To be able to rationalize healthcare policy and additionally increase the efficiency of the healthcare system, it is necessary to employ an economic evaluation tool which will enable relative efficiency of currently implemented healthcare programs. In order to maximize the effectiveness of the healthcare program, the cost of medical intervention is linked to its effects.

The medical intervention is usually evaluated according to the level of costs that it produces, meaning that high costs and low effects draw negative leadership conclusions in the sense that intervention is inefficient and contrary, while a medical intervention with low costs and relatively high efficiency is considered effective. It is important to note that cost-effectiveness of healthcare treatment represents a ratio between costs and effects; however, healthcare economists argue that the best treatment requires the lowest costs and the best possible patient outcome at the same time (Stolk and Busschbach 2002). It is therefore appropriate to examine how healthcare economists deal with and resolve ethical dilemmas that arise during the medical treatment since they are not qualified to make value judgments that are part of clinical decisions but could impact healthcare costs. Many researchers have been studying ethical complexity of incorporating costs into clinical decision settings (Pinkerton et al. 2002; Brock 2004), and it has been proven that cost-effectiveness analysis outcomes might negatively affect the ethical principles of equity and

distributive justice (Braveman and Gruskin 2003; Mshana et al. 2007).

## Cross-References

► [Professional Ethics in Healthcare](#)

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## Ethics and Learning in Organizations

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### Synonyms

Ethical decision-making; Intrinsic learning; Operational learning; Relational learning

### Introduction

An organization, such as a business, a government department, a charity, or a club, is an organized group of people with a particular purpose. Although such a purpose is common among all individuals in an organization, the reasons and motivations that each organizational member has for achieving that purpose might differ from individual to individual (Pérez-López 2018).

This chapter discusses the impact of individual decision-making and learning on organizational learning and shows how ethical decision-making is critical for the personal development of people as well as to facilitate that an organization achieves its goals.

The chapter is mainly based on the research of Pérez-López (1991, 2018).

## Ethics and Learning

### Individual Decision-Making

A decision is the process of reaching a resolution after some consideration. Once a resolution is implemented, it produces some kind of change, whether it impacts a physical environment or the people, including the decision-maker, who are affected by the decision. Accordingly, three consequences of a decision have been identified: extrinsic, intrinsic, and transcendent consequences (Pérez-López 1991, 2018; Ariño 2005; Ferreiro and Alcázar 2019). Extrinsic consequences are those changes that occur in the external world due to a decision. Intrinsic consequences are those changes that a decision produces inside the decision-maker. Transcendent consequences are the changes that occur inside the people, other than the decision-maker, who are affected by a decision. Changes *inside* people refer to whatever might change in the interiority of a person, such as his or her feelings, ways of thinking or value system, being the person conscious or unconscious of such changes.

An example might help clarify these ideas. Two business school professors. One has been asked to moderate a roundtable at a forthcoming school event. On the day of the event, he has a family emergency and asks his colleague if he could take his place and moderate the roundtable. The second professor has other plans for the evening but decides to cancel them and responds positively to his colleague's request. The extrinsic consequences of the decision are clear; the first professor is able to address his family emergency, while the second professor cancels his previous plans and moderates the roundtable instead. By agreeing to do this favor for his colleague, the

second professor is exercising his amiability and has probably become more aware and attentive to the needs of others. These are the intrinsic consequences of his decision. In addition, because the second professor agrees to moderate the session, the first professor learns that he can count on his colleague and possibly increases his trust and gratitude. These consequences are the transcendent results of the decision.

Had the second professor not agreed to moderate the roundtable session, choosing to prioritize his own plans for the evening, all three consequences, extrinsic, intrinsic, and transcendent, would have been completely different.

Notably, when referring to intrinsic and transcendent results, the words “probably” and “possibly” have been added because these results are not externally observable and might or might not occur depending on the personal circumstances and mindset of each of the individuals involved in a decision.

### Individual Learning

Individuals learn by making decisions over time, and decisions, as underlined before, have extrinsic, transcendent, and intrinsic consequences. Individual learning can be classified depending on the consequences of any decision that leads to a particular type of learning.

### Operational Learning

To learn a new language or how to drive, two traits are necessary: rationality and virtue. Rationality refers to the capacity of thinking and planning needed to achieve the desired results. To learn a new language, a person must create a plan. He/She must decide which language would be best and whether he/she would like to have private or group lessons, online or face-to-face, and must find the right school or tutor and then pay the corresponding fees. However, none of these will be effective without virtue, that is, the willingness and capacity to bring the plan into practice. If, based on rationality, the final plan is to follow online lessons twice a week but then, due to lack of virtue, laziness takes over and the person does not attend any of the lessons, he/she will not learn. Virtue is the capacity, willingness, and strength to

follow a plan and to overcome any possible obstacles that might arise.

Nevertheless, rationality and virtue do not guarantee operational learning. Following the previous example, a person might plan to learn a language and might follow the necessary steps, for example, attending her lessons twice a week, and yet not learn much. This person would not have fulfilled her operational goal but nonetheless would have exercised her rationality and virtue, a nonnegligible personal development.

Operational learning is not inherently good or bad. Similar to how a person can learn a new language, a person can learn how to produce cocaine. Operational rationality and operational virtue would be necessary in both cases.

### Relational Learning

To purposefully make decisions that have a transcendent effect on other people, rationality and virtue, here, relational rationality and relational virtue, are also necessary.

An example where a professor agreed to moderate a roundtable to help another professor with a family emergency was introduced above. Let's now assume that the first professor, the one with the family issue, is usually a selfish and obnoxious man who hardly does any favors for his colleagues. The second professor, when asked for his assistance, might be tempted to say no, but perhaps he finally decides to agree to the change only to see if he can stimulate some transcendent learning in the first professor. If the second professor agrees, maybe the first professor will understand how important is to be collegial, will feel thankful and will, at his next opportunity, be nicer to his colleagues.

To accept the proposal from the first professor, the second professor needs rationality and virtue. Rationality entails that he considers whether agreeing to perform this favor might spark a transcendent change in the other person, which is the plan. In addition, the first professor needs virtue to overcome his initial impulse to say no to his disagreeable colleague, providing him with the capacity to follow the plan.

Again, simply because the second professor follows his plan does not mean that this plan will

be a success. The first professor might be so obstinate that the actions of the second professor might not have any effect. Nonetheless, the actions have undoubtedly had some effect on the second professor, the decision-maker, who has definitely improved his relational rationality and relational virtue.

#### Intrinsic Learning

Operational learning relates to the extrinsic consequences of a decision. Following the same logic, relational learning relates to the transcendent consequences of a decision. What type of learning thus relates to the intrinsic consequences of a decision? The answer is both. That is, whether a decision has extrinsic consequences, transcendent consequences or both, every decision will always produce intrinsic consequences. A decision changes the decision-maker.

Individual learning can be understood as the intrinsic result of the decisions that a person makes over time. Through his or her decisions, a person molds his or her character and way of thinking and therefore decides who to become.

Certainly, there are some external circumstances that are beyond an individual's control or influence and have an impact on the individual. For example, one's place and time of birth, the cultural and economic environment where one is raised or certain individual physical and intellectual capacities. However, regardless of these non-controllable external circumstances, each individual has the capacity to decide and, by deciding, to leave an internal footprint that will somehow guide his or her future decisions (Andreu 2014).

By deciding with rationality and virtue, regardless of whether the decision-maker achieves his/her desired results, the decision-maker is exercising his/her capacity to be rational and virtuous. Although both operational and relational learning are valid ways of individual learning and development, relational learning is especially important since it affects others and transcends the decision-maker. By making decisions using relational rationality and relational virtue, the decision-maker ensures that others feel valued and dignified, and these feelings might develop

into an increase in trust and strengthen their relationships.

When a decision-maker does not account for other people who might be affected by a decision, that is, when the decision-maker lacks relational rationality and relational virtue, negative learning might take place. Others might feel ignored and mistreated, their trust might be eroded and relationships might be damaged. In addition, such a decision-maker diminishes his or her relational ability, hindering the next application of it and likely making him or her a worse person than he or she was before.

Notably, intrinsic learning is not the same if achieved through operational or relational learning since the nature of rationality and virtue in each case is totally different. A person acquiring operational learning without taking care of the relational learning could potentially use his/her operational expertise to pursue his/her extrinsic benefit while hurting others.

#### Organizational Learning

Organizations are formed by people who coordinate their actions to achieve a particular purpose. A company's performance relies mainly on the performance of its employees. The stronger and healthier the relationships between the organizational members are, the easier it is to achieve a common goal. A lack of trust limits the number of possible alternatives to solve a given problem. Trust, empathy, and a willingness to contribute amplify the number of potential solutions to a problem.

Organizational learning, parallel to individual learning, can be operational or relational, good or bad. Positive organizational learning occurs when goals that were not previously attainable in an organization become possible (Nonaka and Takeuchi 1995). For example, the CEO of a local company believes that opening new markets and exporting goods to them could benefit the company but cannot do so because his or her employees either do not have the necessary knowledge (languages, strategies, etc.) or do not have the willingness to accomplish it (relocate, travel, motivation to learn, etc.). The CEO could thus develop a series of operational learning



strategies to train his or her employees in the new tasks and would also need to enhance his or her relational learning to understand why the employees are reluctant to change and to find strategies to improve the situation. If, as an organization, the CEO and the employees are able to increase their operational and relational learning, the organization will be able to successfully export their goods or services, which is not possible without such learning. Negative organizational learning would result in an inversion of this process. That is, organizations that were able to accomplish several objectives might no longer be able to do so once the people involved become unwilling to contribute as much as they did before. In such a case, a loss of confidence and commitment has reduced organizational learning.

Operational learning in an organization depends greatly on the degree of a delegation that is present in the organization. If employees' tasks are micromanaged, they never truly learn to perform their tasks on their own. Individuals need a certain degree of experimentation and freedom to learn effectively. This, of course, entails an associated risk of failure. Employees who are learning a new task will probably not perform it perfectly on the first day, but controlled failures are necessary for learning. Consequently, if an organizational culture heavily penalizes mistakes, employees will not be willing to attempt new tasks and bear the associated risks, which in turn will impede operational learning. Operational learning has a cost; it is probably cheaper, faster and more effective if a given task is performed by an expert rather than an employee who is learning. However, if a company is not willing to incur such learning costs, organizational learning will never occur. Such an organization will probably become obsolete, and its employees will likely lack professional development. Finally, a lack of professional development is not only an extrinsic consequence of a lack of operational learning but also a relational learning failure, since employees feel less engaged with all the potential consequences mentioned above.

Relational learning in organizations is the key for developing organizational culture and organizational atmosphere. If an organization considers

the impacts its decisions might have on other stakeholders, and especially on its employees, these employees will probably, though not certainly, be more willing to invest their time, effort, and knowledge in contributing to the organization's goals (Business Roundtable 2019; Malnight et al. 2019; Harrison et al. 2020).

While most organizations grasp the importance of operational learning for innovation and organizational development, not all understand the equivalent importance of relational learning. Relational learning implies evaluating the impacts of decisions on others. Caring about the learning that a particular decision will enhance or deter among others, that is, being conscious of the transcendent consequences of a decision, greatly depends on the values of an organization and of the people within it. How the CEO and managers of an organization make decisions, how they communicate those decisions and how they apply such decisions can align or misalign employees with the organization's values and mission.

## Conclusion

Since an organization is a group of individuals, individual learning and organizational learning are intimately related.

Given that every individual decision has extrinsic, transcendent and intrinsic consequences, managers, when making organizational decisions, should consider the impacts their decisions have on the world, on the people affected by their decisions, in most cases, their employees, and on the managers themselves.

## Cross-References

- [Academic Integrity and University Corporate Accountability](#)
- [Ethical Decision-Making Process](#)
- [Implications of Mindset Theory for Ethical Decision-Making](#)
- [Person–Organization Fit](#)

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## Ethics and Psychological Experimentation: A Historical Overview

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### Synonyms

Ethical code of conduct; Ethics history; Psychological experimentation

### Introduction

Current psychological experimentation, which traces its roots to medical research, is guided by a set of overarching ethical ideals and governed by an appropriate oversight committee. The history within the field, however, reveals the slow

introduction of ethical principles into the research and treatment involving human subjects. While the origins of modern ethical conduct within experimentation may be traced back to Hippocrates, the subsequent years are witness to a period of both innocent disregard and intentional harm toward the experimental subject. It is only in the last 100 years that real progress has been achieved in the consistently evolving arena of ethical practice. History is witness to the slow development of ethical considerations highlighted across the Nuremberg Trials and numerous research scandals, eventually resulting in the Belmont Report and an accepted code of conduct in the psychological arena.

### Historical Starting Points

While the American Psychological Association’s Ethical Principles of Psychologists and Code of Conduct (APA 2002) outlines a solid, wide-reaching framework that guides both practitioners and researchers, the path of ethical behavior within the field has followed a tumultuous path. The current general principles provide an extensive list of ethical ideals designed to serve as guideposts within the numerous roles in which psychologists often find themselves. These include the principles of beneficence and non-maleficence, fidelity and responsibility, integrity, justice, and respect for people’s right and dignity (APA 2002). However, the psychological and psychiatric professions are complex and include the entire range of potential human behavior. As the fields have developed, the past century has been witness to both unintentionally harmful experiments and purposeful atrocities in the name of human advancement. This account chronicles the progress that has been made, detailing the key events which have culminated in our current state of ethics within the profession.

The consideration of a humane approach by a treating physician is practically as old as the medical profession itself. During the School of Kos in 400 BC, Hippocrates developed the oath that treatment, at minimum, should “do no harm” (Rest and Narváez 1994). While not overly

elaborate, this ideal implied a respect for life as well as the patient. Although it provided a good starting point, its simplicity did not provide much support to address the wide range of potential actions within the field. Even today, it is not clear whether the Hippocratic Oath applies solely to treatment or whether it also includes research and experimentation. In fact, many questions remain, such as whether the benefit to society outweighs the benefit to the individual, potentially terminal, patient.

Fast-forward 2300 years to the advent of modern medicine. Such advances corresponded with a rise of experimentation in the field of psychology. In 1892, the teachings of the early pioneers of psychology, such as Edmund Sanford, Harvey Carr, and Edward Titchener ushered in an era headed by the “experimentalists.” Researchers, such as E. W. Scripture, were beginning to establish psychological laboratories. In an attempt to emulate scientists from other fields, the behaviorists who followed hoped to focus solely on observable facts and data in order to quantify and operationalize psychological concepts. They introduced the terms of “subject” and “observer” to their research and referred to participants as “organisms” (Morawski 1988). In this sense, the individual was depersonalized and lost a sense of identity during experimentation.

Along with such experimentation came the creation and overall adherence to ethical standards within the profession, which arose primarily within the twentieth century. As an attempt to educate and protect the participant, the concept of informed consent originated in 1900 out of experiments conducted by Professor Neisser who purposely gave his subjects, mostly prostitutes, syphilis without their knowledge in an attempt to create an anti-syphilis serum. As a consequence, the governing board at the time, the Royal Disciplinary Court of Prussia, fined the doctor an amount equal to two-thirds of his annual income (Slovenko 2005). The concept of informed consent would not enter the US legal arena until almost 60 years later.

The intervening years saw some significant setbacks pertaining to ethical behavior within the scientific fields. Even preceding the atrocities of

Second World War, the eugenics movements gained strength in the USA through the funding of such industrialists as Andrew Carnegie and John D. Rockefeller, Jr. The rights of individuals took second place to societal benefits in an ill-conceived plan to selectively create a healthier, more intelligent group of people. In 1927, the US Supreme Court supported this view by ruling that eugenic sterilization was constitutional (Slovenko 2005). The overall ethical climate proved rather bleak at the time within the USA. This included segregation, a prohibition on interracial marriage, the outlawing of homosexual behavior, harmful experimentation on prisoners, and sterilization by the thousands.

## Influence of War

The 1930s saw the rise of Hitler to power in Germany and his subsequent attempt at cleansing the population, racial design, and “applied biology” in order to create a perfect race (Slovenko 2005). The overall sentiment was that certain people were expendable at the benefit of others. Ethics in research took a backseat, if it was even given any consideration at all. The horrifying treatment of fellow human beings during the Second World War, especially as practiced on prisoners, within Nazi Germany, the USA, and Japan, among other places, sunk to new lows. Appalling experiments were forced upon people under the guise of medical and psychological advancement.

Real change did not occur until after the war ended. The aftermath of inhumane behavior led to the Nuremberg Trials in 1947, which included “Doctor’s Trial,” also known as the “Medical Case.” The objective was to establish the culpability of 23 German physicians under “the principles of the law of nations as they result from the usages established among civilized people, from the laws of humanity, and from the dictates of public conscience” (Slovenko 2005). In essence, the trials were laying the framework for a universal standard when human experimentation was necessary. The direct outcome was that 15 of the 23 doctors on trial were sentenced to death. A key component that emerged from the ten-point

Nuremberg Code included the overarching ideal that science should never take precedence over the rights of the individual subject. As such, the concept of voluntary consent emerged as an essential component in all human medical research.

Shortly following the war in 1953, the US Secretary of Defense held up the Nuremberg Code as an example to follow with research that involved atomic, biological, and chemical warfare. Unfortunately, his edict was declared confidential. However, the 1953 version of the APA Ethical Standards of Psychologists introduced the key elements of removing the stressful components of the experiment at its conclusion (Morawski 1988). In addition, it added that participants should be informed that they could withdraw from an experiment if it involved harmful effects. Furthermore, the use of deception was to be limited to cases where it was deemed necessary to the experiment itself (Herrera 1997). Although many of these ideas were developed to bolster informed consent, the essential components of today's debriefing methods were still lacking, including informing the subject as to the experiment's purpose. Furthermore, participant reactions to the experiment were ignored. It was not until much later that researchers were guided to elicit a subject's impression and explain any manipulation to reveal the true nature of the experiment. The first legal case in the USA involving informed consent arose shortly afterward in 1957 which determined that failure to inform constituted battery (Slovenko 2005).

While they provided a starting point, the Nuremberg Trials did not eliminate all ethical problems within the medical and psychological research. Around 1959, the director of research at New York State Psychiatric Institute, Paul Hoch, began administering Lysergic acid diethylamide (LSD) and mescaline to his patients suffering from schizophrenia without their consent with the goal of studying the bio-chemistry underlying psychosis (Slovenko 2005). Furthermore, the 1964 Declaration of Helsinki made no mention of consent even though the concept had played a pivotal role in the Nuremberg Trial. In fact, it was not added until the updated version 1975.

## Post-War Advancements

In the USA, the real impetus for ethical standards in experimentation was the result of research scandals which prompted political change in order to protect subjects. In 1966, a researcher at Harvard Medical School published an article that focused on 22 examples of questionable experiments, which gained public attention and influenced the discussion. Shortly thereafter, the now infamous Tuskegee syphilis study, which had begun in 1932, became public and "moved the U.S. towards a systematic formal regulation of research standards" (Slovenko 2005). Spurred by these revelations, the US Congress approved the National Research Act in 1974 which created an advisory board known as the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research (Hamilton 2005). This legislation required studies funded by Department of Health, Education, and Welfare to be reviewed and approved by committees. Moreover, it formed the basis for federal regulations that authorized the system of Institutional Review Boards (IRBs). It is the role of the IRB to evaluate each submitted research proposal to determine whether it is designed to "protect the rights and welfare of its subjects" (Slovenko 2005). The board has the responsibility of ensuring that research volunteers will be well informed, so that they are aware of their right to participate or stop at any point. The participants should know what kind of research is being conducted, the time period involved, the list of potential risks as well as any possible benefits.

Out of the National Commission's efforts examining the ethics of human research, the Belmont Report was published in 1979 and focused on three primary concepts in evaluating the ethics of a research project. These included respect for persons, beneficence, and justice (Roberts et al. 1998). According to the report, respect for persons encompasses the participant's autonomy and voluntary decision to partake in the research. In this sense, it is the responsibility of the researcher not only to fully disclose all information pertinent to the project, but also to make sure that the subject understands the information. This definition excludes certain vulnerable populations from

participation. Secondly, beneficence dictated that the research design of a project be scientifically sound, cause the minimal harm possible as well as the maximum benefit to the individual. In essence, the principal of beneficence underlines the importance of safeguarding the well-being of the participant. Finally, the principle of justice affirms that all participants are treated equally, that none are favored over others, and those who choose to undergo the largest risk also receive the largest benefit.

## Human Subjects Protections

In many ways, the Belmont Report (1979) laid the foundation upon which future federal regulations involving the protection of human subjects was built, in part because it delineated research from clinical practice. It made a clear distinction that research could not be disguised as treatment. If future treatment was a possibility, it must be labeled as experimental. Terms such as “innovative treatment” or “non-therapeutic research” must be used and clearly state that they may generate general knowledge, but that they were not designed to help that specific subject (Hamilton 2005). While the IRB had its roots in medical research, this division established that IRBs would only be responsible for monitoring experimentation not meant to benefit a human subject, rather than experimental treatments (Roberts et al. 1998). Of course, while IRBs cannot perfectly predict the outcomes of all experiments, they do serve an important role in keeping ethical considerations at the forefront of the researcher’s mind.

The principle of informed consent is a complicated area in itself. The required forms can be lengthy and confusing, risks may be unknown, and the patient may not even be capable of understanding; if they are depressed, for example. Some cases of informed consent may actually be set up to protect the researcher more than the subject. Research has shown that the close relationship between physician and patient can cause additional confusion (Rest and Narváez 1994). The idea of “therapeutic misconception” is rather

common, in that the patient believes that his/her physician always has his/her best interest in mind (Stevens and Pletsch 2002). Studies have revealed that even research patients can carry strong expectations of personal therapeutic benefit within the psychiatric arena (Appelbaum et al. 1982).

## Advent of Informed Consent

The principle of informed consent was put to the legal test in 1990 during the *Moore v Regents of the University of California* trial (Slovenko 2005). In this case, the California Supreme Court ruled that doctors must use informed consent to reveal any risks, benefits, and alternatives to a particular medical treatment. In addition, the doctors involved must also disclose any economic benefit which they might reap from their research. In the end, the court ruled that most reasonable people would want to know if the physician had a financial stake in the project.

However, there are limits to consent. For example, the principle of autonomy does not take precedent over other principles. As such, there is no defense to the charge of murder or purposeful, serious injury – even if it is in the name of research. Nevertheless, the door is left generally open to willing and comprehending patients. In fact, much progress has come from human research, including drug trials, cancer treatments, and psychological evaluations.

Within many experiments it is often inherently difficult to address the myriad of potentially confounding factors. Social experimentation often uses a laboratory as a controlled environment which includes the requisite elements of the outside world. Iatrogenic factors, such as the Hawthorne effect, may necessitate deception within the experimental design. Moreover, the researcher or physician is already perceived as having more authority than his/her subject. This discrepancy may be even more pronounced with vulnerable populations such as the elderly, children, minorities, or college students (Stevens and Pletsch 2002). Few modern experiments galvanized this issue as clearly as Stanley Milgram’s 1963/1964 experiments which truly showcased



“psychological experimentation and the use of deception in research” (Morawski 1988).

In an effort to protect subjects, the ethical concept of debriefing was a late arrival on the experimental scene. As recently as 30 years ago, it was not a standard practice even when an experiment produced distress and was dependent on deception. A cornerstone of the Milgram experiments, the idea was first included in the *Handbook of Social Psychology* in 1968 (Korn 1997). From there, it gained more widespread acceptance in the 1970s within the overall movement toward education participants. In 1973, the APA recommended that all experiments should be followed by a session of explaining the methods and purposes of the experiment (Morawski 1988). Such control was deemed necessary to avoid experiments getting out of hand and causing lasting effect on participants, as shown with the Zimbardo prison experiments. Today the process of debriefing is universally employed as a requirement of the IRB.

The field of medicine and psychology are rife with ethical decisions, as well as the potential for exploitation of people, both innocently and intentionally. These considerations make the establishment of a comprehensive set of ethical principles imperative. The implementation of such principles remains an evolving process. While much progress has been made, the field continues to develop. Some situations remain inherently ambiguous, such as how to ethically develop treatments for Alzheimer’s patients, those suffering from depression, and those with diminished capacity or psychosis. Nevertheless, examples of unethical behavior continue, including the unauthorized posthumous publication of records, controversial use of the placebo, and scientifically necessary but dangerous “wash-out” periods in medication trials (Roberts et al. 1998).

## Learning from the Past

The APA continues to refine the ethical principles that govern both research and treatment. In 1991, a full 100 years after the APA’s founding, its Committee on Standards in Research expanded

the documentation on the conduct of human research based on recent studies. Areas for improvement, such as informed consent, show that many subjects either do not understand or do not recall the forms which they read. This process is further complicated within vulnerable psychiatric populations. Patients, such as those with cognitive impairments or degenerative disorders, may be offered other possibilities, such as consent by proxy.

Exploitative behavior of the past by researchers and physicians stand out as glaring examples of what to avoid. For example, Roberts et al. (1998) pointed out that drug companies often competed for access to prison populations throughout the 1950s in the USA. In 1969, almost 85% of all new drugs coming on the market were tested within 42 prisons. Even as recently as 1975, some 3600 US prisoners were used by drug companies as the first subjects on whom the safety of new medication was proven. As a result of this, as well as other federal government testing on inmates, the Department of Health and Human Services (HHS) now limits inmate involvement in clinical experiments to those which present minimal risk and inconvenience. Furthermore, the research must primarily affect those within the prison populations and be likely to benefit the prisoner partaking in the research.

Kitchener (2000) describes five foundational principles for research to include autonomy, beneficence, nonmaleficence, fidelity, and justice. Viewed in the historical context presented above, one can see the source of these ideals. Of course, further recommendations for improvement exist within the area of ethical development in research and treatment. Refinement of the current set of codes requires constant evaluation as new scenarios arise, such as the potential transmission of HIV between partners (Bloch and Pargiter 2002). To address some of these new situations, Roberts et al. (1998) suggest four encompassing imperatives for researchers: (1) that they must give adequate consideration to obtaining informed consent, (2) that they must be conscientious and compassionate in all of their work involving human subjects, (3) that they must not use exploitation by placing subjects at risk without the



possibility of equal gain, and (4) that they must keep comprehensive and accurate records of all of their behavior. Other areas for improvement include increased educational development, further empirical investigation, and policy initiatives aimed at universal implementation (Roberts et al. 1998). Perhaps Oliver Sacks provided the most important overall ethical principle that psychologists and physicians should restore the individual human identity to the center of their research (Morawski 1988).

## Cross-References

- [Anonymity, Confidentiality and De-identified Data](#)
- [Autonomy and Informed Consent](#)
- [Beneficence](#)
- [Conflict of Interest in Research](#)
- [Covert Research](#)
- [Deception and Research](#)
- [Research Ethics and the Nuremberg Trials](#)
- [Research Integrity and Research Misconduct](#)

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## Ethics and the Business of Sport: The Lance Armstrong Case

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## Synonyms

Compensation; Cycling; Doping; Lance Armstrong (Lance Edward Gunderson); Punishment; Responsibility

## Introduction

After several years of public and private wondering about the doping status of perhaps the most popular figure in cycling history, it has recently been confirmed by none other than Lance Edward Armstrong (born Lance Edward Gunderson) himself that he used performance enhancing drugs to reach his level of success and the popularity that resulted from his cycling successes.

## Punishing Lance Armstrong

Now that he has taken responsibility for his doping, what more, if anything, should befall him in

terms of punishment for his actions which occurred prior to any relevant legal statutes of limitations with regard to his wrongful and harmful actions? In order to address this question fairly, it must be borne in mind that Armstrong did not just violate social norms, say, of setting a good example (for children and other adults) of honesty. He did not simply commit moral wrongs of not abiding by the rules of fair play. Nor did he merely fail to act according to some matters of social etiquette. Far greater than these important violations, Armstrong committed a range of felonious crimes ranging from lying to the USADA and to the ICU about whether or not he doped, and in accepting the winnings and endorsements that followed his victories he effectively, intentionally, voluntarily, and knowingly swindled various businesses, agencies, and his clean competitors out of several millions of dollars which Armstrong would have never received had he either not doped and failed to win the most prestigious events in cycling or had been caught or admitted to doping and had been punished appropriately at the outset of his doping. Indeed, Armstrong is reported to possess a current net worth of about \$100 million in assets, and it would appear reasonable to think that he would be in possession of almost none of it had he not committed countless acts of fraud as he was not independently wealthy prior to his several acts of doping.

I shall assume herein that Armstrong was not forced by a credible threat of death or the like to dope and that as his confession, however genuine and accurate it might turn out to be, indicates, he did so knowingly and intentionally in order to win the events in which he participated. In so doing, his conduct was faulty as it violated norms of fair play. There can perhaps be no better example of crimes that were committed while satisfying strongly the conditions both necessary and sufficient for criminal and moral liability responsibility than those committed by Armstrong. So it is reasonable to assume that he is responsible for his crimes, which implies that it is reasonable to consider him to be a punishable agent as the conditions of criminal and moral responsibility are voluntariness, intentionality, guilt, fault, and knowledge (Corlett 2014: Chapter 1). I also assume that Armstrong should not receive special

treatment; he should be treated as the criminal that he is, without regard to his color, financial status, or the popular status that he has fraudulently attained. Among other things, this implies that whatever punishment he is to receive should not amount to either a significant over punishment or a significant under punishment. What we are after here is nothing short of reasonable though approximate justice for his many crimes, without excuses or attempts to forgive and have mercy on him for whatever reason.

The question of this investigation is what manner of punishment is befitting Armstrong of his crimes. How ought Armstrong to be punished if justice and fairness are to be our guides? By “punishment” I mean to include a variety of legal and other institutional sanctions against him, including but not limited to compensatory criminal fines, imprisonment, legal settlements, and banishment from participation in certain social activities even should he somehow live to serve his deserved prison sentence, whatever that might be.

While it is true that “it might also be appropriate for law enforcement to play a role in testing to deal more harshly with the illegal nature of some performance-enhancing substances” and that “There also needs to be a deeper investment in testing...,”<sup>1</sup> opinions on how to further punish Armstrong who cheated by way of doping<sup>2</sup> his way through most of his cycling career (indeed, leading a massive program of doping throughout his cycling career) range from the idea that he ought not to be punished because, after all, it is believed, all cyclists dope, to the ICU’s following the ruling of the USADA to strip Armstrong of his seven Tour de France titles from 1999 to 2005 and erasing his name from the record books and banning Armstrong from the sport of cycling

<sup>1</sup>Quoting WADA General Director David Howman and Don Catlin of the IOC (respectively) in Pugmire (2012).

<sup>2</sup>In this essay, I assume what is argued for elsewhere, namely, that doping in sports is morally wrong: Corlett et al. (2013).

<sup>3</sup>For a description and commentary on Herman Ram’s summation of the USADA’s decision on the Armstrong case, see Wilms (2013). Herman Ram is the CEO of the Anti-Doping Authority of the Netherlands.

forever,<sup>3</sup> to a suggestion that he ought to be humiliated by having him pay for the erection of a statue placed in a kind of “cheater’s square” that essentially admits that he is a cheater (Liguori 2012).

While humiliating cheaters like Armstrong is certainly a deserving punishment for his wrongdoings (it is, frankly, the very *least* that should be done to wrongdoers of a serious kind), having him pay for the erection of a statue admitting his wrongdoings is hardly a sufficient punishment for what he has done and grossly violates any plausible principle of proportional punishment.

While the ICU’s stripping Armstrong of his seven Tour de France titles and erasing his name from the record books and banning him from cycling for life are significant, they are hardly a proportionate punishment given the range of harms he has caused to various agencies, businesses, and the various individual cyclists who choose not to dope and would have won had only clean competitors such as the Christophe Bassons’ been awarded prizes and endorsements. But that would require of the sport’s governing body an adequate commitment to honesty and fair play. However, the ICU has announced that only a full confession by Armstrong will trigger its possible reconsideration of its decision. Indeed, a possible reversal of its decision? Given the historic nature of Armstrong’s felonies, it is morally interesting that the agency would even consider a reversal or revision of its already inadequate decision.<sup>4</sup> One might think that in light of that ongoing moral atrocity, the ICU would seek to punish harshly, though reasonably, dopers within its sport, in what is clearly the most morally and legally devastating event in its history.

Whatever the case, one concern is what the morally and legally right things to do are

regarding this case. It is not a concern for the economic well-being of anyone except the several victims of Armstrong’s crimes. And for the sake of brevity, I ignore in the category of victims the general public and children who are psychologically effected by what he did, as that is not a compensable harm. I shall focus on compensable harms, or, at least, a small number of them in order to provide a sense of the magnitude of what Armstrong owes to those he has harmed most.

For those clean cyclists who should, but for some reason will not, be moved up the list of official finishers accordingly, the ICU will list “no winner” for those 7 years that Armstrong crossed the finish line ahead of every other competitor illegally. This is hardly fair, as not only did Armstrong steal several millions of dollars and fame from his cheating; he also now has in the end prohibited certain clean cyclists from winning, as the case may be. And if it is too embarrassing for the ICU to, as it may turn out, go very far down the list of finishers in those tour events to find the clean winners, then perhaps that embarrassment is deserved and could have been averted had the it done its antidoping job in the first place. Or is the ICU seeking to hide evidence that it ought to have not ignored the wide-spread suspicion of doping in its sport because it would have cast a shadow on the sport and had dire economic implications for cycling and the ICU? Thus, to the extent that Armstrong is permitted to continue to benefit from the millions he stole as ill-gotten goods, the ICU and the USADA will continue to allow him to flaunt the venerable legal doctrine that no one should be permitted to profit from one’s own wrongdoing. As one writer puts it of Armstrong’s cheating: “. . . It made him rich, friendly with presidents and pop stars” (Leicester 2012).

What is needed is a consideration of at least some of the plausible principles of punishment and an application of them to the Armstrong doping case. First, as noted, *no one should be permitted to benefit from their own wrongdoing*. So the approximate amount of Armstrong’s financial benefits as the result of his cheating must be calculated. In this case, the amount would range into the several millions of dollars, as he has defrauded several individuals and businesses.

<sup>4</sup>“Inadequate” not so much in terms of the rules and regulations of the said agency, but rather in terms of what Armstrong deserves in light of what he has done. Perhaps the agency lacks the wherewithal to inflict on Armstrong a punishment that he deserves. But it is curious that it seemingly lacks a punishment along the lines of several millions of dollars in fines for committing such harmful wrongdoings. Whatever the reason for such a deficiency of justice, the aim of this essay is to provide a reasonable sense of what Armstrong deserves given his crimes.

Then, *in accordance with a general principle of proportionate punishment and compensation, every asset of Armstrong's must be seized in order to establish a fund in order to assist in the compensation of the compensable victims of his doping.* In most cases such as Armstrong's, there are insufficient funds to adequately compensate the compensable victims (the "shallow pockets" problem), so a prison sentence must be handed down in order to coerce Armstrong to work at prison wages all of which would be used to rectify his victims.

One question is, given US federal prosecutorial discretion, whether or not the US legal system has the moral wherewithal to level formal charges against Armstrong for his harmful wrongdoings. It has been reported that Armstrong's attorneys have already made a settlement offer of a few million dollars to the US Department of Justice, an offer that was quickly and roundly refused on the grounds that the Justice Department estimates Armstrong's illegal takings to rank closer to about 10 times the amount (\$30,000,000 USD). It is unclear precisely how the Department of Justice arrived at this figure, or whether or not it includes the wide range of compensatory harms I have already noted. My guess is that if Armstrong is tried and found guilty and sentenced according to these and other relevant legal principles of compensatory justice, he would clearly not be able to repay all of what he owes to his victims. In addition to this measure of justice, prior to his being taken to prison Armstrong could be forced to cut the ribbon on the statue ceremony that demonizes his efforts as a cyclist. But something like what I have proposed will begin to suffice as a proper punishment for Armstrong in light of the extent of his doping and the harm that it has caused. So the extent of Armstrong's frequent felonious fraud justifies, on moral grounds, that he be sentenced to and actually serve the remainder of his life in prison, right alongside others who have committed similar crimes of felonious fraud. For as Aristotle famously stated, like cases should be treated alike, dissimilar cases should be treated dissimilarly. This implies, among other things, that there is to be no special treatment of anyone in considerations of justice and fairness.

## Objections and Replies

Now for some people, what is being argued here appears overly harsh. It is just a sport, they would say, and besides, what real harm did Armstrong cause by doping? Who did he really harm? Other doping cyclists? Surely they are not, it might be argued, innocent victims of Armstrong's doping. Moreover, they might add, let us not forget that Armstrong founded a major cancer-fighting organization, Livestrong, which does a great deal of good for many suffering from that dreadful disease. So whatever is done to punish Armstrong, it is argued, ought to take into consideration these sorts of factors. Sentencing Armstrong to prison (especially a life sentence) is too harsh a punishment, especially in light of his raising so much money to fight cancer. Justice, it might be argued, requires that such a punishment not be meted out to him, as that would not maximize social utility in this case.

However, this attitude toward Armstrong's crimes is problematic for the following reasons. First, it rests on the myth that Armstrong founded Livestrong in order to combat cancer. However, this is a misleading claim. One would think that an organization that has as its primary aim to combat cancer would devote itself mainly, though not exclusively, to the task of raising funding for cancer *research* as that is clearly the primary manner in which cancers will be either managed or cured. But Livestrong, it turns out, gives surprising little of its donations to cancer research. Instead, as one investigative reporter puts it: "Much of the foundation's work ends up buffing the image of one Lance Edward Armstrong, which seems fair—after all, Livestrong wouldn't exist without him. But Livestrong spends massively on advertising, PR, and 'branding,' all of which helps preserve Armstrong's marketability at a time when he's under fire. Meanwhile, Armstrong has used the goodwill of his foundation to cut business deals that have enriched him personally, an ethically questionable move" (Gifford 2012).

In further reply to the permissive attitude toward punishing Armstrong, we should bear in mind that NFL quarterback Michael Vick served

prison time for his role in a dog fighting ring. No doubt he deserved some sort of punishment for that crime. No offense to the dogs which were killed and otherwise harmed by Vick's involvement, but does that really amount (in strictly economic terms) to much compared to the amount of harm that Armstrong has wrought on an entire sport, and the many clean athletes in it, not to mention the sponsors he fooled into essentially stealing from them millions of dollars per year in endorsements? The point here is that if legal precedent and fairness mean anything, and if Vick was justly punished for his crime (I shall assume this for the sake of this discussion), then surely the amount of harm that Armstrong has perpetrated makes Vick's crime pale in comparison insofar as the economic value of the crimes are concerned, making Armstrong deserving of a significantly harsher prison sentence in order to be forced to work off the remainder of what he owes to his compensable victims after his current assets are seized in order to provide initial compensation to his victims.

Just who are Armstrong's victims? They are many, including, as I mentioned above, the fans of the sport. But his *compensable* victims include but are not limited to NIKE, which is owed by him millions of dollars in endorsements insofar as Armstrong's doping over several years violated his endorsement contract with NIKE (I assume that his contract with NIKE includes a morality clause that implies the breaking of the contract should Armstrong engage in untoward behavior, doping being one such behavior). Not only does Armstrong owe NIKE (as well as Anheuser-Busch, Oakley, Radio Shack, the USPS, and some other businesses for similar reasons), but he owes the sport of cycling, including but not limited to the ICU and the IOC, for flaunting their rules and regulations. And for those who assert that Armstrong's doping was a "victimless crime," there are the clean cyclists many of whom would have won the yellow jerseys and various lucrative endorsements from 1999 to 2005 had *they* won the Tour de France instead of placing behind Armstrong and perhaps a cast of other dopers. How many millions should *they* have earned over how many years instead of

Armstrong who ended up effectively stealing their hard-earned awards? These are just some of those harmed by the cheating of Armstrong. Time will tell how many other victims will reveal themselves in legal actions taken against Armstrong. And let us not forget those he bullied publicly and threatened with law suits and publicly defamed when they sought to bring his felonious undertakings to light. That Armstrong was deliberate and brazen in his fraud is beyond reasonable doubt in light of his own confessions. To deny that rarely has the world of sports witnessed such a scoundrel is to engage in a level of disingenuous discourse that disqualifies one from being taken seriously on this important matter.

Again, in light of the fact that Armstrong can never even reasonably hope to adequately compensate those who he has harmed and to whom he owes compensation, it is likely that what amounts to a life sentence is in order. The bill for the approximate remainder amount of compensation he owes to those he has harmed and warrant compensation can be presented to him upon entering prison, and he can work off every dollar at a prisoner's wage until he pays it off, essentially amounting to a life sentence. He should not be provided with special treatment, regardless of the cries of those who continue to support him due to his efforts at raising funds to address cancer.

For those who still countenance the idea that Armstrong's charity work somehow mitigates his responsibility for repeatedly doping and knowingly, intentionally, and voluntarily cheating various others out of millions of dollars a year and for several years, without regard for the consequences of his actions, the following point is in order. Armstrong's work with Livestrong is irrelevant to the basic facts of the case, unless, of course, one also believes, by parity of reasoning, that Jerry Sandusky's prison sentence ought to be significantly reduced or even eliminated due to *his* work with the charity that *he* founded and to which he attached *his* name. Or take the case of one who commits major Wall Street fraud or embezzlement in the several millions of dollars. If we truly respect the idea of approximate proportionate punishment, would we not expect her to compensate those whom she has cheated by



paying them what she took from them, however approximately? And if she is unable to do so, would we not think that she should be sentenced to prison in order to work off what she owes to *her* compensable victims? Then ought we not to apply the same sort of reasoning to Armstrong, unless, of course, one is predisposed against doing so because of his “good deeds” with a certain charitable organization? Yet if one is just so predisposed, then the point about Sandusky applies even in light of the differences between the two cases, revealing a degree of moral hypocrisy of those who would agree with Sandusky’s sentence but not with the sentencing of Armstrong to prison. If justice and fairness mean anything, they ought to mean more than the morally weak cries of those who are far more committed to forgiveness and mercy of a popular figure than they are to doing the right thing in a case that speaks ever so loudly to the greed of an individual who stole millions each year for several years and reaped the benefits from it, while those clean athletes who really won the races in question wherein Armstrong cheated (the clean and next to the finish line cyclists competing against Armstrong and the other doping competitors) had their hard fought victories and the rewards thereof taken from them forever by a thief of the highest cycling order.

Those who strain moral credulity to find some manner by which to significantly mitigate Armstrong’s deserved punishment must clear their eyes of the fog of permissiveness to glimpse, if they can, that Armstrong committed felonious crimes of a fraudulent nature that no amount of legal cancer-fighting could ever forgive. Besides, it is the desire for cancer to be wiped out that should have been the primary, if not exclusive, motivation for those supporting Livestrong, not the desire to do so because Armstrong said they should. It was not a moral error or misfortune that Livestrong succeeded to help fight the war on cancer. But neither does it excuse or forgive Armstrong’s devious and incessantly fraudulent undertakings. In other words, Armstrong’s work with Livestrong is morally irrelevant to how he ought to be punished for his crimes, and should be judged that way if reason is to have anything at all

to do with the moral assessment of his actions over the past decade or so. Rights [in this case, of Armstrong’s compensable victims’ rights] are not to be bargained away for considerations of social utility. They are moral and ought to be legal guarantees against those who would violate them for whatever reasons (Rawls 1971: 3–5).

Why should Armstrong be permitted to live one more day without attempting to adequately compensate those who he has harmed most in order to obtain his grossly ill-gotten goods? Justice and fairness demand that Armstrong be punished in (albeit approximate) proportion to the harms that he has wrongfully wrought on others. And if justice and fairness are given their due in this case, perhaps the ICU and the IOC can begin to get back on the saddle and begin peddling in the right direction and into a brighter future of sound competitive cycling reforms.

## Conclusion

Only history will tell whether or not Armstrong will be held adequately responsible for his crimes, or whether his greed will be mostly overlooked because too many people lack the moral integrity to do the right things to him in light of the facts of the case. And the fact that the sports world has yet to devise serious punishments for such crimes sends the message that it is more concerned with its fiscal viability than it is concerned with justice and fairness.

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judgment, reporting, and documentation. An audit is independent when someone who has no interests on the results of the audit performs it. This is the case when the auditor is not part of the scope, clientele, or user of the audit. An audit is also objective when it is honest and unbiased. A systematic, independent, and objective examination and evaluation provide essential conditions for the users of an ethics audit to trust the conclusions of an audit.

An audit being systematic, independent, and objective makes it different from a review, check, screening, assessment, or monitoring, which are all lighter types of examinations. Therefore, a professional qualified to conduct an audit – i.e., an auditor – conducts an ethics audit.

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## Ethics Audit

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### Synonyms

Compliance audit; Corporate social responsibility audit; Ethics assessment; Ethics assurance; Ethics check; Ethics inspection; Ethics monitoring; Ethics review; Ethics risk analysis; Ethics screening; Forensic audit; Integrity audit; Investigation; Moral audit; Social audit; Sustainability audit

### Definition of an Ethics Audit

There are many types of audits used by and for organizations, such as financial audits, quality audits, project audits, operational audits, performance audits, and ethics audits. An ethics audit is the systematic, independent, and objective examination and evaluation of the ethical content of the object of the audit.

An audit is systematic when it entails typical steps like planning, defining a framework, field-work (collecting information and obtaining evidence) using established methods, analysis,

### The Objects of an Ethics Audit

An ethics audit can have many different types of objects. Kaptein (1998) discusses six kinds of ethics audits, thereby distinguishing the scope of an ethics audit in terms of the intentions (input/efforts/characteristics), behavior (throughput), or consequences (output/results/impact) as the object of the audit, which follows the main distinction of ethical theories in terms of virtue ethics, deontology, and utilitarianism, respectively. Furthermore, for each of these objects (the what), a distinction can be made between the organization as the object and the external stakeholders of an organization as the object (the who). First, the three objects of the organization will be discussed.

An organization's internal ethical context reveals that organization's intentions. The internal ethical context refers to those organizational factors that stimulate managers and employees to behave ethically. The internal ethical context contains both formal and informal parts. The formal part consists of the different measures and activities an organization takes on to stimulate ethical behavior, for instance, its ethics and compliance program, which usually comprises of a code of ethics, training in ethics, an ethics office(r), and a whistleblowing policy. An ethics audit can examine the quality and effectiveness of such a

program. An ethics audit can also examine other elements of the formal context, such as the procedures, policies, systems, and rules (so-called hard controls), to evaluate whether they absorb the ethical risks an organization faces and whether they stimulate managers and employees to behave ethically.

The informal ethical context of an organization is usually divided into its ethical climate and ethical culture. The former refers to the shared opinions of the managers and employees of the organization about what constitutes ethical behavior, and the ethical culture is the shared experiences of the managers and employees of the organization about the conditions that stimulate ethical behavior. Auditing the ethical climate and culture of an organization is about examining what managers and employees think and believe about ethics in their work.

Regarding the behavior in an organization, an ethics audit can focus on the behavior of one or a limited group of individuals. This is usually what happens when there are indications or allegations of unethical behavior (such as signs of bribery, theft, and fraud). In such cases, an investigation, also called a forensic audit, is conducted to determine who has behaved unethically and to what extent. The behavior of managers and employees can also be the object of an ethical audit to examine the behavioral patterns. The inquiry will then be about the behaviors they have in common and the factors that explain these patterns. For example, when most employees frequently arrive late for meetings, the driving factor could be their view that punctuality is not important. An ethics audit can also focus on the ethical content of products and services delivered by an organization, to examine whether they meet some ethical criteria, for example, those of sustainability, human rights, and transparency.

The effects or outcomes of an organization can also be the object of an ethics audit. Such an audit may examine, for example, the stakeholders' perceptions about the organization (e.g., their experiences, satisfaction, and trust) or more factual data, such as the impact on the environment, fines, and stakeholder retention.

An organization can also do an ethics audit of its stakeholders. As part of due diligence, an organization can assess the ethics of suppliers, contractors, third parties, and acquisition candidates. There can also be ethics audits on applicants and prospective employees; these are usually called pre-employment screening and background investigations. Auditing the ethics of others can concern their intentions (such as the ethical awareness of applications or the quality of the ethics program of suppliers), their behavior (such as their criminal record), and the consequences of these (such as their social and environmental impact).

## Objectives of an Ethics Audit

An ethics audit can have many different objectives, some of which are:

- To show that ethics is important (by conducting this kind of audit the organization shows that it is willing to invest time and money in ethics)
- To make ethics tangible (when the audit uses concrete criteria and its results provide a clear picture of whether and how these criteria are met)
- To show that the organization is willing to improve ethics (when an ethics audit shows that there is room for improvement and the organization acts upon these results)
- To show to the respondents of the ethics audit that the organization is receptive to their opinions and experiences (when their opinions about the ethics of the organization are solicited)
- To comply with external expectations (Some jurisdictions, like the USA, require organizations to audit their ethics periodically and even, as in the Netherlands, to report about it in their annual report.)
- To improve ethics (An ethics audit can provide information about what should be improved.)
- To better manage the ethics of the organization (when the ethics audit provides directions for what should be improved and safeguarded)

- To exclude stakeholders that undermine the ethics of the organization (when the ethics audit of a stakeholder shows that the stakeholder does not or even will not meet the ethical criteria set by the organization)
- To inform stakeholders about the ethics of the organization (so that stakeholders are cognizant of the ethical content of the organization)
- To prevent discussions about the ethical content of the organization based on invalid or incomplete data

### Ethics Audits in Practice

To date, there is limited data available on the use of ethics audits in practice. A KPMG survey among US working population in 2013 showed that 56% of respondents indicate that their organizations audit and monitor their ethics. A KPMG survey among the ethics officers of Global Fortune 200 companies in 2014 showed that 85% of those companies monitor the effectiveness of their code of ethics, and 40% screen the suppliers using the company's own code of ethics.

### Frameworks for an Ethics Audit

An ethics audit requires a framework consisting of the ethical norms to be applied in the evaluation of the object of the audit. The literature provides several frameworks, such as an overview of the possible components of and the criteria for an ethics program as such and for each component specifically. The five-dimensional model developed by Victor and Cullen (1988) can be used for assessing the ethical climate, and Kaptein's (2011) eight-dimensional model for assessing the ethical culture. We can also find in the literature criteria for the ethics of managers, employees, and leaders and for the behavior toward and relations with stakeholders. In this respect, an ethics audit is different from a compliance audit. The latter examines whether the object of the audit meets applicable rules and regulations, while the former can be broader because ethical values, principles,

and norms that are not laid down in rules and regulations may also be used as criteria.

### Methods for an Ethics Audit

The methods used in an ethics audit can be similar to what is used in academic research, e.g., questionnaires, interviews, observations, and desk research. Desk research can include not only the examination of documents and websites, or press coverage of an organization but also the examination of existing data sources, within and outside the organization, such as the number of whistleblowing reports and amount of missing material.

### Ethics Auditors

A professional in the field of ethics auditing conducts an ethics audit. Such a person should be qualified and have sufficient expertise. They can work at an auditing, certification, or assurance firm, for a regulator or other government auditor, or within the organization itself, such as the internal audit department (the third line in an organization) or the ethics office (the second line in an organization).

### Issues for Ethics Audits

Designing an ethics audit involves making decisions regarding various kinds of issues. Apart from the abovementioned issues (e.g., determining what is to be audited, the objectives, framework, and methods of the audit, and who the auditor will be), other issues include the time orientation of the audit (retrospective and/or prospective), position of the audit (separate or integrated with other audits), type of information in the report (quantitative and/or qualitative), type of assertions (negative or positive), and disclosure (internal and/or external reporting).

## Relevance of Ethics Audits for Science

The use of ethics audits by organizations raises several interesting topics for academic research, such as the following:

- As an ethics audit is an instrument to improve the ethics of organizations, it is interesting to find out to what extent organizations use an ethics audit, whether such audits indeed contribute to the improvement of the ethics of organizations, and under what conditions they are effective.
- The frameworks used by organizations in conducting ethics audits can be a source of inspiration and reflection for building scientifically validated frameworks for examining and evaluating the ethics of organizations and their stakeholders.
- The data collected during ethics audits by and for organizations can be used for academic research on the ethics of organizations, such as its developments, antecedents, and differentiators.
- Academic research can contribute to the development of the ethics auditor as a discipline (next to the ethics officer) by developing profiles and curricula for ethics auditors and methods, concepts, and approaches to audit the ethics of organizations.
- An examination of the extent to which ethics auditors in practice use scientific concepts for ethics audits can help in discovering the contribution of business ethics as science to the ethics of business in practice.
- As the value of an ethics audit depends on what is done with the results, the follow-up to ethics audits is an interesting topic, not only for scientific research but also for a follow-up ethics audit.

## Cross-References

- [Business Code of Ethics](#)
- [Ethical Climate and Ethical Culture](#)

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## Ethics Committees (Including Research)

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## Synonyms

Business principles committee; Ethics research committee; Integrity committee

## Definition

Ethics committees (abbreviated to EC) can be found in different societal settings, such as health care ethics committees and research ethics committees as well as animal ethics committees, professional ethics committees, and bioethics committees. A company may also have an EC. An EC can be defined as a group of people who are appointed to address ethical issues by a company. ECs can be regarded as part of an broader ethics program, which companies use to improve and safeguard their ethics. ECs can be supported by an ethics office (see ► [Corporate](#)

[Ethics Officers](#)), which can serve as a first contact for employees.

## Origins and Presence

The origins of ECs can be traced back to the clinical setting. In the 1920s, the sterilization legislation, which was a result of the eugenic movement, led to the formation of committees to regulate clinical decisions. These sterilization committees, mainly consisting of physicians, made “objective” decisions to avoid social burdens by inherited disabilities.

With the establishment of the abortion selection committees, a similar form of judgement making was created. The abortion selection committees were used in the clinical setting until the 1970s in the United States and mostly identified pregnancy terminations due to medical or psychiatric conditions.

Moreover, ECs can be regarded as a product of the former bioethics movement, which began in the 1960s and the secular bioethical theory since ECs were used to study and make judgements about ethical issues brought about by developments in biology and medicine.

The idea of companies having an EC is relatively new. It won prominence as part of broader ethics reform due to corporate scandals at the start of the century, such as Enron and Tyco.

To date, about 30% of the companies in the UK, 42% of the companies in Australia, 56% of the companies in Canada, and even 75% of the companies in the USA do have an EC (Callaghan et al. 2012; Montagnon 2016).

## Functions

ECs can have one or more different functions. Thirteen different functions are presented here.

As a *radar*, the objective of the EC is to proactively signal ethical issues internal and external to the company. Here the EC signals ethical questions, risks, and dilemmas and puts them

on the agenda for discussion, analysis, and follow-up.

As a *platform*, the EC brings together different individuals and groups to discuss ethical issues. The EC can, for example, organize stakeholder dialogue sessions where stakeholders and the company share their expectations and dilemmas, so that the participants learn from each other (see ► [Autonomy and Informed Consent](#)).

As an *informer*, the EC provides information within or outside the company about, for example, the company’s code of ethics of the company, its ambitions, and its ethical performance.

As a *norm developer*, the EC’s function is to create new ethical norms. Based on new issues, it defines what the desirable position is of the company and whether that implies that the current code of ethics should be changed (see ► [Research Integrity and Research Misconduct](#)). The EC can also suggest a new interpretation of a current norm.

As a *policy developer*, the main function of the EC is to develop new ethics policies. The difference with the norm developer is that the development of policies can be based on current norms, whereas the EC as norm developer is focused on defining new norms (see ► [Research Integrity and Research Misconduct](#)).

When the function of the EC is to be an *advisor*, it gives advice about ethics to employees or management of the company. Employees and managers can then contact the EC to get advice regarding how to deal with dilemmas with which they are confronted (see ► [Ethical Dilemmas](#)). The EC can also provide, requested or unsolicited, advice to the management about how the ethics of the company can be improved.

As an *implementer*, the EC implements the desired ethics into the company. It then coordinates or runs the ethics program by, for example, training people, developing e-learning, and offering tool-kits.

As a *recorder*, the EC registers reports of, for example, alleged unethical behaviour, conflicts

of interest, and ethical dilemmas (see ► [Conflict of Interest in Research](#)).

As an *investigator*, the function of an EC is to conduct research into allegations of unethical behaviour (see ► [Corporate Crime](#)). The EC then conducts the investigation itself or coordinates the investigation to determine whether or not misconduct has occurred.

As an *evaluator*, the EC's function is to review and assess the ethical content of the company and decide to what extent the company is ethical.

As an *approver*, the EC evaluates employees' queries about whether something is permitted or not. Employees may, for example, ask permission about sideline activities, private transactions in shares, and presented gifts. The function of the EC can also be to approve that proposed new products, new methods, and new activities are ethical.

As a *rewarder*, the EC decides who can be rewarded and in what form. For example, the EC can confer an annual award for the best ethical initiative, innovation, or solution by an individual or team.

As an *auditor*, the EC assesses whether the presented information about the ethics of the company is valid (see ► [Ethics Audit](#)). The EC then gathers evidence by conducting research, such as observations, tests, and surveys.

## Features

Depending on their function, ECs have different features. These features are usually described in the charter of an ethics committee. The main features are:

- *Term*: Whether the EC is permanent or ad hoc.
- *Formation*: How members are chosen and their terms of office.
- *Composition*: Whether, for example, the EC has internal and/or external members or management and/or nonmanagement members.
- *Authority*: The extent to which the EC may take binding decisions.

- *Reporting*: Whether the EC has to report about its activities and results.
- *Resources*: The extent to which the EC has a budget.
- *Frequency*: The number of times the EC convenes.
- *Structure*: Where the EC is located in the company structure and to whom it is responsible.
- *Decision-making processes*: What decision-making methods are used during meetings of the EC.
- *Visibility*: The extent to which the EC is visible within and outside the company.

## Effectiveness

To date, no research has been conducted into the effectiveness of ethics committees in companies. Expected conditions for effective ECs, based on research in others contexts, are:

- Commitment of management
- Dedication and quality of its members
- Having sufficient resources

## Cross-References

- [Autonomy and Informed Consent](#)
- [Conflict of Interest in Research](#)
- [Research Integrity and Research Misconduct](#)

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## Ethics Education in the Professions: Those Who Have Taught and What They Have Taught

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### Synonyms

Applied ethics; Ethics education; Ethics pedagogy; Professional ethics

### Introduction

Every few decades, especially in the wake of a scandal on the part of professionals, clarion calls to teach applied ethics abound. Implicit in these calls are two assumptions: (1) teaching professionals ethics will make them less prone to ethical failure and (2) formal, direct instruction is the one best way to teach applied ethics. These clarion calls overlook how the substantive purpose of applied ethics education is not utilitarian, and there are many ways to teach applied ethics, that is, if professionals are to resolve dilemmas ethically.

Concerning this history, this entry raises two questions: “Who has taught applied ethics?” and “What have they taught?” The responses weave the literature of eight professions concerning applied ethics education into a unified tapestry. This entry closes with two considerations that may assist in altering negative perceptions regarding those who teach applied ethics as well as the discipline itself.

### Who Has Taught Applied Ethics?

The literature offers two images portraying those who have taught applied ethics for the past century.

The first image draws attention to how they have embodied and communicated good character. It portrays them as highly ethical as well as possessing a wealth of knowledge and expertise in applied ethics, pedagogy, and their professions (Richardson and Fenstermacher 2001).

Their good character has provided preservice professionals “a lens through which they are encouraged to examine teaching practices and the values they reflect” (Campbell 2015) which, in turn, has improved the professions and society (Green 2018). Their good character has also conveyed to preservice professionals how the “good” is the animating soul of professional practice (Fisher et al. 2007).

Ethics educators have also assisted students to “know the good” by teaching them how to deliberate about dilemmas at higher levels of cognition (Hardesty 2005). They have further assisted students to “will the good” and “be good” *qua* professionals, irrespective of the perceived risks and rewards (Leclair 2005).

Exemplifying the spirit of professional ethics, this image conveys how ethics educators have formed the minds and informed the hearts of students to conduct themselves ethically – *being* good by *doing* good.

The second image portrays their struggle for legitimacy. Relationships with colleagues are “uneasy,” oftentimes characterized by “discomfort” although “dual citizenship is possible” (McGowan 2005). Working in isolation from colleagues who teach specialized courses, these colleagues view ethics educators with suspicion, considering them “intellectual interlopers” and questioning their value (Rhode 1992). Why? Many – if not most – ethics educators have learned ethics informally; junior professors are oftentimes reluctantly volunteering for or being required to teach ethics (Daly et al. 1995).

### What Have They Taught?

Resolving the dilemmas of professional practice requires professionals to deliberate about what theory *and* skill require by *knowing* the good

(theory), *doing* the good (skills), and *being* good (practice).

Over the past century, ethics educators addressed this fundamental challenge by focusing upon three distinct, yet interrelated curricular matters: balancing theory and practice; formulating the curriculum's contents; and responding to mandated principles, standards, and evolving best practices. The goal was to prepare professionals who would make ethical decisions and demonstrate ethical competence (Cooper and Menzel 2013).

### Balancing Theory and Practice

The primary challenge confronting applied ethics educators for the past century involved balancing theory and practice. Much of this work focused upon determining whether the curriculum should inculcate "low-road" ethics – compliance – or "high-road" ethics – character – in preservice professionals (Rohr 1988).

Especially during the first half of the twentieth century, ethics educators differentiated between declarative knowledge – "knowing-that" – and procedural knowledge – "knowing-how" (Ryle 1949). While concurring that both are necessary for professional practice, ethics educators argued during the century's second half that both are insufficient. They maintained the curriculum should evoke something more: a deeper, more personal, and abiding commitment to aspire to and pattern one's practice according to a profession's virtues (Johnson and Ridley 2008).

Differentiating between "knowing the good" and "being good" yet firmly believing that professionals should also demonstrate purposeful, intentional virtuous conduct (Anscombe 2000), ethics educators more recently have drawn attention to the cognitive, affective, and conative aspects of ethics education. Integrating these into the curriculum, it is believed, will prepare professionals to promote a "chain of consent" through an exercise of "normative" power rather than a "chain of command" through an exercise of "coercive" power (Etzioni 1975).

While ethics education is believed to improve decision-making and mitigate the risk of ethical failures, the ideal curriculum – one featuring an appropriate balance of theory and practice – continues to be contested in the twenty-first century (Todd et al. 2017).

### Formulating the Curriculum's Contents

For the past century, this struggle to identify the appropriate balance of theory and practice has framed the curriculum's general contents: professional codes of ethics and conduct; ethical theory; deliberative decision-making; and applications to practice.

*Professional codes.* While codes provide "necessary" content, the question concerns what is "necessary" (Todd et al. 2017). For some ethics educators, content is primary; for others, application to practice is primary; yet, for others, it's a mix of both (Johnson and Ridley 2008).

Today, this struggle pits compliance against relevance in an attempt to identify the appropriate balance. Studying codes can devolve into ethical minimalism while studying theory can minimize a code's significance for practice.

*Ethical theory.* Across the professions, ethics educators have incorporated ontological and deontological theories into the curriculum (e.g., natural law, utilitarianism, the categorical imperative, subjectivism, and social contract theory). More recently, they have incorporated justice and feminist theory into the curriculum as well as virtue ethics, social justice (e.g., equity, diversity, power, culturally relevant pedagogy, and anti-discrimination), and an array of virtues (e.g., care, empathy, fairness, inclusion, integrity, respect, responsibility, and tolerance).

Today, ethics educators believe the "conditions of modernity" require the curriculum should include the way professionals conduct themselves in nonideal circumstances (Kane 2010). Others believe the culture's pervasive consequentialism must be confronted (Svara 2015).

*Deliberative decision-making.* While professionals should expertly apply their profession's declarative and procedural knowledge, dilemmas

arise in complex contexts. For this reason, the process – making ethical decisions – must also include “knowing why.”

Deliberative decision-making directs attention to a profession’s virtues that should characterize a profession’s members through the formation of “professional conscience” (Green 1999). In this way, decision-making supports the quest to discover the “good” by prodding professionals to conduct themselves to “be good” by “doing good,” comporting themselves in ways that are worthy of “clear recognition with praise for accomplishments” and of “concern or care from others,” redirecting attention away from subjectivism and toward enacting universal values (Kane 2010).

Deliberative decision-making also assists professionals to critique, build upon, and extend their insights into the dilemmas of practice to identify what’s possible, the best option, and how to implement it. In addition, because decisions made foreclose others, applying professional wisdom in practice highlights the significance of ethical leadership, that is, motivating others to recognize and then to emulate demonstrated ethical competence (Cooper and Menzel 2013).

*Applications to practice.* One persistent challenge across the past century concerned how applied ethics educators would make the curriculum’s declarative knowledge relevant, once again raising the issue of curricular balance.

While ethics educators have agreed that introducing case studies enhances relevance, they have disagreed about their use. Some have utilized case studies exclusively, others have introduced cases first, and others have done the opposite. The general consensus holds that balance requires some form of case study pedagogy, for example, Cooper’s (2018) “design model,” which integrates the cognitive, affective, and conative aspect of ethics education with one’s roles and responsibilities in a way that enhances relevance.

### Responding to Mandated Principles and Standards

The early twentieth century featured professional associations promulgating codes of ethics offering members generic principles and standards to

guide practice. Few codes provided enforcement regimes, the general exception being the requirement of some form of ethics education as a precondition for licensure. Relegating how a code’s contents would be conveyed to “experts” in the Academy, the curriculum’s contents represented a consensus among a profession’s members (Watkins 2015).

By the mid-twentieth century, accreditation associations were mandating standards to convey a code’s contents (Misch 2002). Disagreement among professional associations, accrediting associations, and ethics educators concerning “what” should be taught and “how” it should be taught has continued to complicate efforts to standardize the curriculum (Jones 1991).

## Two Considerations

Integrating this history into a unified tapestry depicting applied ethics education during the past century raises two considerations. If implemented across the professions, these considerations may improve applied ethics education and how it is taught. In turn, these improvements may alter negative perceptions about the value of the curriculum and those who teach it.

### Concerning Applied Ethics Education

Applied ethics education has aimed primarily at forming ethical character and has utilized a system of continuous, progressive, and developmental learning activities to prepare professionals to conduct themselves virtuously. However, “ethics education” is a general term subsuming preservice ethics *instruction* and in-service ethics *training* (Fig. 1).

During the past century, preservice ethics instruction generally transpired in a classroom, with the curriculum conveying a profession’s declarative knowledge and emphasizing theory, skills, and their integration for practice. Retrospectively, the focus could have been more intentional: “theory-for-practice.”

In-service ethics training was not pervasive. Today, it needs to be more systematic, transpiring in the workplace, and featuring professionals



learning organizations (Jacobs 2019). This agenda offers the promise of increasing trust in organizations.

## Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Bioethics](#)
- [Ethical Dilemmas](#)
- [Ethical Leadership](#)
- [Leadership Integrity](#)
- [Role of Philosophy in Business Ethics](#)

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## Ethics in Leadership Coaching

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### Synonyms

Coaching ethics; Ethics for a coach; Ethics of care; Values-based coaching

### Definition

Coaching ethics, or the role of ethics in a coaching relationship, speaks to relational and organizational morals and competencies for the coach as well as other parties involved. There's both a need for ethical conduct from the coach and for ethical awareness with regard to ongoing contracting. This is open for interpretation, as the work takes place as an exchange between human beings. Defining ethical coaching or distinguishing it from unethical coaching isn't definite yet requires the coach's consciousness as well as moral compassing. In this reflection, we refer to it as the establishment and clarity of the relational space, keeping in mind a triangulation between coach, client, and at times also the employer or the client's organization.

This writing aligns with definitions from professional coach bodies, for example, the International Coach Federation which articulates its ethical philosophy as "a form of coaching that honors the client as the expert in his/her life."<sup>1</sup> The coaching profession asks that a coach isn't a content expert yet facilitates a client's process, allowing the client to discover and take responsibility for their process. It focuses on a future state

or learning aspiration, facilitating clients to bring out their potential, as well as searching with them to overcome hindrances.

### Description

The term coaching originates in sports, where it addresses the process of supporting increased performance. The term is used in organizations as well since the 1970s (Gallwey 1974; Whitmore 1992). There's a common understanding of what coaching is about, yet it isn't a protected term: everyone could declare themselves a coach. Coaching is mostly described as an ongoing professional relationship that helps people: the dialogical facilitation or guiding of a developmental process, which moves a person from place or stage A to B. This change in place or stage, which might shift during the conversations, is defined by the client and takes place in the context of an organization. Organizational coaching is what this paragraph refers to. On organizational coaching, a relational contract with the client who is being coached, as well as with the organization in which the client works, which may pay for the coaching. The topic for a coaching can be widespread, yet its essence lies in unlocking a person's *own* potential and in the coach's role, as "helping them to learn rather than teaching them."<sup>2</sup>

Coaching contracting happens between parties: the coach, the client, and often also the organization in which the client works. A practical guideline here might be the question: who pays for the sessions? If a client seeks coaching outside of the organization's sphere, for example, as the topic is more about life in general, or when there's a conflict of interest, it might happen that there's no connection to the organization at all. Often however there's a three-way contracting around goal, approach, investment, and length of the

<sup>1</sup>For more background also the ethical statements from professional coach membership bodies. Some are Association for Coaching ("AC"), European Mentoring and Coaching Council ("EMCC"), International Association of Coaching, and International Coach Federation. International Coach Federation, pledge of ethics/code of conduct (Lewis 2014).

<sup>2</sup>Tim Gallwey and John Whitmore, both coming from a background as a sports coach, have each contributed much to define coaching and the role of the coach. They pointed to the coach's recognition that the internal obstacles are often the most daunting ones to allow growth or better performance.



commitment. Ethical guidelines in coaching then refer to each aspect of this triangle, as well as to the way in which the coach operates.

1. Coach conduct, including the coach supervision
2. Coach  $\Leftrightarrow$  client
3. Coach  $\Leftrightarrow$  organization
4. Client  $\Leftrightarrow$  client organization

See Fig. 1 for a schematic overview of this contract.

### Coach Conduct

Firstly, the role model of the coach in a coaching process is important for an ethical coach process. The way in which the coach conducts him or herself, through character and competence, allows or limits a coaching conversation and thus the learning of the client. Ethical virtues and values may be distinguished in this respect. Donna Ladkin helpfully describes the difference between virtues and values as follows:

ethical virtues are ‘rules of personal conduct,’ ethical values are more aligned with values forms of behaviours, such as trustworthiness, reliability, reciprocity and as such are variable from culture to culture. (Ladkin 2010, p. 155)

Ethical conduct asks a coach’s clarity around values and beliefs, to allow a fair representation of skills, qualifications, and experience, as well as a

knowing what type of coaching to offer. As in most people and medical professions, the “do no harm” is a guiding ethical principle and a value set which to the opinion of this writer need to include equality, diversity, respect, and learning. However, as values are personally interpreted, and as the coaching profession today is an open terrain, the way in which this is done is to discretion of the coach. The coach often, some professional bodies request always, seeks its own supervision or a continuous professional learning and exchange. This is usually done on an anonymous basis with regard to names and organizations, yet ethics are that the supervision as such is explicitly named to the client.

### Coach $\Leftrightarrow$ Client

Secondly, in the coach and client relationship, four aspects are important to describe: contracting, confidentiality, conflict of interest, and power differences.

**Contracting:** During the initial meeting, there’s an exploration of the client expectation, to see if there’s a match with the coach’s competence and experience. At the same time, there needs to be a sense of “chemistry.” When this leads to an initial engagement, it’s made explicit in a written or oral contract what the purpose, frequency, and setting are likely going to be.

**Confidentiality:** As part of the engagement, a coach is bound to confidentiality, and the client determines what to share or what not to share, with third parties, including the employer or client organization. The boundary in this is “as far as the law goes,” which may seem far-fetched, yet it isn’t a theoretical boundary. In practice it does happen that people open up about fraud, misconduct, or behaviors that at the present time may cause harm. It may compromise a coach’s promise of confidentiality when finding out about current misconduct, which causes harm to people or their organization. Only rarely a client sharing may cross this boundary, yet when it happens it violates the coach integrity. Thus it is important that confidentiality is explicated at the start of the conversations, to ensure that not only the client intimacy yet also safety boundaries for the coach are taken into account.



**Ethics in Leadership Coaching, Fig. 1** Triangulated relationship between coach, coach-client, and the client’s organization

**Conflict of interest:** When there are multiple parties engaged, for example, when the coach explores a setting through interviews or when multiple people from one organization or context are being coached, conflict of interest may arise. With a potential clash of interest, it's important that the coach addresses this. As part of my coach practice, personally I allow the "first" client, with whom I work the longest, to guide me in taking additional contracts on within their organization. When for them it feels less safe that I'd work with a team or a colleague, I will not do so.

**Power difference:** In coaching, other than in a therapeutic relationship, the coach-client is seen to be healthy and resourceful. The dialogical setting means that there's a shared power base in the relationship, also referred to as power "with" rather than "over" (Fletcher 2001). Practically, the coach-client determines pace and focus of conversations, and the coach takes shared accountability for quality of process.

How does the above play out in practice? Ethical consideration may, for example, be necessary, when a change of behavior is postponed. This may play out when the coaching is used as a postponement to take stronger actions, for example, to take someone out of their role. This could occur when a client or their organization, intent to work on unwanted behaviors, i.e., a leader might be unpolished, may use bullying language and/or overpower subordinates. In such an instance, when coaching is considered an approach, it seems important to not lose sight of what is yes/no acceptable behavior. As a coach this means that the conversation may become a place of confession instead of learning. When that happens, the initial intention to creating a safe space and to turn undesired behavioral effects into a behavioral change may reach the opposite effect. This may happen through offering a continuous externalization through words of the "arcana" of consciousness (Foucault 2010, p. 84).

The coach could then take on the role of more than a trusted conversation partner, a "priest"-type figure, declaring absolution and praising the honesty of the client. What initially may feel as an open and intimate relationship may create dependency and allow undesirable behavior to continue.

One way of addressing those ethical boundaries is the conversation about – the lack of – lasting behavioral changes that occur during the coaching engagement.

Another situation that might occur is that the coach-client is asked to change behavior, while instead they protest to certain organizational norms, as clients speak up against the norm, i.e., when their management or a sector misbehaves. In this case the coach may wish to address that there's a political situation, within which the choicefulness of the client may lead to an outcome, initially undesired by an organization.

### Coach ⇔ Client Organization

At the start and end of a coaching process, many organizational coaches ask for a three-way conversation.<sup>3</sup> This allows the employer and coach-client both in the conversation at the same time.

The ethical aspect of a three-way conversation is that there's complete transparency to both the coach-client and their organization around the communication. Communication about the coaching may feel vulnerable, which is where ethical clarity helps, as well to the coach, as well as from coach. This allows the coach-client to lead when it comes to the level of disclosure and the employer to bring their observations and expectations into the coaching overtly. Ethics ask of the coach to create this sense of openness and transparency by clarifying those boundaries of the conversation.

At times the coach-client organization contract goes beyond the above scope, for example, when there's multiple conversations without a coach-client being present. As a ground rule, this only happens after explicit request of the coach-client, for example, when being curious for more detailed feedback on one's leadership behavior.

<sup>3</sup> According to research commissioned by The Learning Curve, which was carried out by Adsum, UK, 2014, around half of the organizational coaching starts with a three-way conversation and around 33% ends with a three-way conversation.

### Client ⇔ Client Organization

There are aspects to the relationship between a client and their organization, which can be of major influence to the quality of a coaching engagement, yet that might initially not be overtly part of the conversation, for example, when there's a conflict of interest around the employment or different opinions around one being "fit for the job." At times I've also come across an information request, as there might be assessments taken as part of the coaching, in which an employer shows an interest. Ethics asks of the coach a similar transparency here, as mentioned under (3) in that no information is given to an organization about the coach-client without them knowing so. At the same time, a coaching engagement isn't fit to assess *for* parties yet meant for the client's growth and development or to make up their mind. A boundary for the coach in situations when there is a conflict of interest is to share opinions with parties without clearly being requested by the coach-*client* to do so.

### Summary

As a growing and maturing profession, coaching needs to be carried out with recognition for generic ethical principles that make the relational interaction between coach and client as valuable as can be. Through asking explicit attention for those ethics, the encyclopedia supports the continuous dialogue around this.

### Cross-References

► [Medical Ethics and the Land Ethic](#)

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## Ethics in the Media

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### Synonyms

Communication ethics; Media ethics

### Introduction

The media, a means of communication with large audiences, have evolved over the decades from more traditional forms – such as radio, newspapers, magazines, books, and video games – to new media using the Internet, such as blogs, websites, podcasts, and social media apps, as well as digitized formats of all the traditional media. The first nonprint form of mass media was the radio, followed by the advent of the television after World War II. Television revolutionized global communication at that time, and now the Internet has gone further to make the world feel as interconnected as a village. According to Jones (1980), the press was originally a way for individuals to express themselves, comment on issues, and criticize social ills. It was also a way to communicate and spread new ideas. The media's role in society has since been extended – it now aims to not only educate and inform but also entertain, serve as a public forum for discussions, and act as a watchdog for society in order to uphold truth, justice, and the common good.

The concern for ethics in the media grew due to the increased awareness of the need to protect

public interest (Jones 1980). Since mass media profoundly influences cultural perceptions and attitudes, it is important for the creators and distributors of media content to act responsibly. In the past, ethical issues flagged include stereotyping, racial underrepresentation, and sexually explicit content. In the competitive and rapidly changing world of mass media communications, media professionals concerned about deadlines, profit imperatives, and political and corporate interests can easily lose sight of the ethical considerations that should guide their work (Jones 1980). Perhaps because of this, codes of ethics developed by the industry in different countries vary in scope and content. Apart from codes and government regulation, media professionals are expected to have high ethical standards because of the powerful reach of their work.

Areas in which media ethics could be practiced include organizational and business communication, marketing and advertising, community relations, and journalism. There are also a variety of new media platforms which defy traditional classifications but belong to the media industry since they are channels of communication to the public. In all these spheres, people who handle communication should do this in responsible and respectful ways, avoiding distortion, misrepresentation, manipulation, slander, detraction, and a host of other harmful acts.

This brief introduction is followed by a discussion of ethics in the media and then by two sections on ethics for media professionals (covering all who pass information through the media). Other headings include common ethical issues in the industry, ethical sensitivity, an excerpt from a code of ethics, ethical listening, integrity training, and the benefits of media ethics.

## Ethics in the Media

The scope of ethics in the media spans all aspects of human communication. One approach to discussing media ethics could therefore be by reflecting on who is communicating to whom, what is being communicated, and how, where, and when the communication is effected. These

questions can provide an initial context for introducing the ethical issues that challenge media professionals. They are presented below as different lenses through which one can assess ethics in the media.

### Who Is Communicating?

Sources of communication (between individuals, groups, or corporate entities) via various media include both formal media practitioners and non-professionals who have something to say to the public. (Nowadays, anyone can be a media professional or practitioner since the Internet allows people to use new media to reach the public easily and effectively without any need for a formal training. Hence, in this entry, the term media professional includes everyone who reaches out to the public via any medium – blogs; advertising; social media apps and portals; websites; podcasts; radio; music, dance, theater, and film; television and cable; newspapers (print and electronic formats); etc.) In both cases, the media sources have an informational advantage over those they serve, and such asymmetry can be exploited by media experts. The power held by media practitioners needs to be wielded responsibly for a number of reasons. Many people around the world base their judgments and decisions on and make choices swayed by whatever they perceive to be public opinion. Hence, people who use the media to communicate have a special responsibility. When they are certified professionals, the responsibility is heightened by the popular perception of the media as the voice of the people, the voice of truth, and the power to drive justice for communities, for example, in questions of human rights, ecology, politics, etc.

### What Is Being Communicated?

In this regard, information could be true or false. The media professional needs to be known for truth, honesty, accuracy, and objectivity; these assure the quality of information received by the public. Focusing on journalism, Elliott (2008) advocates three essential values shared by media professionals, which cut across culture, time, and paradigm shifts: (a) balance, accuracy, relevance, and completeness (BARC); (b) avoidance of

causing preventable harm; and (c) providing information that citizens need for self-governance.

### **To Whom, How, and When Is Information Communicated?**

Minors have to be protected from harmful information. There are also communications that are harmful to all persons regardless of their age. Besides, the means used to get the information matter. When inappropriate means are used, it is likely that people are being harmed in the process as, for example, when privacy or confidentiality is breached in order to sell a story. Media professionals must also balance accuracy and fairness in transmitting information to the public. In addition, they need to be careful and avoid releasing certain news at bad moments that could cause strong reactions or precipitate war, for example.

### **Ethics for Media Professionals: A General Principle**

One general principle that is very easy to grasp and apply is the one known as the “Golden Rule,” which is contained in different phrasings in different religions and belief systems. The golden rule asks one not to do to others what one would not like to do to oneself. “Then there will be no resentment against you, either in the family or in the state” (Confucius, *Analects* 12:2). Even if some information can benefit someone, one needs to consider how to provide it without harming anyone else. Thus, for example, perhaps announcing the next-door café’s secret ingredients for their best-selling apple crumble on the 9.00 pm news or on social media might be beneficial to customers who could then make it at home, but it would probably harm the café’s owners and employees by undermining the need for their business. Perhaps it would be better, while refraining from using the information in order not to harm the café, to also refrain from revealing which of the employees inadvertently caused the well-guarded recipe to reach the media. Similarly, it is wrong to use people as means to other people’s ends.

### **Ethics for Media Professionals: Truth, Human Dignity, Common Good, and Respect**

If one could recommend four cardinal points for media professionals to observe, they could be the following:

- (a) Seek and uphold truth.
- (b) Protect and promote human dignity and flourishing.
- (c) Seek and protect the common good.
- (d) Respect differences.

Knowing the truth helps people make good choices. Hence, people who disseminate information in the media can contribute a lot to helping people live good lives if they disseminate truth. According to Elliott (2008), journalists were traditionally required to seek external discoverable truth or, if there is no clear single truth, present at least two different sides of a story; use sources with recognized expertise or authority; and present objectively the information they obtain. The same author points out that new dimensions include more direct reporting of general issues and events, additional use of open sourcing to get information rather than one’s own abilities, targeting of specific audiences, and possibilities of quickly incorporating audience feedback into the news. However, at times, the fact that something that several people think is true may not actually be true is forgotten or disregarded.

### **Common Ethical Issues in the World of Media**

Some common ethical issues in media practice include unrealistic profit expectations encouraging unethical behavior, e.g., selling news and achieving popularity by engaging in sensationalistic practices that exaggerate or distort the truth; manipulation/distortion of facts in the course of information collection, preparation, analysis, and reporting; and misuse of media power to drive public opinion.

### **Falsehood in the Form of Misrepresentation, Lies, and Deception**

In this category, we could include the retouching of photos and fake photos or inaccuracies in reporting. Consumers who are deceived into taking these as truth may end up forming opinions and/or making decisions that are harmful.

### **Sensationalism**

Some media people thrive on spreading sensational news for the sake of profitability and go out of their way to intrude on people's privacy or invent stories just to keep selling news. Also for the sake of profit, some media people capitalize on selling sex and violence, disregarding the negative impact of repeated exposure of media consumers to these themes. In these cases, media practitioners prey on people's vulnerabilities, for example, curiosity, peer pressure, insecurities, and addictions.

### **Intrusion on, and Lack of Respect for, Privacy**

Respect for people's dignity and rights can sometimes fall by the wayside in the rush to get and publish information. Both celebrities and ordinary people suffer from media disrespect in this regard. Again, confidentiality of sources may be compromised because of pressure at work or for financial gain.

### **Commercialism**

When media is undertaken for private financial gain rather than in the interests of truth and justice, its practices are easily perverted. There is nothing wrong in being keen to make profit. However, the media industry holds great power and influence – and as such it also has great responsibilities.

Other issues related to the media are intellectual property rights; copyright, trademark, and patent infringements; plagiarism and piracy; corporate espionage; cybersquatting; and so on.

### **Ethical Sensitivity and the Morality of Human Acts: Rules About Harmful Side Effects**

The media professional needs to be aware of the possible ethics pitfalls he or she may face, and this

involves ethical sensitivity, which refers to the ability to recognize problems when they occur and appreciate the full significance of ethically challenging situations. Knowledge or development of formal guidelines for producing media content ethically, for example, professional ethics codes, could also help to facilitate this process. A media professional could also use a personal mission statement declaring how he or she will work.

Normally, an act that has a harmful side effect can be allowed only if:

1. The act to be performed by the media professional is in itself good or at least neutral. He or she should not be doing something harmful.
2. The purpose of the act is good.
3. There are no reasonable alternatives to the act. This implies some reflection on possible alternatives once the harmful effect is foreseen.
4. The harmful effect is not wanted or sought at all by the media professional.
5. The harmful effect is not a means to the good effect desired by the media professional.
6. There is a proportional cause to allow the harmful effect. Harmful effects cannot be allowed for the achievement of a relatively less important good.
7. All possible steps are taken to effectively mitigate the harmful effect (Ogunyemi 2014).

The absence of any of these seven requirements means that act is not allowable in spite of the good that it could do.

### **Codes of Ethics**

The Code of Ethics for Nigerian Journalists (Nigerian Press Council 1998, p1) is an example of professional guidance. It includes the following points:

1. "The public has a right to know. Factual, accurate balance and fair reporting is the ultimate objective of good journalism and the basis of earning public trust and confidence.
2. A journalist should refrain from publishing inaccurate and misleading information.



Where such information has been inadvertently published, prompt correction should be made. A journalist must hold the right of reply as a cardinal rule of practice.

3. In the course of his or her duties a journalist should strive to separate facts from conjecture and comment.
4. As a general rule, a journalist should respect the privacy of individuals and their families unless doing so affects the public interest.”

Codes of ethics in the media will continue to evolve as technology changes. They will be adapted and modified to meet different conditions in various countries, but the fundamental principles and values should be common to all.

## The Ethics of Listening

As ethics deals with the application of moral principles to human conduct, it also applies to listening as a human behavior. Listening ordinarily means attending to sound using the ears. It can be extended, in the context of this discussion to reading as well, since a lot of communication takes place soundlessly via chats and other forms of online discussion. Ethical listening would therefore mean the ability to give attention to received information in appropriate ways, with the purpose of hearing or reading accurately what the other is communicating.

If one is not hearing-impaired, hearing (perceiving sounds or words) happens almost unconsciously and involuntarily. On the other hand, listening is consciously done, being a human act and a choice. It is both a skill and an art, and effort and concentration are required to do it well. Listening is a way to know the truth and to avoid misunderstanding others. Unfortunately, we often hear more than we listen. People in media have an extra obligation to listen ethically so as not to mislead the public when passing on the information they have derived from listening.

To engage in ethical listening, the golden rule helps: Listen to others the way you would want to have them listen to you. Suggested practices include:

- Being physically engaged when in face-to-face conversation, e.g., making eye contact, taking notes if needed, smiling, or nodding, to encourage easy and honest communication.
- Being mentally engaged, e.g., keeping an open mind.
- Controlling facial and other expressions that may distract or discourage.
- Listening beyond the words, e.g., attention to body language and tone in order to perceive feelings and other nonverbal communication.

Typical impediments to overcome include:

- Preoccupation, i.e., inability to put aside distracting thoughts while listening.
- Prejudice, i.e., negative feelings toward the speaker or the topic.
- Self-centeredness, i.e., concern for self that can interfere with a decision to listen carefully.
- Stereotyping, i.e., pre-established judgements and ideologies that may impede listening.

Ethical listening has many benefits. For example, it is more respectful, reduces the likelihood of error and of causing harm to others, increases accuracy and therefore credibility, enhances relationships, minimizes or resolves conflicts, and facilitates teamwork. Its importance cannot be overemphasized in the media industry. Truth is often elusive, and the risks of misunderstanding are high even for a person struggling to live an ethical life. Ethical listening helps to reduce the possibility that others may suffer because of a media person's carelessness.

## Integrity Training: Possible Pitfalls, Fake News

In collecting information, media professionals should avoid asking biased questions, drawing generalized conclusions from the information they get from biased sources, selecting information sources that are biased toward the results they desire, passing ambiguous information to the information source, intruding into privacy, and disrespecting confidentiality.

When preparing or processing information before publishing it, the media professional needs to ensure that the selection of what to publish is not biased so as to reinforce a preconceived opinion, that no information is unjustifiably suppressed, and that attention and acknowledgment is given to missing information.

Presenting information in a deceptive manner is also unethical. An example of this is provided by Gerpott and Voelpel (2016, p115): “. . . a study with 19,000 participants found that individuals who met each other at an online dating portal are more satisfied with their marriage than those who met off-line ( $p < 0.001$ ). These findings sound interesting – yet, an examination of the data reveals that, from a practical point, the difference is much less remarkable (satisfaction values of respectively 5.64 versus 5.48).”

Falsifying images or other information is also unacceptable, whether the facts are altered, presented partially, or invented deliberately in order to mislead the media consumer. At times, it is important to inform the consumer about the method used to get the media content, as this may affect its credibility. In another example provided by Gerpott and Voelpel (2016, p116), a published piece of news mentions that “Germany has more than 3.5 times as many teachers as the Netherlands (830,140 versus 217,839). . . . If one were to know that Germany also has almost 5 times more inhabitants than the Netherlands (80.2 million versus 16.9 million), it becomes apparent that the Netherlands actually has a better teacher: inhabitant ratio. Further, more information would be useful to evaluate the meaning of the teacher numbers: e.g., the countries’ birth rate. . . – the facts provided are mostly correct, but they do not . . . show the complete picture.” People who believed this story may easily have drawn erroneous conclusions about the state of education in the Netherlands in comparison with Germany.

## Benefits of Ethics in the Media

The practice of ethics in the media has many benefits. Firstly, the person consistently striving

to practice ethics becomes a better person for it and grows in maturity, integrity, and excellence as a human being, thus leading to fulfilling life. This may also assist in developing a flourishing career. Secondly, society gets better informed, and the media serves as an upholder of truth and justice for everyone. The needs of vulnerable people and minorities may be better satisfied. In addition, the media can encourage good citizenship and educate young people in virtue.

Through ethical advertising, fairness is promoted in the marketplace, and competition is encouraged in a way that favors both producers and consumers. People become aware of the options they have and the benefits of each option so that they can freely decide on which products and services to choose.

Ethical media can also facilitate conflict resolution. The way a reporter approaches issues can be conciliatory rather than unnecessarily inflammatory. The word “unnecessarily” is used deliberately because, at times, media professionals may have the duty to bring up thorny issues and provoke reactions. However, in other situations, the media could act as an impartial mediator, for example, where there could be religious or ethnic tensions. Through the media, people can exchange opposing views in topical matters open to debate such that, over time, they get to appreciate one another’s perspectives and, while they may not change their positions completely, get deeper insights into the issues and a heightened understanding of the way other people see things.

Apart from the individual and more general benefits mentioned above, if a media company practices ethics, they also gain a good reputation as well as client and staff loyalty, and this could be a competitive advantage for them.

On a final note, media practitioners must keep in mind that not all media ethics is covered by legal provisions. This does not mean that the unethical “gray areas” are therefore acceptable. At times, guidance could be found in the many jurisdictions that do have laws that cover most aspects of media work. Developed countries have comparably stricter guidelines on how to gather information, e.g., privacy regulations, rights of people participating in a study (they

must know the purpose, they must be treated properly, etc.), research involving minors, libel and slander, and so on. In contrast, the ethics requirements in developing countries are often much less strict, to the detriment of the participants/subjects/consumers. However, more vulnerability means more responsibility – therefore the duty of care of the media professional is higher where there is less formal regulation.

## Conclusion

The media has a special place in society due to its great influence on thought and action over time and space. This is why media professionals have a heavy responsibility (of doing their job ethically) to the rest of society as they deal with information that influences private decisions (social, economic, political, military, etc.) and public morality. They need to provide information that is relevant to all spheres of life, and they should ensure that they deliver reliable news, logical analyses, trustable projections, and honest entertainment for others to consume. It is one of the professions in which there is an expectation that truth will override profit. Indeed, the media has a role to play in the promotion of peace and harmony in human communities.

## Cross-References

- Advertising Ethics
- Food Advertising

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## Ethics in Workplace Mental Health

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## Synonyms

Occupational health and safety; Workplace psychological health; Workplace well-being

## Introduction

In the new millennium, workplace mental health has become increasingly important among business leaders and scholars alike. A number of factors have contributed to this trend. These include the enormous costs associated with mental health-related absenteeism, presenteeism, or other productivity losses; as well as a rapidly evolving legal environment, which in many jurisdictions places increased responsibility on employers to prevent and demonstrate responsiveness to mental health-related concerns. Moreover, the emergence of the COVID pandemic substantially affected both the employment and personal lives of working age persons, and concerns about a mental health-related echo-pandemic among the working public have also arisen.

In organizational settings, these factors have been associated with the development, implementation, and evaluation of a host of workplace mental health promotion and literacy programs. Such programs provide managers and fellow co-workers with the skills needed to recognize

and support employees who might be suffering from mental health conditions, and facilitate mental health resource utilization (e.g., Dimoff and Kelloway 2019). Similarly, a plethora of workplace initiatives designed to strengthen employee coping and stress management also exist (Foster 2018).

Despite these trends, the topic of ethics in workplace mental health has received relatively limited attention. However, three areas are salient. These include ethics-related factors that have been associated with employee mental health; specific ethical considerations for managers in relation to employee mental health conditions; and, potential ethical concerns about the nature and uses of workplace mental health initiatives. Consider each of these three areas in turn.

### **Ethics-Related Factors Associated with Employee Mental Health**

Though not necessarily framed in ethical terms, research examining associations between certain organizational factors and employee mental health implicitly reflects potential ethical issues relative to how employees are treated. For example, such research has identified the importance of occupational health and safety, work-life balance, and employee involvement, recognition, and opportunities for growth and development in this regard (Grawitch et al. 2015). Moreover, positive leadership and the enactment of certain values such as care for the welfare of employees; responsiveness to employee needs; and the respectful and fair treatment of employees have been associated with employee mental health (Kelloway and Day 2005; Kelloway et al. 2013).

Indeed, justice helps to ensure the fulfillment not only of the instrumental needs of employees but also employee needs for affirmation of identity and self-concept; for moral (i.e., respectful and dignifying) treatment; and for belonging and positive regard. Hence, unethical treatment in the form of injustice has been associated with a broad array of mental health-related issues among employees (Robbins et al. 2012). Additionally, the development of a shared understanding of

what might otherwise be differing perceptions between managers and employees about the reciprocal obligations in the work relationship is important. The perceived (i.e., psychological) contracts held by employees and employers span various areas, including not only transactional dimensions related to issues such as compensation but also relational and ethical dimensions. Violations of these dimensions are also often associated with experiences of mental distress in employees (Robbins et al. 2012; Rupp 2011).

### **Ethical Considerations for Managers with Respect to Employee Mental Health Conditions**

Managers often interact with employees about actual or potential mental health conditions including those that are work-related, as well as those that are not work-related. Specific ethical considerations pertaining to these interactions should be interpreted within the context of jurisdictional legal requirements; organizational policies or values statements; and relevant professional codes and standards for ethical conduct, such as those to which HR professionals might subscribe or be required to adhere by their governing bodies. Situations might arise in which there are seeming differences among requirements made in law, organizational policies, and ethical codes. In such circumstances, it is important to creatively problem solve in ways that can effectively integrate diverse requirements in a respectful and dignifying way. Moreover, managers should aspire to conduct reflective of positive ethical values, rather than that which simply meets minimal legal requirements. Consider the interrelated areas of legal requirements, organizational policies, and ethical codes.

### **Legal Considerations**

In terms of legal considerations, these will vary from jurisdiction to jurisdiction. In the global north, these are likely to emerge from various areas, such as employment, labor, and occupational health and safety laws; common law; and human rights codes, including decisions emerging

from human rights tribunals. Legal findings across these areas might well speak to requirements to prevent mental health related injury to employees; to protect both the confidentiality and privacy of employees (including any requirements to abstain from inquiring about specific mental health diagnoses); and to demonstrate non-discriminatory, good faith actions aimed at accommodating workplace needs that arise from mental health conditions. Moreover, legal requirements within some jurisdictions have evolved to include the duty of employers to inquire about potential ways to support employees if there are signs suggestive of a mental health condition that might be affecting performance (Shain 2010).

### **Organizational Policy and Values Statements**

Organizational policies might exist in various areas that can influence employee mental health. These might include policies related to harassment, incivility, and the like, which can have significant, negative impacts on employee mental health (Robbins et al. 2012). These might also include policies aimed at ensuring fairness in employment functions such as hiring, compensation, and promotion, which can also affect mental health. Moreover, specific policies might well articulate procedural requirements in support of physical and mental health-related workplace accommodations, disability leave, or return to work. Such policies should be reflective of and responsive to evolving legal requirements and ethical standards.

### **Professional Codes of Ethics or Codes of Professional Conduct**

Codes of professional or ethical conduct are typically pragmatic. Rather than focusing on the normative, philosophical roots of various standards, such codes tend to prescribe values and principles to which members should adhere. Codes of professional or ethical conduct that exist within given professions such as HRM might arise from voluntary associations that function to promote and serve the profession, such as the international Society for Human Resource Management (SHRM) for which membership is voluntary. For

example, the SHRM (2014) Code of Ethics for members articulates core principles, intents, and guidelines within six key areas. These include professional responsibilities; professional development; ethical leadership; fairness and justice; conflicts of interest; and uses of information. Key guidelines relevant to employee mental health include those associated with continuous learning and professional development in relation to emerging HR areas, which might include employee mental health; respect for the intrinsic worth of individuals; confidentiality; and, the use of dignity, respect, compassion, inclusion, and fairness.

Alternately, codes of conduct might also arise from within professional bodies that are legally mandated to regulate their profession in order to protect the interests of the public. Regulatory bodies set out requirements for professional certification and practice within particular professional fields and geographical regions. They also articulate codes of ethics and standards for professional conduct to which certified members must comply. Failures to comply with such codes can result in disciplinary action by regulatory bodies against their members. For example, those who are certified as Human Resources Professionals within given jurisdictions are often formally regulated and therefore required to comply with Codes of Ethics and Professional Conduct specified by their regulatory bodies. Such Codes specify principles in a number of areas. Judicious consideration of these ethical duties in relation to employee mental health provides valuable ethical guidance for practitioners. Key areas for consideration might well include ensuring competence to practice HRM; respecting and supporting the dignity, rights, safety, and well-being of individuals; maintaining confidentiality; and enacting exceptions to confidentiality related to disclosures of imminent risks of harm. The latter of these might occur, for example, if employees disclosed plans to harm themselves or others and the HR professional needed to disclose this information in order to prevent enactment of those harms.

Additional ethical considerations that might or might not be articulated in professional or ethical

codes of conduct include those associated with maintaining professional boundaries when working with employees for whom mental health conditions might arise. Appropriate professional boundaries include the ability to recognize the limits of one's professional knowledge, skills, and roles. Specifically, managers are not qualified nor competent to try to diagnose, provide counsel on, nor treat mental health conditions and attempting these things would also likely violate laws in many jurisdictions. However, managers can effectively offer employees information about professional resources available through Employee Assistance Plans or other services. Additionally, though managers might demonstrate compassion in their interactions with employees, it is important to avoid placing themselves into a dual role vis-à-vis employees, wherein they are serving as both manager and personal support person for non-work related needs or crises.

### Ethical Questions About the Nature and Use of Workplace Mental Health Programs

The use of various training or development programs aimed at enhancing coping, time or stress management or resilience among employees might well have benefits for employees. At the same time, concerns have emerged that such training programs might obscure, and hold employees rather than organizations accountable for, the root causes of difficulties that employees might be experiencing in terms of their ability to cope, manage stress, or demonstrate resilience (Foster 2018). This could occur in circumstances in which there are underlying, unrealistic or unsustainable requirements for productivity. Consequently, managers are advised to assess and be responsive to contextual workplace or sociopolitical factors that could influence employee mental health, rather than assume that intra-individual explanations or interventions are necessary and sufficient. Managers should also be cautious about setting requirements for constant and excessive positivity among employees, as this would be inconsistent

with normal variations and daily challenges that exist for human beings (Day et al. 2017).

### Cross-References

- [Bioethics](#)
- [Disability Management](#)
- [Work-Life Balance](#)
- [Workplace Bullying](#)

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## Ethics of a Pandemic Basic Income

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### Synonyms

Basic income; Income support; Social protection

### Introduction

The COVID-19 pandemic is widely considered to be the largest global crisis event since World War II, measured in terms of social, political, and economic impact on individuals, social sectors (e.g., education), and countries around the world. COVID-19 also represents a unique event in recent human history in that many governments introduced stringent lockdown measures, temporarily grounding much of their economy to a halt in a desperate attempt to curtail the spread of the virus. While controversial, governments' main justification at the height of the pandemic was that, in the absence of effective vaccines, skyrocketing morbidity and mortality rates mandated a radical intervention.

Where possible governments accompanied radical lockdown policies with a series of measures aimed at (partially) compensating those affected by the loss of employment, business, and income. In some cases, governments also tried to compensate for the increased health risk incurred by so-called essential workers as well as care workers (mainly women) having to deal with expanded responsibilities while schools are closed. Pandemic compensation policies took a variety of forms, including extending or expanding existing social support schemes while elsewhere brand-new policies were introduced, albeit temporarily. The different policies adopted

by governments across the globe predictably vary extensively in terms of level of generosity, coverage, duration, and the conditions attached to receipt of pandemic income support.

Many of these schemes had an important impact in mitigating the worst economic fallout of the pandemic, but most were nevertheless criticized for being too restrictive, too stingy, or rolled out too slow and sluggish. Those critical of the targeted patchwork approach to pandemic support instead advocated for a radically different approach to income support that embraces universality and unconditionality. Specifically, they argued for a temporary variant of the so-called basic income proposal: the emergency basic income (EBI) (De Wispelaere and Morales 2021; Ståhl and MacEachen 2021; George et al. 2022). Recent policy scholarship remains divided on the question if the pandemic has really opened a window of opportunity for introducing basic income (Nettle et al. 2021; Weisstanner 2022), but this contribution suggests that the pandemic provides a novel context in which to argue for this type of proposal.

### What Is an Emergency Basic Income?

EBI is a form of temporary cash transfer paid out during the pandemic, with the specific objective of mitigating for the economic fallout of lockdown and other restrictions that negatively impact on individual's income. EBI shares many characteristics with the universal basic income (UBI) proposal that has recently been trialed in several countries, including most famously Finland (Kangas et al. 2021). It is an *individual* payment that does not depend on or track one's household situation. It is an *unconditional* payment that does not enquire into recipients' pre-pandemic circumstances, does not impose conditions on the use of the grant, or insist on reciprocal obligations in return for receiving the basic income. While an EBI may be conceived as a fully *universal* payment, it can also be designed to target only the lower end of the income distribution – perhaps by excluding the wealthiest through an affluence test.

However, whereas UBI offers lifelong regular income support an EBI by contrast is designed to be *temporary* and explicitly linked to the pandemic emergency. The precise duration of an EBI obviously varies with the extent of the pandemic emergency itself, but it also depends on how strict we interpret when a pandemic emergency has ended. There exist three broad types of EBI: a *minimal variant* that only covers the period of government-mandated lockdown; a *maximal variant* that remains in place for as long as the economy is still recovering from the pandemic lockdown, which could conceivably take several years and may even require a staggered phasing out; and an *intermediate variant* which falls somewhere in between, perhaps adding an extra year to the end of the lockdown period.

### Arguing for Basic Income as a Pandemic Policy Response

Pre-COVID-19, the ethical justification for basic income typically revolved around the role UBI plays in promoting economic equality and real freedom for all (Van Parijs and Vanderborght 2017), human development (Haagh 2019), or the implementation of social rights (De Wispelaere and Morales 2016). These justifications have proven to be controversial philosophically and politically, with opponents challenging the excessive cost as well as the lack of reciprocity of a scheme that appears to offer free money for all.

The ethical justification for an EBI however takes place against a very different context, one in which a global public health disaster produces a large-scale social and economic emergency. This changes several of the core factual and moral presumptions surrounding the case for a basic income. For instance, in the context of a government-mandated lockdown the reciprocity principle does not translate into a moral objection to receiving income without work but rather the opposite. There is a strong public interest in incentivizing people to refrain from engaging in economic activity that may involve a serious risk of spreading the virus. At the same time, such a

requirement grounds a strong obligation for society to make it possible for individuals to abide by their social duty through the provision of income support.

A robust ethical case for a EBI can draw on a set of well-established moral principles (De Wispelaere and Morales 2021). The *urgency principle* states that a pandemic policy intervention must respond to the rapidly emerging and changing circumstances in an immediate and agile manner. The *priority principle* maintains that a pandemic policy intervention must give priority to the well-being and prospects of the members that are most vulnerable to the adverse effects of the pandemic. The *solidarity principle* argues that a pandemic policy intervention must support and promote the shared responsibility and agency of preventing or remedying the adverse impact of the pandemic.

Each of these principles can be justified on substantive-moral grounds as well as on instrumental-prudential grounds in a pandemic context. The urgency principle offers strong moral considerations in favor of immediate and fast policy responses grounded in the amount of unnecessary suffering that comes with fractured, sluggish, or delayed responses. This unnecessary suffering is also cumulative and over time may give rise to structural disadvantages that are more difficult or costly to remedy or redress. The urgency principle has a strong prudential dimension since the excessive social costs of accommodating, remedying, or redressing disadvantages incurred because of policy delays are sizeable.

EBI can meet the urgency principle in large part because it avoids the many bureaucratic hurdles associated with targeted, conditional policy responses. Targeted policy responses require individuals to go through an application process and prove their eligibility, while saddling already overburdened (especially in a pandemic context) bureaucrats with the task of cross-checking the application and monitoring the continued eligibility of each case. This inevitably creates delay and risk of error. By contrast a universal and unconditional response such as the EBI can bypass this hurdle and be rolled out much faster. Even an EBI

combined with affluence testing to exclude high earners is comparatively fast and agile to implement. Both the easy implementation and the lack of error (which avoids spending additional time and effort) mean EBI satisfies the urgency principle.

EBI can also be justified with reference to the priority principle, which mandates that pandemic policy responses must give priority to the most vulnerable in society. Pandemic policy becomes a matter of justice once we consider the vastly unequal impact of lockdowns. The detrimental effect on both well-being and opportunities of lockdown policies is never equally shared across the population and is likely to disproportionately affect groups and individuals who already find themselves in a position of vulnerability as well as those being saddled with additional burdens, such as the care work routinely carried out by women. The priority principle is prudentially justified in that failing to adequately compensate those most at risk of poverty or destitution for their lockdown effort will not ensure the full compliance with pandemic restrictions required to combat the virus.

EBI meets the priority principle because it will benefit mostly those who find themselves already in a vulnerable position. This may seem counter-intuitive since EBI eschews targeting in favor of a universal approach. But it is important to understand that universalism allows for implicit targeting whenever a benefit provided equally to all offers more value to those relatively disadvantaged. EBI may not offer much by way of compensation to those well-off, but for someone living at or even below the poverty line this compensation provides a genuine lifeline during a pandemic lockdown. Furthermore, because EBI avoids the delays and gaps in coverage ever-present in targeted policies it again offers an invaluable benefit to the economically vulnerable.

Finally, EBI is strongly supported by the solidarity principle, which expresses the sense that the pandemic context affects everyone in society. The solidarity principle is widely discussed in public health and related contexts and in recent years has emerged as a strong contender for grounding social obligations alongside considerations of

justice (Dawson and Jennings 2012). The COVID-19 pandemic reinforces a sense of social solidarity – we are all in it together – in part because the risk of infection is perceived to be shared by every single individual in society, which in turn promotes a sense of empathy often missing from social problems or disasters affecting specific groups or a subset of the population. The solidarity principle also requires a distinctive collective response since public health interventions such as lockdown measures require that all citizens accept the restrictions to promote a common good. A pandemic policy response must prudentially reinforce this sense of solidarity and togetherness or risk the fracturing of people's acceptance and compliance.

EBI satisfies the solidarity principle in two ways. The first, more superficial way is that EBI expresses solidarity by offering a payment to all as compensation for a policy that affects every single person – a pandemic lockdown aimed at curbing a virus that affects everyone in society. However, a more substantial sense of solidarity is expressed because EBI tries to share the burdens of the lockdown in a more fair and equitable manner. It is established that the pandemic lockdown disproportionately impacts on those more economically disadvantaged but also that EBI is of most value to the disadvantaged and vulnerable in society. Consider now how to fund the EBI. One proposal is to institute a pandemic solidarity levy, paid by those who are least affected by or recover fastest from the pandemic restrictions (De Wispelaere and Morales 2021). This proposal again reflects the differential economic impact of both the pandemic itself and the restrictions imposed on curbing the COVID-19 virus. An EBI financed through a pandemic solidarity levy (or similar redistributive proposal) affirms the solidarity principle because the pandemic burden and the associated economic and social impact are shared more equally across the whole population. Those who are in a better economic position contribute more to the financing of an EBI. This in turn allows those for whom EBI is an economic lifeline to contribute by complying with the pandemic restrictions, which means each in their own way

contributes to the common good of curbing COVID-19.

### From Emergency Back to Universal Basic Income

A robust pandemic justification for EBI can draw on the ethical foundations of urgency, priority, and solidarity. But the pandemic case for EBI is severely limited by the fact that it is by design a temporary measure. As such EBI may play a key role as a *pandemic intervention* in addressing the current suffering incurred during pandemic restrictions, but it fails to address two other key aspects of pandemic policy responses.

In the first place, EBI only has a weak impact on *pandemic recovery*, which concerns the long-term impact of lockdowns and other pandemic restrictions. Pandemic recovery is a salient moral feature because the road toward full recovery once COVID-19 has fully subsided varies considerably in both length and extent of suffering depending on socioeconomic position. This means pandemic recovery has a clear justice dimension and the implementation of a short-term EBI may simply not be sufficient to adequately address the harms incurred by the most disadvantaged and vulnerable in society.

In addition, EBI also only has a weak impact on *pandemic preparedness*, which relates to the extent to which pandemic policy can accurately respond to the occurrence of a future pandemic. Pandemic preparedness counters the idea that COVID-19 is a one-off disaster with the notion that viral pandemics may become a regular feature in the near future, a view increasingly supported by epidemiological and public health science. Against this background, there is a strong social and moral obligation for policy instruments to be designed to anticipate and respond in a robust and agile manner to the emergency of a new virus. The objective of pandemic preparedness is to prevent or minimize widespread harm and suffering associated with lockdowns by having well-tested systems in place that can be activated at a moment's notice. Here again

a short-term EBI may be of limited use in terms of the forward-looking policy response.

There are two pathways to expanding on the one-off EBI model to better address both pandemic recovery and pandemic preparedness. The first approach is the *switch on/switch off* model, which involves having EBI on standby under normal circumstances but ready to activate as soon as a pandemic emergency occurs. In emergency mode EBI is rolled out for a short duration but in post-emergency mode EBI remains fully dormant, effectively only existing "on paper." The legislative and administrative processes underlying EBI activation each time an emergency is called involve considerable time and effort at the level of both political decision-making and practical implementation. This in turn also translates in potential delay, error, and uneven or sluggish rollout.

A second pathway would appear to avoid the downsides of the switch on/switch off model. An alternative *dial up/dial down* model combines both EBI and UBI in a two-stage policy instrument. In this scenario, a very modest but permanent UBI is introduced that remains in place independent of any emergency arising. In the event an emergency is called, the level of the existing UBI is upgraded in the form of an EBI top-up to whatever level is deemed politically necessary. The EBI top-up is dialed down again as soon as the most stringent pandemic restrictions are relaxed (or whenever decision-makers deem a sufficient recovery period has passed) but the UBI floor always remains in place throughout the down period. The main difference with the switch on/switch off model is that this alternative only requires an additional budget decision since the policy in fact is already in operation. This will avoid the errors and delays of having to activate on the EBI from scratch each time. In addition to better fulfilling the objective of immediate pandemic responsiveness, it also satisfies the requirement of pandemic preparedness. And because the UBI remains in place even when the EBI top-up is dialed down, it will have a continued positive impact on pandemic recovery.

## Cross-References

- [Business and Society](#)
- [Capitalism](#)
- [Economic Efficiency and Socioeconomic Well-Being](#)
- [Equality of Opportunity](#)
- [Ethics of Meaningful Work](#)
- [Free Rider Problem During the Covid-19 Pandemic](#)
- [Future of Work: Values and Ethical Issues](#)
- [Gender, Economics, and Unpaid Work](#)
- [Human Rights](#)
- [Meaningful Work](#)
- [Public Goods](#)
- [Welfare Economics](#)
- [Work Ethic](#)

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## Ethics of Boycotts

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## Synonyms

Blackball; Exclude; Ostracize; Sanctions; Shun

## Definition

A boycott is variously defined as the withholding of certain types of social or commercial interactions with another person, business, corporation, organization, or nation. The reason for this withholding varies, but it generally expresses disapproval, is intended as a form of punishment, or is used as a means of forcing acceptance of certain terms.

Although boycotts have been widely used as a form of social protest, very little has been written about their structure and moral justification. As the definition above suggests, at least one reason for a boycott is to use force (presumably coercive force) to compel compliance. But the use of force necessarily brings with it moral considerations. Is the force justified? Is it excessive? Can the desired outcome of the boycotters be obtained without force? Similarly, the use of force raises questions as to the appropriateness of the outcome desired. Is the boycott intended to force an individual, business, and corporation to change its actions, beliefs, or both? All of these questions seem relevant when examining the ethics of boycotts.

## Types of Boycotts

Boycotts can be categorized by both their target and their makeup. One type of boycott is the commercial boycott. The commercial boycott targets a business or corporation for its business

practices. Similarly, a political boycott targets a political entity, for example, a nation or a state for its governmental practices. Mixed boycotts are those that target a business or corporation because of its extra-business stance or activities.

In addition to the target of a boycott, a further distinction is possible, namely, who is engaging in the boycott. It is possible then to distinguish between an individual boycott and an organized boycott. An individual boycott is one in which an individual chooses to refrain from interacting with a company or business. Although his or her boycott may not affect any measurable change on the part of the target, they may still engage in the action on deontological grounds or on the grounds of personal integrity. On the other hand, an organized boycott calls on a number of individuals to exert some sort of coercive force on an individual, company, or state. The organized boycott is the type often reported in the news, particularly when it is effective.

While the distinction between commercial, political, and mixed boycotts is fairly uncontroversial, the individual versus organized is less so. There is some question as to whether a boycott is by definition a concerted effort to force some change from its target. An individual boycott does not necessarily call on others to follow suit since individuals are free to either engage or not engage in exchanges with others. One is not morally obligated to do business with any particular company, and given that their withholding of business is unlikely to exert coercive force, is it really a “boycott”? Still, the fact that one intends to express disapproval (as opposed to expressing a simple preference for one brand or company over another) may on some accounts be a sufficient condition to view individual boycotts as a distinct category.

## Reasons for Boycotts

The justifications for engaging in boycotts generally fall into one of two categories. The first justification is the strategic justification. When boycotts are engaged in for strategic reasons, the intent is to change the actions of a

business, corporation, state, or nation. Whether the target comes to accept that the alternate action, policy, or procedure is morally better is irrelevant. The desired outcome is a change in the actions of the target of the boycott, not to engender some moral epiphany.

In contrast to the strategic justification for boycotting, other boycotts do seek a moral conversion. What Claudia Mills has termed “integrity boycotts” have as their desired outcome a change in the beliefs, attitudes, or views of the target of the boycott. On this account, a boycott may only be partially successful or even unsuccessful if the target fails to embrace the views of the boycotter. As Mills has noted, the nonstrategic boycott is problematic since it is unclear when a boycott could ever end. For example, even if a company changes its practices, it might never acknowledge its wrongdoing, thus the possibility of a never-ending boycott.

## Types of Acts That May Be Boycotted

The distinction between strategic and integrity justifications for boycotts introduces considerations that enter into determining the moral justification for engaging in a boycott. Whether a boycott is intended to change an action or a belief is a morally relevant consideration. Strategic justifications can be viewed as a reaction to the former, while integrity justifications can be viewed as a reaction to the latter. The type of act being boycotted may suggest the moral appropriateness of the boycott. Two such acts that are morally significant are consequential acts and expressive acts.

Consequential acts are actions that are either illegal or unethical and can be said to be the proximate cause of harm to others. In such instances, the moral justifiability of a boycott depends on a principle of harm. If a person, corporation, or state is engaging in demonstrably harmful acts, then *ceteris paribus*, a boycott that attempts to coercively stop this act is morally justified.

Unlike consequential acts, expressive acts are those that express certain beliefs, attitudes, or



views on a subject or issue. As was mentioned, integrity boycotts are often used to target what the boycotters view as holding problematic opinions or beliefs. But the attempt to silence unpopular opinions is fraught with moral danger. While attempts to stop harmful actions may be morally justifiable, attempts to forcibly change one's opinions or beliefs are not. For example, while one may think their religion is the "correct" one, it would be wrong to try and force those religious beliefs on another.

The distinction between consequential and expressive acts is not always clear. In certain instances, there may be a third type of action that may be the target of a boycott, namely, mixed acts. Some expressive acts may result in harm to others, even when they only purport to express some opinion or idea. For example, expressed racist, sexist, or homophobic ideas may create a climate that harms certain individuals or groups. Whether these are appropriate targets of boycotts – or unpopular opinions that must be tolerated in the marketplace of ideas – is an open question.

## Ethical Considerations

It has been argued by economists and right-libertarian thinkers such as Murray Rothbard that boycotts are per se always morally permissible because they do not involve coercive force. The denial of coercion in boycotts is questionable, as there appear to be a number of factors that can be considered regarding the moral status of any given boycott.

A morally defensible boycott is determined by which type of action is being targeted and whether that action is a legitimate candidate for the use of coercive force. As was noted in the previous section, boycotts intended to change beliefs or opinions require greater justification than those intended to change harmful or illegal actions. Still, even when a boycott is targeting consequential acts, there are additional questions that can be raised with regard to its moral permissibility. Some of these include the following: Is the boycott likely to be effective? Will it be unfair, that is, will it harm those least responsible for the

wrongdoing (e.g., the laying off of low-level employees)? Are the effects of the boycott indiscriminate, as in the case of boycotts of states in which individuals that did not condone the state's actions are harmed (e.g., hotels, restaurants, etc.)? The coercive nature of boycotts coupled with the harm they may incur when attempting to obtain a morally better outcome entails that the morality of any given boycott involves a multitude of considerations.

## Cross-References

- ▶ [Boycotting as a Social Movement](#)
- ▶ [Corporate Punishment](#)
- ▶ [Leadership Integrity](#)
- ▶ [Socially Responsible Investment and Corporate Engagement](#)
- ▶ [Veganism and Ethical Consumerism](#)

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## Ethics of Meaningful Work

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## Synonyms

Humanistic human resource management; Meaningful jobs; Well-being at work

## Introduction

Meaningful work is perhaps best understood in contrast to useless toil. The dangers of repetitive, thoughtless work were noted by Adam Smith in the *Wealth of Nations* (1970 [1776]) and by Karl Marx in *Das Kapital* (1976 [1867]). They saw how such work took away autonomy and left workers unsatisfied. The ancient Greek poet Homer provided an even earlier example in the *Odyssey* where Sisyphus is found at an endless task, pushing a stone uphill only to have it run back down to be pushed up once more (Camus 1955). Many people in contemporary industrial societies work at repetitive jobs. Thus, “meaningful work,” work that does not involve human depredation, is widely seen as desirable, although there is little agreement on a formal definition or on its characteristics.

In one sense, meaningful work is work that helps to give meaning to human life. This suggests that there is more to meaningful work than happiness or adequate compensation. Although there is widespread agreement that someone who is engaged in persistent, stultifying activity at work is hampered in intellectual development outside work, meaningful work is not of itself sufficient for a fulfilling life. As an extreme example, including the word “meaningful” in a job description or even in the job title does not ensure that this will be meaningful work. Two other uses of the word “meaningful” help to flesh out the definition. Meaningful work is substantial, nontrivial work, as “meaningful savings” is taken to mean savings that are significant. Meaningful work is not determined by the task alone and cannot be expressed directly, as the “meaningful glances” or “meaningful expression” that might accompany and add to spoken communication have an existence apart from the words of the communication itself. Hence, whether work is meaningful cannot be determined apart from the person doing it.

## Approaches

When work is meaningful for an individual there is a feeling that it involves something beyond the activity that the work entails, that it is more than

just a job. This something extra can be described in terms of outcomes or in terms of inputs. Both approaches yield helpful insights into the nature of meaningful work and how it might be fostered. Looking first at outcomes, meaningful work may meet a need or resonate with the beliefs and values of the individual. Both are outcomes beyond the product of the worker’s labor and, while the personal needs that work can meet might include needs for self-actualization, personal development, and contributing to the good of the world, they might also include a need for (money that can be used to procure) food and shelter. Viewed in this way, work can be meaningful, in the sense of satisfying a personal need, without having meaning, namely without contributing to personal well-being beyond human survival. Alternatively, meaningful work can be considered in terms of the degree of alignment between the individual and the work. From an individual perspective, the extent of any fit between self and work is strongly influenced by how that individual sees him- or herself and how he or she views the work. Two people may view the same work differently, one finding it meaningful while the other regarding it as debilitating and perhaps even repulsive. Looking at the inputs to meaningful work, the primary focus will be on the nature of the work itself, recognizing certain characteristics of the job as key to the work-individual fit, and employing techniques such as job rotation and job enlargement to increase the possibility for the work to be seen as meaningful. Complexity and autonomy of decision making are also seen as characteristics of meaningful work.

## Benefits

For some, meaningful work is a desirable end in itself, contributing to personal growth and well-being. Studies also show that meaningful work is linked to a range of outcomes such as increased job satisfaction, greater motivation at work, engagement, attachment, and citizenship behaviors. Although these are in the first instance benefits for the individual at work, studies have shown that they are positively related to organizational performance, thus providing an economic justification

for actions to enhance the provision of meaningful work. Wider society can also benefit from meaningful work, as a greater number of people are satisfied or fulfilled in their work and there is greater recognition of how jobs can contribute to the welfare of others.

## Contrary Views

The notion of meaningful work has been questioned on the basis that: it fails to respect the individuality of humans, it overrates the importance of work in human lives, it is unduly subjective, and it requires of employers more than is proper. In a society where human resource management practice and much organizational theory tends to view people as resources, efforts in organizations to enhance meaningful work can be viewed, cynically, as part and parcel of a managerialism focused solely on profit and unconcerned for the rights of workers. By recognizing that work only occupies part of the day and part of the lifetime of individuals in society, and placing emphasis on the responsibility of a society to enable its members to lead a fulfilling life as a whole rather than solely through employment, the importance of meaningful work in establishing meaning in life is reduced. Given that meaningful work involves the satisfaction of a personal need or an alignment between work and personal beliefs, the assessment of whether or not some specific activity can be called “meaningful work” cannot be objectively determined. No external examiner can authoritatively say whether or not some other person who is observed by the external examiner finds meaning in the work in which that other person is engaged. All reports of meaningful work are self-reports, and the attendant subjectivity cannot be expunged. When business subscribes to a philosophy of maximizing return to shareholders, then meaningful work, to the extent that it reduces the scope of action by owners and managers, would be seen as an unwarranted imposition. None of these objections has yet been able to overcome the groundswell of popular support for the concept of meaningful work.

## Ethics

Interest in meaningful work has a clear ethical basis, because it is grounded in a repudiation or distaste for employment that places humans in situations that can lead to alienation and treat people as means to an end. An ethical justification for this reaction against meaningless work can be found in each of the main approaches to ethical decision making – consequentialism, deontology, and virtue. In a consequentialist or utilitarian approach, meaningful work will increase satisfaction or happiness; deontological approaches, such as that of Immanuel Kant, require respect for humans; while in virtue ethics the denial of meaningful work would limit the opportunity for personal fulfillment and character development. Meaningful work also finds support in the notion of human rights, where autonomy and dignity are seen as natural rights of all individuals.

This ethical underpinning can be taken to mean that there is a moral obligation to provide meaningful work. The stakeholder approach to business and management, where there is a moral obligation to take into account not only shareholders but also all those on whom the business depends for its survival and support, favors the view that organizations have a moral obligation to provide meaningful work. Hence, providing meaningful work can be seen as an aspect of Corporate Social Responsibility. However, those who adopt a classical economic approach to business decision making, seeking to maximize shareholder value, would deny that there was any obligation to provide meaningful work if it were to reduce returns to shareholders.

For an individual to find meaning in work requires a “fit” between the tasks involved in the work and the individual’s beliefs, including that individual’s notions of a fulfilling life and the extent to which he or she sees life as a search for meaning. This could give rise to an obligation on individuals to engage in meaningful work as part of their pursuit of personal fulfillment. Herein lies a great contradiction, that in the heart of ordinariness, in the crushing desperation of seemingly useless work, a human being can, by concentrating on what he or she can control, find a fulfilling life. Camus (1955), in his

essay on the myth of Sisyphus, explains how Sisyphus can be happy notwithstanding the repetitive and seemingly fruitless task in which Sisyphus is engaged.

Further ethical questions arise regarding the extension or applicability of the concept of meaningful work to animals, and to children or adults outside the regular workforce.

## Cross-References

- [Animal Ethics](#)
- [Corporate Social Responsibility](#)

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## Ethics of Music Teacher Education in Postcolonial Countries

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## Synonyms

Globalization; Imperialism; Occupation;  
Oppression

## Introduction

Colonialism establishes and maintains certain relationships and power dynamics. Education as a mechanism for government control echoes and amplifies those relationships. Colonizers begin with the assumption of superiority over local people, seeing their own knowledge, culture, religions, language, and ways of living as advanced and therefore superior and as such to be enforced. Through this enforcement, colonizers seek to expand their territory and to turn local or indigenous people into workers in service of the colonial project: take over and expansion. For this process to happen effectively, it requires local people to acquire sufficient language, culture, and knowledge to be of use, but not enough to be critical or revolutionary against colonialist rulers.

## Education under Colonialism

During colonialism, education's purposes were co-opted by the colonizers to serve outcomes determined not locally or even nationally but rather as a mechanism of colonial rule and control. Education was focused on training local people to fulfill specific roles in the governmental structures. Colonized people had to ignore, suppress, or abandon their own knowledge practices and culture in order to adapt to the colonizers' expectations.

This view of teaching aligns with Paulo Freire's (2003) notion of *banking* where students are considered empty vessels into which teachers pour the necessary knowledge, and this knowledge is then repeated back to the teacher to demonstrate learning. The teacher gives no consideration to what the students might know or understand from their experiences and instead assumes that any knowledge of value or use must come from them. Students are thought of as objects, not subjects. In colonial settings, the knowledge considered valuable was that of the colonizer, with language being the most important, a belief that has persisted to this day.

The role of the teacher in colonial times was as an intermediary between the colonial government

and the local people. As such, teachers had to be educated to a certain degree in order to transmit knowledge to their students, but too much knowledge was considered a threat to those in command (Assie-Lumumba 2012). Thus, notions of what it meant to fulfill one's role as a teacher were informed by functionalist technical views of knowledge and learning. Teachers were not given responsibility for deciding or developing content or ways of teaching; they were given material to teach, and their duty was to deliver it. This view of teachers did not position them as professionals with independence and agency but as laborers in the service of more knowledgeable and powerful superiors.

The ethical implications of colonial control in education are many and complex. Rather than education being about young people's right to growth, self-determination, or a good life, it was designated as a mechanism of control, domination, and suppression. In South Africa, for example, education became an instrument of apartheid, separating blacks into one class who attended schools that prepared them to be servants (and therefore subservient) in the colonial machine, while white elites were educated in exclusive private schools, either in the colonial territory or in the homeland, with the purpose of becoming leaders and taking on key professional roles such as doctors, lawyers, and judges, those who would hold a high status, salary, and power position in the colonial system. Colonizers treated indigenous people primarily as a labor force and therefore as inferior and deserving of inferior education and fewer rights.

This inheritance continues to shape education and therefore music education in many locations. Just as the colonizer's language is widely adopted as the language of instruction, Western European concepts, theory, and instruments are still used to learn about music. And while curricula have expanded to become more multicultural in many places, the dominance of Western music remains. For example, the use of notation is often accepted as the norm even as it serves to misrepresent musical practices that have never been written down, and learning to read from notation can

pose significant challenges to those who have learned music aurally.

Music is social and as such is deeply connected to people and identity (Bowman 2007). Traditional and folk musics are largely facilitating of social interaction and can be ill-suited to an educational structure built around music written for technically flawless presentation to a silent audience. Musics familiar to students are "othered" (Said 1978), thereby continuing to serve and perpetuate the colonial project. When music in schools is focused on classical music to the exclusion of popular and indigenous musics, it can lack relevance and meaning for the students and teachers. The focus on Western classical music and concepts disrupts communal and participatory (Turino 2008) ways of music-making which technicist schooling only serves to emphasize.

Music is often undervalued as part of education in places where it thrives in the community and where music education has become separated from and irrelevant to community and local understandings of music making. Schools emphasize math, language, science, and technology resulting in teachers with little by way of experience or knowledge in music to support their delivery. Teacher preparation may not have the same expectations in terms of specialized knowledge, and very little at all by way of formal preparation may be required to teach music. This can lead to music teachers following historical patterns of teacher-centered pedagogy and Eurocentric content. The inherited reliance on, and reverence for, Western knowledge is maintained, and the technical structure of objectives and assessment means teachers feel pushed into delivery (banking) style teaching which can often stray far from music as a practice at all, let alone one emerging from the local context.

To understand music and education as practices is to see them engaged with questions of what is good and right to be as a musician and a teacher, with human flourishing as central, both individually and in community with others. North American music education is considering the potential of the "practical turn" although this philosophy has been slow to realize (Bowman 2012). Given that music education in the West is

weighing up many of the same concerns as post-colonial education systems, specifically teacher-centered instruction and the enduring supremacy of Western classical music, this shift could be of benefit beyond the Global North. Key in this viewpoint for music education is a move away from following prescription, rules, and codes and toward dwelling on the internal goods of music education and the foundational questions about the value worth and purpose of that practice. Restoring education and music to moral and political practices, rather than scientific “delivery mechanisms” focused on utilitarian ends, renders them “sites of human flourishing” (Schwandt 2005) with human interaction at the center. To conceive of music education as solely performance may be to bypass music’s value for education (Schwandt 2005; Bowman 2001).

## Cross-References

- [Apartheid and Ethics](#)
- [Future of Work: Values and Ethical Issues](#)
- [Professional Ethics in Healthcare](#)

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## Ethics of Tax Reform

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## Synonyms

Tax act; Tax code; Tax law changes

## Introduction

Changing a country’s existing tax laws is a complex and politically charged process. While the details can be highly technical, the overall goals of tax reform should include improving the tax system on at least one of several dimensions. As individual and institutional taxpayers are affected in real terms by changes, tax reform should be undertaken with an ethical intentionality and genuine acknowledgment of these real impacts.

## Describing a “Good Tax”

Accountants and economists generally agree that a “good tax” should have certain characteristics. Though theorists may describe these characteristics differently, they generally include some discussion of sufficiency, efficiency, equity, economy, and convenience. Adam Smith first delineated several of these characteristics in *The Wealth of Nations* (Jones and Rhoades-Catanach 2010). A sufficient tax provides enough revenue to the government to enable it to provide public goods and services to its citizens. Traditionally, an efficient tax generates revenue without introducing economic distortions caused by changes in taxpayer behavior. However, some economists, including John Maynard Keynes, have stated that taxes should be regarded as a tool for governments to encourage or discourage certain behaviors in order to steer the economy in a desired direction. Thus, an efficient tax changes behaviors sufficiently to meet fiscal policy goals (Jones and



Rhoades-Catanach 2010). Equity can be thought of in two dimensions, horizontal and vertical. Horizontal equity means that two individuals in similar circumstances should pay the same amount of tax. Vertical equity means that an individual with greater means should pay more taxes than an individual with lesser means. Economy refers to the costs of administering and complying with the tax system, which should be minimized. Convenience means that the tax should be collected in a manner that is not burdensome to either the taxpayer or the government. Economy and convenience are often combined into a single characteristic: simplicity.

While these characteristics are straightforward in theory, applying them to actual tax systems can become quite complicated, and few, if any, tax systems will achieve them completely. They are also subject to interpretation that can be influenced by political objectives. For example, vertical equity requires that taxpayers pay more as their ability to pay increases. This can be interpreted as supporting a flat tax, where wealthier individuals pay more taxes in dollars; it can also be interpreted as supporting a progressive tax where wealthier individuals are subject to a higher tax rate (Spilker et al. 2013). Another example relates to the sufficiency of a tax system, which is closely tied to the level of goods and services provided by the government. A government that provides more naturally requires more revenue, but determining the appropriate level of government spending is a significant and potentially divisive political issue.

## Tax Reform

When evaluating a tax system on these characteristics, a distinction must be made between tax *reform* and tax *design*. The design of a new tax system from scratch can focus on fulfilling the ideals of Adam Smith and other theorists, but the reform of an existing system is inextricably tied to the policies, practices, and expectations currently in place. There is a starting point that cannot be ignored (Feldstein 1975). This starting point means that it is likely (and perhaps unavoidable)

that improving the system with respect to one characteristic will have consequences for other characteristics. For example, eliminating tax preferences (credits, deductions, exemptions, preferential rates, etc.) can greatly simplify a tax system but may reduce vertical equity by ignoring real differences in the ability of various taxpayers to pay. Additionally, in comparison to treatment under the current system, tax reform will always create winners and losers, taxpayers who are better or worse off, either in the absolute or relative to other taxpayers. Tax reform can also adversely affect taxpayers who made choices under current law that they would not have made under the new law (Feldstein 1975). Feldstein (1975) suggests that postponing the effective date of tax reform can at least partially mitigate these adverse effects by enabling taxpayers to make more informed decisions and by lowering the present value of any losses incurred from past decisions.

## The Process of Tax Reform

Tax reform, like any legislative action, is an inherently political process. Though citizens generally agree that taxes are too high, too complex, and too unfair, reaching consensus about how to fix these problems is an elusive goal. In the United States (and many other countries), the issues of who, how, and how much to tax differentiate political parties like almost no other issue (Slemrod and Bakija 2008). For this reason, though the need for tax reform is widely acknowledged, actual comprehensive tax reform is rare and difficult to enact.

As a political action, and a highly technical undertaking, tax reform is also subject to the involvement of many different interest groups, with varying degrees of objectivity. Tax experts and academics are typically invited to weigh in, corporate and special interest lobbyists are highly engaged, and the public is continually polled to assess their opinions, including how they might react during the next election cycle. In their discussion of the Tax Reform Act of 1986, Doernberg and McChesney (1987) state that the members of the House Ways and Means Committee and the Senate Finance Committee, the

congressional bodies responsible for tax legislation in the United States, received \$19.8 million dollars from political action committees and other sources in 1985, which was twice the amount received in 1983 (the most recent non-election year).

In case studies of tax reform in various countries, Bird (2004) identifies several strategies for improving the odds of successful implementation in developed countries. He first states that large-scale tax reform, if it can be accomplished, is more effective than taking smaller, incremental steps, which may lose sight of overall objectives. He suggests that ample time should be taken to ensure that options are fully evaluated. While open discussion and consultation are important, leadership is required to ensure the process continues to move forward. There should be a strong political will for reform, with champions of the reform supported by the chief executive. The benefits of the plan should be substantial and salient enough to citizens to outweigh the downsides. He also mentions the importance of “a strong technical team, integrating legal drafting with policy-making, drawing on private sector expertise, [and] developing a good programme of education and guidance” (Bird 2004, p. 52).

## Tax Reform in the United States

Though major tax reform is rare, the United States Internal Revenue Code has been subject to change relatively frequently. During the last 10 Congresses, dating back to 1997, an average of 3.5 tax laws have been enacted each year, and 146 tax laws have been enacted since 1973 (US Congress 2018). Most of these are specific and small in scale. Comprehensive tax reform has occurred only four times. In 1939, existing tax statutes were initially codified into the Internal Revenue Code. Major overhauls were undertaken in 1954, 1986, and most recently in 2017.

The Tax Cuts and Jobs Act of 2017 (TCJA), like most major legislation, had equally strong and outspoken supporters and detractors. In keeping with Bird’s (2004) thoughts about how to successfully enact tax reform, it was a significant

change from existing law, though still a progressive income-based tax, as opposed to a flat tax or a consumption tax as some have advocated. It had powerful champions, including Chairman of the Senate Finance Committee Orrin Hatch and Speaker of the House Paul Ryan. President Donald Trump was also extremely invested in the process and ensured continuous forward progress. Critics have suggested that the process was too fast, did not allow for sufficient discussion and exploration, and that tax policy experts were involved to a much lesser degree than in the past (Slemrod 2018).

Now that the TCJA has passed, analysts have begun to investigate the potential impact of the new law. Though the designation of “winners” and “losers” may be influenced by political perspective, not the least being whether one supported or opposed the legislation, some general observations can be made about how different taxpayers will be affected. Corporations will receive many benefits from the new law, including a new flat 21% tax rate, elimination of the alternative minimum tax, and expansion of fixed asset expensing provisions. Owners of pass-through entities, such as S corporations and partnerships, may be able to deduct up to 20% of their business income. There are also some losses for corporations, including the elimination of the Domestic Production Activities Deduction and carry back provisions for net operating losses (Kula 2018). Multinational corporations will also likely benefit from the transition to a territorial tax system, with a low tax rate on global earnings intended to make it easier and cheaper to bring foreign cash back to the United States (Rappeport 2017). Whether the projected tax savings for corporations will be reinvested, distributed to shareholders, or paid to employees remains to be seen.

On the individual side, most taxpayers will see a decline in their tax liability, though the size of the benefit is significantly larger for upper-class taxpayers (Urban Brookings Tax Policy Center 2017). The Tax Policy Center, a non-partisan think tank, estimates that taxes will decline for the bottom quintile of taxpayers (income less than \$25,000) by about \$60 or 0.4 % of after-tax income. For the middle quintile of taxpayers

(income between about \$49,000 and \$86,000), the decline is about \$900 or 1.6 % of after-tax income. For taxpayers in the 95th–99th percentiles (income between about \$308,000 and \$733,000), the decline is about \$13,500 or 4.1 % of after-tax income (Urban Brookings Tax Policy Center 2017).

Due to a change in the methodology for indexing certain amounts for inflation, the declines for all taxpayers will shrink over time, with benefits to higher income taxpayers continuing to outpace others. That change, combined with the sunset of many of the TCJA's individual tax provisions after 2025, may actually lead to tax increases for 53% of taxpayers in 2027, compared to current law (Urban Brookings Tax Policy Center 2017), though many expect the provisions will be extended at that time.

### Is the TCJA “Good” Tax Reform?

The TCJA can be evaluated based on the characteristics of a “good tax” as described earlier (sufficiency, efficiency, equity, simplicity). Though there is the potential for partiality in such an evaluation, these characteristics at least provide a neutral starting point. A comprehensive analysis of the long-term economic outlook is beyond the scope of this article, but the Congressional Budget Office has projected a cumulative deficit increase of \$1.6 trillion over the 2018–2027 period. This increase reflects reduced revenues (primarily driven by decreased individual income tax rates) and increased spending, partially mitigated by faster than expected growth in the general economy, wages, and corporate profits (Congressional Budget Office 2018). Reduction of the corporate tax rate, changes in taxation of foreign-source income, and the qualified business income deduction are intended to increase efficiency, but will likely spur taxpayers to seek new methods of exploiting the boundaries between ordinary income and preferentially taxed business income (Galper 2018). Researchers have predicted that the increase in the standard deduction will reduce charitable donations by 4%, or

\$17.2 billion, as not itemizing deductions raises the after-tax cost of donating (Brill and Choe 2018). As described earlier, equity is very much in the eye of the beholder. High-income taxpayers will receive a larger share of tax cuts, both through the changes in individual rules and changes to the taxation of business income, from which they are more likely to benefit. This allocation of benefit may be seen as making the tax law more or less equitable, depending on one's beliefs about the optimal distribution of tax liability. Changes to the individual tax rules are largely intended to simplify the tax code. The alternative minimum tax has been scaled back and will apply to far fewer taxpayers. The increased standard deduction is expected to greatly reduce the number of taxpayers that itemize deductions, which reduces the administrative burden of tax preparation and decreases the opportunity for accidental or intentional misstatements of taxable income. On the other hand, taxation of foreign-source income and pass-through business income are significantly more complex, and will increase the compliance burden on affected taxpayers. In addition, the uncertain future of the individual provisions of the TCJA, which are set to expire after 2025, make it difficult for taxpayers to plan for the long-term.

### Conclusion

Tax reform is a complex, political, and emotional issue that may be driven by basic notions of fairness of both citizens and elected officials. The theoretical characteristics of a “good tax” can guide the process, but it is difficult or perhaps impossible to address all of these principles simultaneously, and their application can be influenced by underlying beliefs about wealth distribution, government spending, and basic fairness. While it is unlikely that any significant legislation could fully satisfy all stakeholders, it is incumbent on decision-makers to at least consider the interests of different constituent groups as they undertake such reform.

## Cross-References

- [Tax Compliance in a Voluntary Reporting Environment](#)
- [Tax Havens](#)
- [Tax Justice Network](#)
- [Wealth Equity](#)

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## Ethics, Craft, and the Business of Music

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## Synonyms

Craft: skilled work/artistic practice

## Introduction

Ethical decision-making in music and the business of music involves the intersection of moral philosophy and the world of action, consideration of which raises the central question of the basis for such decisions. The grounds for ethical decision-making are multiple and varied, and oftentimes decisions are rooted in more than a single ethical framework. What follows is a brief exploration of three ethical positions commonly encountered in the music business – consequentialist ethics, virtue ethics, and deontological ethics – with particular attention given to the latter and its significance for ethical decision-making in the domain of craft.

The business of music covers an extensive terrain including a broad range of skills, activities, individuals, and organizations. This domain includes solo musicians (pianists, singers, violinists, guitarists, etc.) and countless musical ensembles from professional orchestras, opera and ballet companies to “pop” and indie bands and artists; the work of composers, arrangers, conductors, coaches, and teachers at all levels, as well as instrument makers and technicians, critics, musicologists, and educational institutions including conservatories of music, university music schools, and public schools engaged in music education; finally, it includes the work of media, management companies, and the many commercial enterprises that publish and disseminate music and materials related to the music industry.

## Consequentialist and Virtue Ethics

Throughout all facets of this diverse industry, individuals and institutions make decisions on a daily basis about what is right and what is wrong, and, as one might anticipate, most ethical issues encountered in these various contexts are common to those routinely addressed throughout the business world. These include issues pertaining to the fiduciary responsibility of individuals for institutions or companies and other matters related to financial rectitude (both personal and institutional); challenges encountered in complying with union agreements; issues that relate to human relations in the workplace including sexual exploitation, racism, and bullying; and dishonesty that is not financial in nature such as lying, cheating, and deceit – behaviors that demonstrate a lack of integrity and result in the breach of trust of colleagues, employers, and the public.

In an attempt to address these issues, individuals and organizations in the music sector, like those in the business world more broadly, commonly rely on one or another form of consequentialist ethics where it is understood that the consequence of an act is the ultimate basis for determining the rightness or wrongness of the action. From such a perspective, morally right action is that which results in a positive outcome. This, of course, begs the question, “A positive outcome for whom?” Precisely who benefits from the action depends upon the particular form of consequentialism adopted. For example, a “rights-based” approach intends to address the moral rights of others; the “fairness/justice” approach interprets the moral good as actions that treat all persons equally or fairly; and the “common good” approach views the welfare of the community to be among the highest goods, and therefore morally right action is that which contributes to the betterment of the community (however that is interpreted). One also encounters the egoist model by which actions are taken that result or are likely to result in the most favorable outcome for the agent making the decision.

A second model of ethical decision-making commonly utilized in music and the broader business community is known as virtue ethics which

focuses on the moral character of the agent. Theoretically, a virtuous person is both able and likely to act in accordance with the virtuous qualities that are typically associated with her or his character and human identity such as honor, respect, honesty, loyalty, humility, prudence, authenticity, and commitment to excellence. For this reason, employers commonly require “character” references as part of their hiring process on the assumption that a person with a good or virtuous character will act morally in the context of their work and prove to be of greater benefit to the organization than an individual with a morally dubious character. Most sectors of the music industry incorporate virtue ethics as part of the overall mechanism by which they attempt to cultivate ethical decision-making in their environment.

## Deontological Ethics and Craft

As previously noted, much of the diverse body of ethical issues encountered in the music business is in fact common to those encountered in the broader business community. However, there exists a range of issues that pertain to music and more broadly to the world of craft that are notable and merit exploration here. The term craft is commonly understood as the “*experience* of making things and fixing things” (Crawford 2009). In the domain of music, the term is associated with such things as musical performance, musical composition, the making and repair of musical instruments, as well as the craft of writing of the music critic or musicologist. For the agents involved in each of these areas of craft-making, the central ethical framework that guides decisions concerning right and wrong action is deontological. That is to say, agents involved in craft-making rely extensively, though not necessarily exclusively, upon a deontological ethic that emphasizes personal responsibility, duty, and the exercising of the will. Moreover, the demands of craft are understood to present a performance obligation which in turn constitutes a moral responsibility for the agent as craftsman or artisan. This performance obligation takes the form of an imperative to undertake an action

understood by the agent as artist, artisan, or crafts-person to be both necessary and right. The mode of deontological ethic that applies here is less a constraint of rule, though there certainly are rules to be observed (it is expected, e.g., that violinists in a symphony play in tune), but an exercising of the autonomous will and fine judgment in accordance with what is understood by the agent in question to be artistically “best” or “right” in a particular context. The work well done is good and the consequence of such right action is its own reward.

What then are the essential elements of human behavior of a craftsperson whose work meets the standard of right conduct or practice according to a deontological ethic? To begin, ethical and responsible practice is marked by a high order of attentiveness. In response to the distractions of ordinary experience, various monastic traditions in the Christian Orthodox and Catholic communities, as well as in Buddhism, Hinduism, and Jainism, establish rigorous structures sometimes including both seclusion and silence to ensure opportunity for contemplation and to facilitate opportunity for undivided attention directed toward a particular practice or object of desire. As part of the strategy to address attentiveness, monastic spaces are designed to provide a measure of isolation that permits a psychological and emotional distancing from the surrounding environment. Similarly, those engaged in the work of craft-making find that establishing spatial separation from their environment is critical to success, for which reason musicians, writers, and other craftspeople construct special places of work (studios, practice rooms, dens, libraries) that enable both seclusion and silence. The creation of such a space is akin to the walling of a garden which not only encloses a private ground or territory but also serves to separate the worker from the horizon, for the horizon speaks of possibilities, memories, and desires, all of which draw the mind away from a single point of attention. Whatever accommodations are made to assist in the elimination of distraction, attentiveness ultimately and necessarily involves an act of the will – the faculty of choosing and acting – for it is the exercising of the will for the purpose of narrowing the field of

one’s engagement that is critical to the ethical practice of the musician’s craft. The periodic failure to accomplish the task at hand is oftentimes due to a failure of will, the failure to commit to the demands of isolation and attentiveness and the singular demands of attentive labor.

A second feature of ethical practice in the domain of musical craft is an authentic engagement with the labor at hand, labor that is marked by a willing identification of the craftsperson with the work and process that work entails. The labor of craft requires continuous discernment, assessment, and reassessment of even the most minute detail. A pianist, for example, may intend that a crescendo extend over two and a half measures and that it begin again eight measures later at a dynamic level fractionally less than that of the previous iteration. The difference between the dynamic levels of the two iterations may be marginal, but to the performer, the level of variance is critical to effecting the intended level of subtlety and precision. Failure to realize precisely the intended level of dynamic variance produces in the performer a sense of frustration and unhappiness with this particular segment of the performance. Such fine discrimination and expectation of the self as artist/performer is a marker of an authentic engagement with the work and an ethical healthy interaction between the musical agent and the work. This level of engagement with the material, of action and assessment, necessitates an intimacy between the agent and the process or work at hand such that the craftsperson/performer experiences and acknowledges a link between his or her artistic identity and the quality of the performance or musical labor. As such, the agent as craftsperson is not indifferent to the outcome or the process, for the outcome is the consequence of his or her own artistic decision-making. Accordingly, where the musician acts ethically, the assumption of personal responsibility for the action is understood as a necessary condition. Failure to assume a relationship of intimacy and responsibility for artistic action and outcome constitutes an ethical failure. Such failure is often marked by indifference, which results in negative consequences for the quality of the process and product generated. In the context of a professional



orchestra, for example, such indifference may result in a compromised performance not only of the individual but the ensemble as a whole. Indifference to the demands of the craft and the work at hand is an ethical issue insofar as it constitutes a failure to exercise one's capacities in the realization of a task one names as one's own and is proper to one's capacity and identity as a crafts-person. Moreover such failure often has consequences for others – one's employer, colleagues, and audience.

Many craftspeople understand their work as vocation, that is, as a chosen labor that extends beyond the transaction of labor for financial recompense. Such labor is enacted out of a love of the activity; of the creative, imaginative world it embraces; and on account of the pleasure and deep satisfaction such engagement engenders. This sense of vocation may involve something akin to that which in religious circles is termed a "calling." It is an activity with which the individual senses a deep partiality, affection, and kinship; it involves an emotional closeness and, as noted, is tied to a sense of personal identity and purpose. This deep engagement is the privilege of the few who possess both understanding of the medium and the technical and manual capacity to both comprehend and generate a desired expressive outcome. For those who view craft as vocation, there tends to be an intrinsic motivation to excellence and a self-motivation to produce at the highest artistic standard possible given the limiting factors peculiar to the agent. Where the intrinsic demands of artistic vocation are consistently breached or negated, there may occur a diminishment of the artistic self which in turn holds implications for the employer and public. Where there exists a robust artistic integrity and a commitment to artistic practice, the relationship of the crafts-person to the employer and audience is typically not merely contractual but rather more akin to covenant with an emphasis on the inherent responsibility of the agent. Indeed, in an ideal context, responsibility for action is found on both sides of the equation – performer/crafts-person and audience/percipient. The one brings the best of his or her creative, imaginative, interpretive work, regardless of the level of

financial recompense, and the other brings an attentiveness to the performance, a willingness to see and hear, to discover the riches of the work and the merits of the particular performance or product at hand.

Ethical behavior throughout the business world is rooted in trust, integrity, and respect for the other. In the subset of music and business, and more specifically in the business of the making of music, an authentic caring for one's craft is critical to music both as business and as a mode of profoundly human endeavor.

## Cross-References

- ▶ [Authenticity](#)
- ▶ [Ethical Considerations for the Presenter and Performing Artist Dynamic](#)
- ▶ [Meaningful Work](#)
- ▶ [Work Ethic](#)

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## Eudaimonia

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## Synonyms

Role of eudaimonia in ancient Greek philosophy;  
Role of eudaimonia in contemporary applied  
ethics

## Introduction

Since around the middle of the twentieth century, and in part due to the work of, among others, G.E.M. Anscombe (1958), there has been a resurgence of philosophical interest in the concept of *eudaimonia*, roughly translated as “flourishing” or “happiness.” (These terms will be used rather interchangeably moving forward.) Although there are many different approaches to eudaimonia, the ancient Greek philosopher Aristotle’s understanding of it, in his *Nicomachean Ethics* (1941; henceforth, NE), is particularly influential. As a result, this entry will focus primarily on his view of eudaimonia for business and professional ethics. Placing eudaimonia at the heart of ethical inquiry reminds us that ethical behavior may flow from, and thus be indicative of, lives where persons are actualizing their potentialities in a praiseworthy manner. In other words, the realization of human interests need not be antithetical to the possibility of an ethical human life, but fundamental to it.

However, the relevance of eudaimonia to practical concerns in the modern world, especially with regard to professional roles and business careers, is a somewhat challenging matter. The nature of the responsibilities of those roles and careers is such that it can demand the pursuit of goods (in particular, money, power, status, and position) that could crowd out and/or obscure the value of broader, more fundamental, and/or ultimate human goods. Thus, some question whether the modern managerial and relatively capitalist society, where organizations are bureaucratized and competitive forces can pit agents in society against each other in pursuit of scarce market resources, is consistent with the possibility of persons, both as individuals and as members of communities, sharing and pursuing a common understanding of truly beneficial goods and an ultimate human good. Notwithstanding this challenge, ethicists have done significant work in outlining possible conditions under which some form of flourishing is possible in modern society, even if it is the case that disagreement remains among them.

## Eudaimonia and the Challenge of the Modern World

To understand the reason why ethicists find it challenging to import the notion of eudaimonia, in the classic, Aristotelian sense, to the modern society – especially as it may pertain to professional roles and business careers – one can look at one view of the activity of business and then compare it with Aristotelian ethics.

Many people, if not most people, deem that the decision to enter into a career in business is driven by a desire to make money and become wealthy. And though it is true that this may not be the *only* reason, a commercial entity’s survival in the market demands constant consideration of the need for revenues to outstrip expenditures. As a result of this basic reality, it is possible to understand the logic of pure profit-making business activity without any reference to the particular type of profit-making venture in which one participates; to enter into business is merely to use one’s energies and efforts to increase the financial health of oneself or of one’s firm – whatever the product or service involved. To engage in business successfully, one need only pay attention to the signals of the marketplace (especially arbitrage opportunities) to determine which activities are most conducive to the production of financial value, and then respond to them appropriately (see, for example, Kirzner 1973 for an elucidation of the logic of the pure competitive market process).

What does minimally ethical business behavior look like under these conditions? One could argue that under these basic circumstances, ethical behavior amounts primarily to adhering to rules of conduct, including, but not limited to, intentionally aiming to maximize profit by fulfilling one’s legal, customary, and professional duties; avoiding fraudulent, coercive, and opportunistic behavior that undermines the stability and/or efficiency of the market system upon which business depends (Friedman 1970); and, where necessary, engaging in conduct that actively promotes that efficiency (Heath 2014).

Some would end their inquiry there. Nevertheless, the above view of ethical behavior makes little reference to additional features of the world

in which businesses operate, or, more particularly, little explicit reference to the duties businesses may have to stakeholders in the broader social context, especially in light of the resources and privileges businesses possess (see, for example, Freeman 1984). An entire literature about the relationship between “business and society” has developed as a result of this type of problem. However, beyond the question of that relationship, a related, but even more fundamental, ethical issue remains. Namely, when one asks additional questions about the aims, reasons, and purposes of pursuing wealth – questions that highlight *how* and *why* business careers, for example, are worthy of one’s time and attention, as opposed to manifold other careers and activities – matters become more complicated.

A simple question underscores the reason: why would a person want to try to make money? Presumably, one would argue that money enables a person to do lots of things. Some examples: to have a safe and secure home for oneself and one’s family; to be able to do entertaining things, such as take vacations, enjoy outings with family and friends, and develop hobbies; to fill one’s home with nice furniture and clothing and toys that make for a privileged existence; etc. If pressed further, one could argue the reason why those things are desired is because they can make a person happy. But this answer does not seem to satisfy completely: surely, one can have a life full of diversions and comforts, and surely such diversions and comforts *may* be part of a happy life, but they may also leave a person feeling somewhat empty, unsatisfied, meaningless, and unfulfilled. (For a discussion of the value and limits of wealth for happiness, see Brooks 2008).

This last concern is indicative of motivations behind the scholarship of those working in the aforementioned Aristotelian tradition of ethics. Aristotle described the notion of an ultimate human *telos*, or supreme end or good, rooted in the very nature of what it means to be human. Once again, he identified that end as *eudaimonia*, or happiness/flourishing – an end that is chosen for its own sake, and thus requires no additional justifications (NE, Bk. I, Ch. 7). Aristotle believed that there were many beliefs about what

happiness/flourishing consisted in (NE, Bk. I, Ch. 5), but he thought that the right answer to that question would be rooted in realizing, in the fullest way possible, the most characteristic function of human existence, tethered to our natures as social/political animals. That function, which distinguishes human beings from other animals and plant life, is rational activity. However, Aristotle was not just concerned about the use of our functions, but also their *excellent*, or virtuous, exercise. After all, there are many things one can do, and there are many ways one can do them. But Aristotle was thinking about the best things one could do in the best way possible. It is in this manner that Aristotle concluded that the ultimate human end consisted in the use of one’s *rational activity* (as one’s highest, most characteristic function) *in accord with virtue* (performed excellently via praiseworthy states of character) (NE, Bk. I, Ch. 7).

In a flourishing life, one can see, by and large, actions guided by practical wisdom *and* moral virtue in the context of communities where such behavior is supported by one’s fellow human beings. (It is for this reason that *friendship* plays such a crucial role in Aristotle’s ethics [NE, Bk. VIII, Chs. 1–9]). Aristotle claimed that though one is capable of understanding knowledge and virtue as distinct, at least conceptually, they are empirically inseparable in the virtuous person (NE, Bk. VI, Ch. 13). Even if one were to have the practical know-how to achieve ends, to flourish one still needs to be disposed to engage in upright behavior in the pursuit of more immediate ends – and also to be disposed to pursue ends that are actually valuable. (NE, Bk. II, Ch. 6). The possession of praiseworthy and stable character traits (moral virtues), such as courage, temperance, fortitude, justice, magnanimity, and liberality, enables this by framing practical knowledge to orient a person appropriately. To emphasize, there are many ways one might achieve her ends efficiently, but only some ways are in accord with a morally praiseworthy character – and, as it stands, only some ends are themselves worthy of one’s attention.

Possession of the virtues is necessary for flourishing/happiness, but one misconception

must be addressed about how the virtues function vis-à-vis eudaimonia. The virtues themselves are not mere inputs into some predetermined view about flourishing; it is possession of the virtues that helps one define (under certain circumstances) the flourishing life itself. Aristotle believed that because the virtues are admirable and desirable for their own sakes, one ought to pursue the virtues for their own sakes, and not just for what they get a person. One can note, for example, that the virtuously honest and patient person is commendable just because her honest and patient behavior and character warrant admiration – not because the virtues of truthfulness and patience are mere instruments to some other end, such as gaining the trust of others (NE, Bk. I, Ch. 12). Thus, because of the way that the virtues constitute a flourishing life, it is only in pursuing their virtues for their own sakes that one can begin to understand what that flourishing means.

To make this more concrete, imagine if a person were to believe that having wealth was the equivalent of happiness and that being virtuous in pursuit of that idea of happiness would help her achieve that end. Consider two plausible scenarios that could result. The first scenario is one where, despite a supposed commitment to being honest, trustworthy, fair, etc., her overriding desire for money-as-happiness leads to behavior that converts the initially virtuous pursuits into something vicious. If money is that person's highest good, come what may, then she may find herself disregarding the virtues in favor of vices, like ruthlessness, greediness, and opportunism, that appear more effective at securing wealth. Now, it is true that she might be successful at achieving great wealth, but the price she paid was her character and the chance of true flourishing – in fact, it is quite possible that she ends up feeling unsatisfied and empty. Why? On this generally Aristotelian account, it is because she failed to pursue those virtues just for their own sakes – she turned them into instruments for the pursuit of some other end – and that end distorted and/or cannibalized those insufficiently valued virtues. Of course, it is an empirical claim that she will

probably not end up truly happy, and Aristotle was aware that many people believe it is possible to become happy pursuing wealth so zealously. But, because Aristotle believed that such a pursuit is not tied to the greatest potentialities inherent in human nature, activities based on that distorted understanding of happiness ultimately limit the full actualization of human nature.

In a second scenario, a person believes money may bring happiness, but she is more committed to being admirable and virtuous first and foremost. So she acts in ways that are honest, trustworthy, and fair, even when those virtuous behaviors get in the way of her other purported end – making money. In time, and as a result of your pursuit of the virtues, she begins to understand happiness in a new light. The pursuit and possession of those virtues changes her view of what a flourishing life looks like, and she begins to see that though money may be a valuable instrument for securing some elements of a good life, it is not what happiness hangs upon. It cannot satisfy on its own; there are more fundamental and more satisfying human goods worth desiring. Delight in noble pursuits themselves – pursuits that realize the best of human life – becomes synonymous with happiness. (To be sure, possession of some wealth can be necessary for a flourishing life, but it is never sufficient. See also Aristotle, NE, Bk. I, Ch. 8. For a modern articulation of this view, see Otteson 2019.)

Herein lies the challenge for business and professional careers, however. The modern market and managerial capitalist economy is purported to render it nearly impossible for individuals to engage in activities that foster and enhance the goods necessary for a flourishing human life. This is thought to be the case for at least three reasons: first, markets measure the success of one's activities too narrowly (in terms of the efficient production, distribution, and sale of money-making goods and services, regardless of whether those goods and services contribute to a robust and morally praiseworthy notion of human well-being); second, managerial demands (and professional roles) reduce human freedom by limiting

action in pursuit of ends dictated by external goals generated by impersonal market forces; and, third, those market forces place agents into competitive relationships where resources are pursued for individual purposes and for the sake of efficiency – often at the expense of strong human bonds. (Representative concerns are identified in Brenkert 2002; Sandel 2012.)

What features of the modern economy are thought to underlie the above reasons? Consider the following perspectives seen as necessary to succeed in business: the view of individuals in the general public primarily as potential consumers, as opposed to citizens and friends; the view of employees as mere costs for firms, lacking their own agency, as opposed to irreplaceably valuable assets who are cocreators for the firm; the view of the natural world as a vast minefield of resources to be exploited until it is exhausted, as opposed to a delicate, nurturing home for all of the created world; the view of other businesses as competitive adversaries that ought to be driven out of the market, as opposed to complementary ventures aiming to satisfy true human need; and, finally (but not exhaustively), the view that humans should engage one another primarily via reciprocal, mutually beneficial transactions, as opposed to operating under the logics of gift, love, and gratuitousness (on this last point, see, for example, Baviera, English, and Guillén 2016). A business and/or professional career, then, can potentially cripple one's character toward greed, envy, and a distorted sense of flourishing, as the modern world's institutions risk encouraging a dynamic of invidious relationships, a narrowly individualistic understanding of human persons, and a reduction of value to mere instrumentality.

### **Eudaimonia and Vocations: A Path Forward**

Despite these purported problems, many scholars have attempted to salvage the possibility of human flourishing, rooted in the virtues, in the modern world. One challenge scholars face is that today's globalized economy, characterized by very diverse and specialized work, and

dependent on vast and complicated systems of sophisticated financial, technological, and political institutions, looks very much unlike the simpler economy of Aristotle's era. Thus, the effort to adopt an ethos that was conjoined to a distinct economic, social, and political tradition requires sorting out what is central to that ethos and then adapting it to the realities of today's world. Though it is true that some, following the important work of Alasdair MacIntyre (1999), argue this is most likely impossible, others have not abandoned the call to offer a thoroughly robust account of human flourishing tied to traditional virtues. These attempts feature multiple dimensions, such as questioning the dominant assumptions of the market order to uncover the more humanistic foundations of economic activity in markets (for example, Melé 2011); attempting to unearth and promote the virtuous activity inherent in the market activity (for example, Storr and Choi 2019); highlighting and promoting the features and cultural spirit of capitalist innovation, experimentation, and discovery (for example, Phelps 2013); or, finally, underscoring that even greater moral challenges and opportunities for corruption may permeate nonmarket spheres and activities (for example, Brennan 2014).

One approach for establishing the possibility of flourishing in business careers and professional roles within the modern economy, regardless of one's views of the ethical values and disvalues of the capitalist order, calls for some attention. This approach centers on the idea of business careers and professional roles as *vocations* (for examples, see McPherson 2013 and Wolcott 2015). Vocations are traditionally understood as *callings* to live, to work, and to do certain things – things that relate to an agent's self-understanding in a robust, all-encompassing fashion. Vocations can be understood religiously or secularly – as a call from God or as a call from one's conscience (Adams 1999). An agent who believes that she has a vocation will focus her energy, attention, and time on developing the skills and traits to craft a life according to the contours of her vocation. The notion of a vocation, in fact, may help thread the needle between objective goods/realities and subjective desires/perceptions – thus accounting for

the fact that there are some standards by which all persons, in virtue of their natures as human beings, may be said to flourish, while at the same time acknowledging the fact that flourishing takes a unique form for individuals relative to their own circumstances and personalities. (For a discussion of the individualized nature of flourishing rooted in the concept of human perfection, see, for example, Rasmussen and Den Uyl 2005). That is to say: legitimate vocations entail choices, behaviors, and attitudes that are in some way tied to that which is objectively good, but the scope and shape of those phenomena will be different for different agents. And, insofar as pursuing one's vocation leads to flourishing, that pursuit must be done excellently—that is, in accord with the virtues.

Thus, the question that a business person or a professional might ask herself is this: is a career a career that responds to a call to live, to work, and to do certain things that are reflective of my personality, abilities, values, and beliefs; is it tied to objectively good outcomes; and, is it done in a virtuous/excellent way? Relatedly, what institutions, practices, and norms encourage the realization of human flourishing in a way that fosters the ability of individuals to develop their characteristic capacities and live harmoniously with their families, friends, and neighbors in thriving communities? Note, answering these questions will require a person to think both in the near- and in the long-term, with a view to consequences that are not always immediate or obvious, as it may not be clear how the pieces of the puzzle, as it were, fit together in an increasingly complex, interconnected, and global marketplace; there is simply no easy way to track the relationship between one's virtuous behavior and desired outcomes. Nonetheless, the focus on human flourishing in business and professional careers may, at the very least, prompt a person to reflect on concerns over *who she is* and *what she becomes* as more central to her pursuits than *what she gets* and *how to get more* (for a discussion of the value of “reflective rationality” over “instrumental rationality,” see Schmidt 1993). Whether there is a dispositive case that certain answers are possible to realize in the modern world may remain an open question.

## Cross-References

- ▶ [Capitalism](#)
- ▶ [Catholic Social Thought](#)
- ▶ [Common Good Principle](#)
- ▶ [Doctrine of the Mean and Business Ethics](#)
- ▶ [Humanistic Management](#)
- ▶ [Individualism](#)
- ▶ [MacIntyre, Alasdair](#)
- ▶ [MacIntyre and Business Ethics](#)
- ▶ [Normative Ethics](#)
- ▶ [Personalism](#)
- ▶ [Virtue Ethics](#)
- ▶ [Virtuous Leadership](#)
- ▶ [Vocational Ethics and Professional Identity in the Social Sciences](#)

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## European Business Ethics Network

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### Synonyms

Business ethics organization for Europe; European organization for issues on social responsibility of business; European social responsibility of business organization; Professional business ethics organization

### Definition

This is a brief description of the mission and status of the European Business Ethics Network.

### Description

The mission of the European Business Ethics Network (EBEN), according to its website, is “to promote ethics and excellences in businesses, to increase awareness about ethical challenges in the global marketplace and to enable dialogue on the

role of business in society.” Another way to express the practical as well as theoretical interests of the EBEN is the following: “Business persons are active members of EBEN and EBEN explicitly wants to be a two way organization where academics and businesspersons constantly interact and learn from each other.”

At this writing (May 2017) there are “18 National Networks established in several countries” with “active groups in over 40 countries” creating the possibility of establishing formal connections with the central group. The current president of EBEN is Geert Demuijnck.

One of the unique features of EBEN is its description of formal procedures for “establishing a local group with connection to the larger European family.” Local groups have the opportunity to build strength in their own communities while drawing on strengths from the larger group. Briefly, the procedures say that any “national network name should include the ‘EBEN’ name,” national networks should provide a “full financial report” and a list of members, it should “facilitate and improve the dialogue between the [local] research community and the business community, and it “should have a clear European outlook.” It is unclear how the latter would be demonstrated.

Selected proceedings of EBEN’s annual conferences are published in the *Journal of Business Ethics*, and all members have “free access” to *Business Ethics: A European Review*.

### Cross-References

- [Business and Society](#)
- [Business Ethics: A European Review](#)
- [International Association for Business and Society](#)
- [Journal of Business Ethics](#)
- [Society for Business Ethics](#)

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Eben-net.org

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## Evolution of Corporate Social Responsibility: A Historical Overview

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### Synonyms

Evolution of business ethics; The concept of social responsibility in business

### Introduction

The belief that business has a responsibility toward society has a long history that can be traced several centuries back. However, the modern concept of corporate social responsibility (CSR) is mostly a product of the second half of the twentieth century up to the present time. The purpose of this chapter is to provide a historical overview of the evolution of CSR that helps understand how the concept has changed and grown in terms of its *meaning* and *scope*. At the same time, this chapter will identify the main factors and events that have influenced the understanding of CSR. While there are traces of CSR around the world, its evolution and progress have been most evident in the United States (USA) and Europe, which is why this chapter will mostly focus in these geographical areas. Through this historical overview, it will become apparent that the understanding of CSR has evolved from a limited perspective to a global approach that reflects today's social concerns and expectations of corporate behavior.

### 1950s and 1960s: Early Days of CSR

The historical roots of CSR can be traced several centuries back. However, it was not until the twentieth century that it became a widely

acknowledged concept by scholars and business practitioners. The formal debate around the social responsibilities of corporations begun in the early 1900s when unions were organized to improve the working conditions in the new industrial society (mainly in the USA). As a result, by the 1920s and 1930s, business managers begun realizing that they had to balance their economic objectives with a stable relationship with their workers, clients, and community. Then, during World War II and the 1940s, there was significant growth in the industrialization process in the USA, and society began seeing companies as organizations with social responsibilities.

During the 1950s, scholars and practitioners began trying to define *what* were the social responsibilities of business. In these early writings, CSR was often referred to as social responsibility (SR) and the attention focused on business executives and managers rather than on the company. This period saw a changing attitude toward corporate behavior that reflected increasing concerns of the impact of business on society. Perhaps the most relevant example of the changing attitude was the publication of the *Social Responsibilities of the Businessman* by Howard R. Bowen (1953). Bowen argued that the largest corporations of the time concentrated a great amount of power and had a tangible impact on society and, as such, there was a need for businessmen to consider the wider implications of the company's operations. Not only that, but for Bowen, the decisions and actions of businessmen affected the stockholders, employees, and clients and, as a result, affected the citizens' quality of life in many ways.

With this in mind, Bowen (1953) raised several questions, one of which shaped the evolution of CSR: "What responsibilities to society may businessmen reasonably be expected to assume?" (Bowen 1953, xi). To answer this question, Bowen defined the social responsibilities of business executives as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953, 6). Bowen was ahead of his time for his approach to business management and for raising questions

regarding the social responsibility of business and his book and definition marked the beginning of the modern era of CSR.

During the rest of the 1950s, the discussion mainly revolved around the moral responsibilities of corporations in a postwar era, and scholars began exploring the role of business in relation to the societal concerns of the time with a particular interest in labor conditions. This decade was a period of changing attitudes during which business executives and academics began getting more comfortable discussing the social responsibilities of corporations than in previous years. However, the business management of the time did not change beyond the engagement of some companies in philanthropic activities as a response to requests from local social and beneficiary organizations.

During the 1960s, the social momentum resulted in a growing interest in CSR which was more visible in the USA than in other countries. The social movements of the time reflected concerns around population growth, depletion of natural resources, pollution, and human and civil rights. The decade was also marked by protests about civil rights and antiwar sentiments and represented a new social context to which businesses would need to adapt. While the protests in the USA began as student-led sit-ins, walkouts, and rallies, they transformed into political activism that, in many cases, saw corporations as part of the “establishment” they wanted to change. The protests put pressure on companies with direct links to war as well as on large-scale corporations such as banks and financial institutions which, in the protestors’ view, represented the “establishment” (Waterhouse 2017).

As a result of this context, scholars began seeing CSR as a way for businesses to respond to the needs and desires of modern society. This led to a growing interest in defining and formalizing what CSR meant. One of the most significant contributions to the evolution of CSR came from Keith Davis (1960), who argued that the social context of the time required businessmen to reexamine their role in society. Davis (1960) explained that businessmen had obligations toward the society in economic terms as well as

in human values and argued that, to a certain extent, their social responsibilities could be linked to economic returns for the company. Davis became well known in the CSR literature for bringing forward the notion that the “social responsibilities of businessmen need to be commensurate with their social power” (Davis 1960, 71) and that companies that avoided their social responsibilities would see a gradual decrease in their social power.

This new approach gave way to fundamental changes in the understanding of CSR. In the following years, scholars claimed that the growing power of corporations needed to be balanced with deliberate and conscious efforts to achieve responsible behavior. Furthermore, the academic literature gave a new meaning to CSR by claiming that the responsibilities of companies should go beyond their legal and economic obligations and that they had the potential to improve the social and economic conditions of society. Notably, the new understanding of CSR acknowledged a stronger link between business and society than ever before, and the attention began shifting toward the company instead of focusing on businessmen as in previous decades.

### **The 1970s: A New Managerial Approach to CSR**

While the literature on CSR advanced during the 1960s, its implementation continued mostly in the form of philanthropic activities. Nonetheless, the social movements, protests, and environmental and antiwar campaigns of the time created additional pressure on firms and showed that society had expectations of corporate behavior that were not being met. The low level of confidence in business reached a significant point in 1969 when there was a major oil spill on the coast of Santa Barbara, California, in the USA. The accident transpired in country-wide protests in the following months and eventually led to the first Earth Day celebrated on April 22, 1970. More than 20 million people joined the protests across the USA during Earth Day to demand systemic

changes with a particular interest in ending the ongoing pollution caused by corporations.

The social momentum of the late 1960s and early 1970s played a significant role in shaping the political agenda of the USA and gave way to a new set of legislations and regulations as well as the creation of new governmental bodies such as the Environmental Protection Agency (EPA), the Consumer Product Safety Commission (CPSC), and the Occupational Safety and Health Administration (OSHA) (Carroll 2015). These changes in the political system of the USA addressed the social concerns of the time and, to a certain extent, formalized the responsibilities of business based on the expectations of corporate behavior.

The social context of the time gave CSR a new level of relevance that was evidenced through two publications by the Committee for Economic Development (1970, 1971) (CED) of the USA: *New Rationale for Corporate Social Policy* (1970) and the *Social Responsibilities of Business Corporations* (1971). These publications were based on the belief that the social contract between business and society was experiencing fundamental changes. In particular, the CED explained that “Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public” (Committee for Economic Development 1971, 16).

The publications by the CED reflected a new rationale for CSR that saw business as organizations with a social impact and not only as individual businessmen with a limited influence on society. Furthermore, the CED gave a new meaning and scope to CSR by acknowledging that “business functions by public consent, and its basic purpose is to serve constructively the needs of society – to the satisfaction of society” (Committee for Economic Development 1971, 11). This meant that companies were now expected to be managed in a way that served society’s needs, desires, and concerns.

A new approach to business management and CSR began appearing during the rest of the decade. This was evident with new companies that began formalizing and integrating policies that addressed the social concerns of the time. Two of the most famous examples are the creation of the Body Shop in the United Kingdom (UK) in 1976 and Ben & Jerry’s in the USA in 1978. These companies became pioneers with a new way of doing business by integrating a broader set of social responsibilities into their activities and brought forward a new era of CSR that revolved around its practical use in management.

During the rest of the 1970s, the term *corporate social responsibility* became increasingly popular and was used to such an extent and under such a variety of contexts that its meaning became unclear and, as a result, CSR meant different things for each person. For some scholars, companies were not responsible for improving the conditions of society or addressing social problems, and their responsibilities had clear boundaries that extended only to the direct impact of their operations. For others, corporate behavior needed to be coherent with the social values and expectations of the time, and hence, CSR should be prescriptive.

The unrestricted use of the term CSR resulted in uncertainty regarding its meaning, and it was not until 1979 that Archie Carroll proposed a new definition to give it a clear and concise understanding that could be applicable under any context: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll 1979, 500). Notably, for Carroll, CSR meant that the economic and social responsibilities of a company should be understood as an integral part of the business framework and not as incompatible trade-offs.

## 1980s: Expansion and Operationalization of CSR

In contrast to the previous decade, the 1980s saw a new wave of politics led by Ronald Reagan (USA) and Margaret Thatcher (UK) who aimed

at relaxing the regulations and taxes to the private sector. However, while governments significantly reduced their intervention in corporate behavior, different interest groups still expected companies to fulfill their social responsibilities (e.g., groups of clients, employees, and social organizations). This was complemented with growing international attention on environmental protection along with concerns of questionable practices of multinational corporations about human and labor rights, environmental pollution, and consumer abuse. As a result, scholars began looking into business ethics and the operationalization of CSR to help managers respond to the expectations of different interest groups such as shareholders, consumers, and employees, which eventually led to the use of the term *stakeholders*.<sup>1</sup>

In the search for operationalizing CSR, scholars begun defining it as a decision-making process. This translated into the creation of frameworks and methods aimed at evaluating a company's CSR and its links to aspects such as profitability, financial performance, and market position. For the first time, and only to a certain extent, CSR was understood as something tangible and measurable.

## 1990s: Globalization of CSR

The 1990s were marked by the adoption of international conventions, international declarations, and clarifying documents<sup>2</sup> that focused on sustainability, and, as a result, this decade changed the perspective on corporate behavior and CSR in

a significant manner. The international attention on sustainable development in combination with the ongoing globalization process made CSR gain international attention. Multinational corporations that were expanding their operations to new markets with different regulatory frameworks and different social and cultural environments began exploring the benefits of CSR. Many of them began using it as a framework that could help balance the opportunities and challenges of their global business which in turn led to the rapid expansion of CSR across the world. Given this context, scholars began exploring the *strategic* implementation of CSR to find if it could lead to identifiable and measurable outcomes that could result in long-term *value creation* for the firm (mainly focused on economic returns).

The globalization of CSR made it a widely acknowledged concept by academics and practitioners alike. Business associations were created to gather companies compromised with the basic principles of CSR, and governmental bodies were formed to define those principles and encourage CSR implementation. Notably, the European Commission (EC) was one of the first governmental bodies outside the USA to promote CSR and did so with the launch of the European Business Network for Social Cohesion in 1996 (renamed CSR Europe in 2000).

While CSR expanded globally, its definition did not evolve as much. The debate around responsible corporate behavior gave way to alternative concepts such as corporate citizenship, corporate social performance, and stakeholder theory. However, most of these emerging concepts were built on the fundamental principles of CSR, and most of them were compatible and consistent with it. Nonetheless, the introduction of alternative concepts created uncertainty regarding the meaning, boundaries, and legitimacy of CSR, and by the end of the 1990s, it did not have a globally accepted definition.

## 2000s: Global Recognition of CSR

CSR gained global recognition during the 2000s as a result of international efforts focused on improving the environmental and social impact

<sup>1</sup> During the 1980s, scholars developed a new approach to business management called "stakeholder theory." This new theory focused on identifying the most relevant stakeholders of a company which would help managers make decisions based on the needs of the stakeholders. One of the most acknowledged authors in this field is R. Edward Freeman, who has written extensively on the topic (see Freeman 1984).

<sup>2</sup> Some of the most significant international conventions, international declarations, and clarifying documents of the 1990s include the Rio Declaration on Environment and Development, the adoption of Agenda 21, the Convention on Biological Diversity, the creation of the United Nations Framework Convention on Climate Change (UNFCCC), and the adoption of the Kyoto Protocol.



of the private sector. This decade represented a new era of CSR that began in 1999 when Kofi Annan, Secretary-General of the United Nations (UN), proposed the creation of an international instrument that could help fill in the governance gaps of the global markets concerning human rights and environmental and social concerns. This led to the launch of the United Nations Global Compact (UNGC) in July 2000, which included ten principles to guide the corporate behavior of its member companies. Notably, the ten principles were divided in four categories: human rights, labor rights, environment, and anti-corruption.

The international recognition of CSR was also influenced by the creation of the “European Strategy for CSR” in 2002, followed by the launch of the “European Roadmap for Businesses – Towards a Competitive and Sustainable Enterprise” in 2005. These events reflected a unified understanding and vision of CSR and outlined the European objectives for its promotion as a framework for responsible business. The international acknowledgment of CSR was also evident with the creation of the “ISO 26000 – Social Responsibility” from the International Organization for Standardization (ISO). While the ISO 26000 was approved in 2010, its development was an international effort that began in 2002 to define a guideline for business to operate in a socially responsible way.

The international recognition of CSR was also evident in the academic literature, and important contributions were made to the concept. By the early 2000s, most scholars acknowledged an implicit social contract between business and society and understood CSR as a way for companies to minimize their negative environmental and social impact. However, the growing challenges faced by corporations (e.g., increasing competition, more stringent regulatory frameworks, and more demanding customers) required CSR to broaden its scope.

Given this context, scholars began exploring the *strategic* implementation of CSR and proposed a variety of frameworks to help companies address their objectives while creating value for society. This meant that by the end of the decade,

CSR was understood as a holistic business framework that could be used in a strategic way to create a competitive advantage, generate value for society, and minimize the environmental and social impact of the company.

## 2010s: CSR and the Sustainable Development Goals

The notion of generating value for society was further developed during the 2010s and became an integral part of CSR. This new approach was based on a new social context in which companies are expected not only to minimize their impact but to improve the social and environmental conditions in the communities where they operate. As a result, CSR was now seen as a strategic framework with the objective creating value for society.

The new CSR thinking was further reinforced with the Paris Agreement and the launch of the Sustainable Development Goals (SDGs) in 2015. While these events are not directly linked to CSR, they reflect a new social contract in which companies are expected to play a significant role in addressing climate change and helping achieve the SDGs. Since then, the debate around CSR has mostly focused on its implementation and the way it can help improve specific areas of performance, while its understanding has remained on its potential to create value for society.

## Cross-References

- [Business and Society](#)
- [Business case for Business Ethics](#)
- [Business Ethics and Corporate Responsibility in South Africa](#)
- [Corporate Governance](#)
- [Corporate Governance and Values-Based Management](#)
- [Corporate Social Responsibility](#)
- [Corporate Social Responsibility in Business Groups](#)
- [Corporate Social Responsibility Reporting Frameworks](#)



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## Existentialism and Business Ethics

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## Synonyms

Individual free agency; Individual responsibility; Intellectual freedom; Search for meaning

## Introduction

Vesey and Foulkes (1990) describe existentialism as “a philosophical tendency that stresses man in his total setting in the world as the fundamental starting point of philosophic reflection... it is opposed to lines of abstract philosophising” (p. 108). It is a philosophical perspective that requires individuals to link reason with practice and make decisions for which they take full responsibility. When considering the significant damage caused by certain business practices to our society and the world we live in, we realize

that both business practices and the content of teaching in business schools are in need of changes. Existentialism provides a path to the required changes. It insists that individuals recognize they have freedom to choose as they proceed through life. It requires that the status quo is challenged. Embracing existentialism in order to make ethical decisions in life generally, and in business in particular, presupposes the adoption of three axioms:

1. Decision-makers always have options available to them and must acknowledge this (in other words, there is no such thing as “I had no choice”).
2. To make progress, decision-makers must choose which options to pursue, and pursue them.
3. Decision-makers must accept responsibility for the results of the decisions they make and the actions they take.

These axioms provide decision-makers with the freedom to recognize they are not bound by intellectual “chains.” They are free agents, able to challenge what “is,” innovate, and develop fresh beliefs.

## The History of Existentialism

The Danish philosopher Søren Kierkegaard (1813–1855) is generally credited with the creation of existentialism. “Kierkegaard dedicated his life to trying to understand himself, what he believed in, and why. The central psychological endeavour of Kierkegaard may be summed up under the heading of the question he pursued relentlessly: How can you become an individual” (Houe 2011, p. 230). Other early, famous writers who have been linked with existentialism are Fyodor Dostoevsky (1821–1881) and Franz Kafka (1883–1924). In the twentieth century, the French philosopher Jean-Paul Sartre (1905–1980) was perhaps its most renowned advocate. Sartre explained: “Man is condemned to be free; because once thrown into the world, he is responsible for everything he does.”

Kierkegaard rejected the beliefs of the societal leaders of his time and of those who managed the Christian worship, although he remained a devoted Christian for all of his life. Existentialists are critical of those who attempt to tell them what they should be thinking, what is important, and how they should be behaving. Every existentialist must determine these things for themselves. Kierkegaard believed that people could be persuaded what they should think and how they should behave if they did not take the trouble to determine these things for themselves. This outcome might not trouble many members of society, but in adopting wholesale the “wishes of society,” Kierkegaard feared that he would “lose” himself. Existentialism evolved because Kierkegaard was determined never to lose himself. According to existentialist thought, in today’s complicated world, it is important that thinking individuals trouble to determine what they should be thinking about, what they should be challenging in today’s society, and what actions they must pursue. If people neglect this duty, our planet, and the human race, may be heading for perdition.

Managers are often persuaded to justify their decisions made in business, on the grounds that they should maximize short-term profitability. They are not encouraged to observe, for example, when their decisions result in rivers being polluted, air being contaminated, people working in sweatshops, employees being in danger, etc. Existentialism requires that individuals trouble to view life broadly, to remain free from economic hegemony. Existentialists must be true to their own inner values, which cannot be dictated by others in society. Every existentialist must retain the right to choose, and use, their own values for decision-making purposes.

Existentialism does not provide its users with a set of rules and regulations to help them make decisions. Rather it provides them with an approach to decision-making which requires them to retain the choice to determine completely for themselves, from first principles, what they deem the correct answer to be – although they will probably not determine this before they have chosen to discuss with others what that best answer might be and why. Existentialists use

reason in practice; therefore, as decision-makers, they must develop and own a system of values and beliefs that enable them to judge what the correct decisions will be. This requires them to think about the meaning of their existence, what they are on earth to achieve. It is not an easy task but it is an essential one.

## The Role of Existentialism

Existentialists are keen to ask “why?” questions of managers. However, many educationalists appear keen to instruct managers about “how” they should behave in order to minimize costs and maximize profitability, no matter what collateral damage is caused.

In modern society, individuals are sometimes under pressure to deny their own value systems in deference to an instrumental rationality promoted by the rich and powerful, who are keen to maintain their economic wealth. Education is used to socialize individuals, to fit them into society, and to have them accept the status quo. Existentialism requires individuals to question their world and why it is organized as it is and to find their own true selves. That is to recognize what it is “right” to strive for, to challenge that which is “wrong,” and to be convinced that they have the responsibility to choose what is “right” rather than learning this by obeying some system derived from the instrumental rationality of others. Existentialism is likely to cause tension in society as it advocates struggling to challenge that which is wrong and the promotion of that which is right. This fuels dissent in the short term, but it may prevent humankind from descending into an uncertain future while not appreciating properly where instrumental decision-making practices are taking it. Examination of many United Nations (UN) reports, for example, “The Millennium Report (2005),” provides evidence for the perils which society is facing because of the poor business practices that have been employed over the past decades.

In business we are often told to do things in a certain way, because there are no other options available. According to existentialism, this is

never the case: there are always options available. It may be that the speaker has never known the task to have been performed in an alternative manner or simply that she/he does not wish to see it performed in an alternative manner. But alternative ways of doing the task will be available. Any new person who is asked to do the job is not behaving properly if they do not think of what such options may be. Better ways of performing the task should be identified where possible, discussed with others, and perhaps adopted; unless there are reasons given as to why good options should not be trialed, they should be trialed. The originators of any idea being trialed must recognize that they have a responsibility for any problems which result. If new ways are never trialed, progress will never be made.

### Existentialism and the Purpose of Business in Society

In the context of business ethics, existentialism prompts individuals to consider the purpose of business in society. Employing “instrumental rationality,” some people believe it is possible to plan how managers should behave to obtain the best results for society from their decisions. For example, Milton Friedman (1912–2006), who won the Nobel Memorial Prize for Economics in 1976, argues that there is only one universal responsibility that business people have, namely, to maximize profits earned within the rules of the game (i.e., without breaking the law). If there are more profits generated in society, then there will be more wealth, and more members of society are likely to benefit from this (Friedman 1970).

Other thinkers, who employ value rationality, argue that Friedman’s arguments are flawed and lead to business behavior which depletes the scarce nonrenewable resources of our planet, damages the natural environment, encourages unfair distribution of wealth, and generally results in outcomes that reduce the overall value of life on earth for some.

It is easier for business managers to decide how they “should” behave, and justify their resultant behavior, if the outcomes from business decision-

making are judged against a set of predetermined instrumental objectives designed to help achieve limited ends. Over the past 50 years, many business schools have encouraged their students to focus on achieving the highest financial returns for the benefit of the suppliers of capital investments; as a result, many business decisions have been made to this end, and citizens have been asked to recognize how business activities have created wealth in society and how life for many has improved in material terms.

### The Need for Change in Society

Over the years, alongside the triumphs of business in creating profits has come a general realization that business is also creating environmental and societal problems through its operations. The United Nations has been a major critic of business in its publications of 1987, 2005, 2012, and others. These UN Reports provide evidence that the behavior of business has not been value rational in recent decades. There are problems with modern management practice and with much of what is taught in schools and universities to prepare students for it.

Many powerful members of society enjoy their power and wealth, at least in part, from the way that society has been organized and functions. For economic reasons, they are happy for society to continue to function as it does now. They argue for the preservation of the status quo. Rogers (1983) suggests, “At an unconscious or un verbalized level, there is this desire for the products of our schools to be obedient, good followers, willing to be led. Those who are independent, who think for themselves, tend to ‘rock the boat’. It is easier to manage an industry or an army with men and women who have learned to conform to the [instrumental] rules” (p. 304).

Many decisions made in the business world are justified on the basis that they result in the highest possible returns to those who provide capital to businesses. Citizens are encouraged to examine business activities through an instrumental, economic lens that justifies business success, but there is evidence that some executives who have

been “successful” in business question that success. After interviewing more than four thousand “successful” senior executives, managers, and professionals in the United States, Jan Halper (a doctoral student in 1988) concluded that many are “disillusioned by the fruits of their success, for it has often resulted in emptiness and confusion” (Pauchant 1995, p. 12). Existentialists encourage individuals to be critical of themselves and of their social heritage; this makes them free to identify better ways to judge the ethical outcomes of business decision-making.

### Cross-References

- [Ethical Citizenship and Business Ethics](#)
- [Social Construction of Businesses](#)

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## Fair Trade Consumerism

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### Synonyms

Equitable trade consumption; Fair trade consumption

### Introduction

A growing number of consumers are concerned with how the goods they buy are produced and how that affects the people involved in the supply chain. Those who choose fair trade goods seek to support acceptable wages, working conditions, and living conditions for workers. Consumers of fair trade are concerned that marginalized producers in developing countries are not receiving adequate prices and trade terms for their goods and workers are being denied acceptable wages, working conditions, and living conditions. Fair trade offers an equitable pricing system that involves a price floor, a fair trade price premium for community and business development, price stability, cash in advance of delivery, and support in terms of production and business practices.

Over 1.2 million farming families in 70 developing countries benefit from fair trade (“What is fair” [n.d.](#)) and more than 50,000 stores in the United States offer fair trade goods (“Frequently asked questions” [n.d.](#)).

The fair trade system results in greater equity between the developed and developing world as most fair trade producers are located in the global south. Fair trade generates partnerships between producers, wholesalers, retailers, and consumers that emphasize fairness to producers who lack the leverage to negotiate higher prices and better terms of trade.

The fair trade movement grew out of a desire to deliver a fair price and ensure improved working conditions for marginalized agricultural workers, small farmers, cooperative members, and artisans most often located in the global south and to protect them from opportunistic brokers and powerful foreign businesses. Supporters of fair trade believe that producers in the developing world are underpaid for their products in light of the end cost to consumers. Fair trade ensures that fairer proportion of the consumer's money goes to the producer of the goods they receive.

Coffee production serves as a useful example to highlight the need for a fair trade movement. Most producers have a basic education and lack access to credit, capital, or training to develop a market for their products. They operate at the whim of the market where commodity prices wax and wane. Fluctuating commodity prices put producers, workers, and communities living

on the economic margins at risk of catastrophe. This leaves them especially vulnerable to exploitation by coyotes (intermediaries) and money lenders and corrupt businesses. Fair trade certification provides access to lines of credits and markets, diminishing the role of those who might seek to exploit producers' vulnerabilities. The fair trade system of guaranteed prices injects stability into the system. Coffee is the second most highly traded commodity, which means that there are many vulnerable producers whose lives fair trade can improve.

When consumers buy fair trade products, they are buying more than the tangible goods. They also gain knowledge about the producers and their challenges and the chance to help producers meet those challenges. Some consumers see fair trade as a form of redistributive justice by giving small marginalized producers the empowerment, prices, and trading terms due to them. Fair trade consumers also frequently go beyond purchasing fair trade products, actively spreading the fair trade message by helping to create fair trade towns, universities, and schools, setting up fair trade months and fair trade festivals, and undertaking advocacy initiatives online and with print media.

Rich countries can help with the economic development of poor countries through international trade or providing aid. There is much debate among economists and development experts as to whether aid contributes to economic growth or stifles economic growth in recipient countries in the long run. Some believe that poor countries need trade opportunities and not aid. The fair trade movement aligns itself with the ideals of "trade not aid:" the principle that creating trade opportunities for marginalized producers and workers in less developed countries has superior benefits to delivering aid. But these trading opportunities must be fair and not exploitative. Fair trade maximizes these benefits by providing fair prices and a more sustainable future. The objectives of Fairtrade International standards are as follows:

1. Ensure that producers receive prices that cover their average costs of sustainable production.

2. Provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic, and environmental development.
3. Enable pre-financing for producers who require it.
4. Facilitate long-term trading partnerships and enable greater producer control over the trading process.
5. Set clear core and development criteria to ensure that the conditions of production and trade of all Fairtrade-certified products are socially and economically fair and environmentally responsible ("Aims of Fairtrade" [n.d.](#)).

### Alternative Trade Organizations (ATOs)

The fair trade movement has been in existence for over half a century, but until the 1980s, it merely supplemented the work of charities operating in poor countries. Church groups from Europe and North America working in poor overseas communities brought goods home to be sold at church events and subsequently alternative trade organizations (ATOs). The well-known fair trade retailer Ten Thousand Villages provides one of the earliest examples of this in action. As their website describes:

In 1946, when [Edna Ruth] Byler traveled with her husband to Puerto Rico, she met women in La Plata Valley who were struggling to feed their children. Having lived through hard times herself during the Depression, she knew the face of poverty. She also knew the importance of dignity and people wanting a way to help themselves. Byler was moved to do something. She saw the pieces of fine embroidery the women of La Plata created, but had no place to sell. If she, an American, was so struck by these unique textiles, perhaps other Americans would also appreciate their beauty. With no clear plan but a sense of purpose, Byler brought the pieces home and began to sell to friends and neighbors. Mennonite Central Committee, an aid and relief agency, saw the long-term value that sustainable income opportunities would bring to impoverished villages. They supported Byler's endeavors and facilitated her travels abroad including to India and Jordan. . . . It was a simple idea. But a pioneering one that would launch Ten Thousand Villages and blossom into a global fair trade movement. ("The start was" [n.d.](#))

ATOs are mission-driven businesses that have adopted the fair trade approach to doing business



by addressing issues of justice and equity. These organizations bring products such as crafts, textiles, homeware, gifts, jewelry, clothing, tea, and coffee, for example, to markets such as the United States, Canada, Europe, Japan, and Australia.

ATOs have also been incorporated into the fair trade certification process. The World Fair Trade Organization (WFTO) certifies the organizations that sell fair trade products as opposed to products themselves. This made it possible to help many more producers and in particular the producers of nonagricultural products. Broadening the scope of fair trade certification is very meaningful. Lacking the fungibility of agricultural products, the problem with the monitoring and certification of crafts, textiles, clothes, and jewelry, for example, is the diversity as to who makes them and where and with which raw materials through what processes. There simply is no limit to the diversity of products to which fair trade standards might be applied, which makes it almost impossible to develop a manageable monitoring and certification system for nonagricultural products.

WFTO has been certifying organizations since 2004. At the launch of their fair trade certification system and fair trade logo, they stated:

We are on a journey. A journey for Fair Trade and Trade Justice. Not justice for the few. Justice for all. At the moment, international trade far, far too often allows the strong to exploit the weak and the rich to become richer at the expense of the poor. . . . That must change. That's why we are here! We, Fair Trade Organizations, are united in our fight against poverty and for fairer world trading rules. (Wills n.d.)

Organizations that achieve certification by the WFTO are termed FTOs and can use the WFTO logo. By providing this designation to retailers, wholesalers, and cafes committed to selling fair trade products, WFTO alleviates the need to fair trade certify each product sold, which allows artisans previously denied access to the fair trade market to gain the benefits agricultural producers have received. FTOs take an active role in verifying production methods to ensure the appropriateness of selling particular products using the fair trade label. In order to use the WFTO logo, organizations must adhere to a list of ten fair trade principles laid out on the organization's website:

1. Creating opportunities for economically disadvantaged producers: Poverty reduction through trade forms a key part of the organization's aims.
2. Transparency and accountability: The organization is transparent in its management and commercial relations.
3. Fair trading practices: The organization trades with concern for the social, economic, and environmental well-being of marginalized small producers and do not maximize profit at their expense.
4. Payment of a fair price: A fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers and can also be sustained by the market.
5. Ensuring no child labor and forced labor: The organization adheres to the UN Convention on the Rights of the Child and national/local law on the employment of children. The organization ensures that there is no forced labor in its workforce and/or members or homeworkers.
6. Commitment to nondiscrimination, gender equity and women's economic empowerment, and freedom of association: The organization does not discriminate in hiring, remuneration, access to training, promotion, termination, or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/AIDS status, or age.
7. Ensuring good working conditions: The organization provides a safe and healthy working environment for employees and/or members.
8. Providing capacity building: The organization seeks to increase positive developmental impacts for small, marginalized producers through fair trade.
9. Promoting fair trade: The organization raises awareness of the aim of fair trade and of the need for greater justice in world trade through fair trade.
10. Respect for the environment: Organizations which produce fair trade products maximize the use of raw materials from sustainably managed sources, reduce energy consumption, and

minimize the impact of their waste stream on the environment (“10 principles of” 2013).

For the first three decades of the fair trade designation, ATOS provided much of the distribution opportunity for fair trade. Fair trade product certification removed barriers to broader distribution in multiple outlets in 1988 with the launch of the Max Havelaar fair trade label in Holland. The *Trans Fair* and the *Fairtrade Mark* labels were also introduced across Europe, the United States, Canada, and Japan and in the United Kingdom and Ireland. These fair trade labels and many that came after amalgamated into Fairtrade International (previously FLO) in 1997. As a result of these changes, stores without a social justice mission and online outlets sell a significant amount of fair trade products.

Certification bodies have never been a party to the fair trade exchange. They allow producers to carry a fair trade label and to receive the producer benefits associated with fair trade by enforcing minimum standards. Fair trade product certification provides consumers with important information about production practices and producers’ lives and working conditions for all involved. Certification has also fed demand; as the logos appear on more and more available goods, consumers have increasingly demanded goods with this certification.

When choosing producers and products with which to work, fair trade certification bodies consider demand, benefits that can be transferred to the producers, certification costs, sufficient supply (scale), and the environmental and social conditions surrounding production. Globally, the fair trade certification network certifies coffee, tea, herbs, cocoa, fresh fruit, vegetables, sugar, beans, grains, flowers, nuts, oils, butters, honey, spices, wine, crafts, and apparel. In the case of Fairtrade International monitoring and certification, in return for the benefits, producers must adhere to a code of conduct the certification authority set that include:

1. *Social development*: Training opportunities, nondiscriminatory employment practices, no child labor, no forced labor, access to collective

bargaining processes and freedom of association of the workforce, condition of employment exceeding legal minimum requirements, adequate occupational safety and health conditions, and sufficient facilities for the workforce to manage the Fairtrade Premium.

2. *Economic development*: Minimum price aims to help producers cover the costs of sustainable production. The Fairtrade Premium is money for the producers or for the workers on a plantation to invest in improving the quality of their lives; improve the situation of workers, farmers, and local communities in health, education, environment, economy, etc.; standards require buyers to give a financial advance on contracts, called pre-financing, if producers ask for it.
3. *Environmental development*: Minimized and safe use of agrochemicals, proper and safe management of waste, maintenance of soil fertility and water resources, and no use of genetically modified organisms. Fair trade standards do not require organic certification as part of its requirements. However, organic production is promoted and is rewarded by higher Fairtrade Minimum Prices for organically grown products.
4. *Forced labor and child labor*: Forced labor and child labor are prohibited in the Fairtrade standards (“Aims of Fairtrade” n.d.).

In addition to certifying products that are 100% fair trade (coffee, sugar, flowers), Fairtrade International also certifies goods in which some key ingredients are fair trade.

## Changing Standards

Over time the producers who can apply for certification for fair trade certification through the licensing bodies have become more diverse. When subsumed under the Fairtrade International umbrella, Fair Trade USA used Fairtrade International, but it broke ranks with Fairtrade International in 2011. Thus the main players in the fair trade certification movement now have different approaches to setting standards. Specifically,

Fairtrade International focuses on helping small farmer cooperatives and workers. Fair Trade USA certifies similar entities but also certifies products produced by large businesses and plantations, which Fairtrade International excludes. This schism in the fair trade movement reflects an existing disagreement regarding how to grow the movement and for whom fair trade certification should be made possible.

## Cross-References

- ▶ [Animal Ethics](#)
- ▶ [Collaborations Between Grassroots Advocacy Groups and Business](#)
- ▶ [Distributive Justice](#)
- ▶ [Justice](#)

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## Fast Growth Private Firms: The Power of Ethical Values and Trust in Enhancing Performance

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## Synonyms

Ethical organizations; Values-led organizations

## Introduction

Even though private firms make up a significant portion of the economy in North America, they have been largely neglected in both the public press and academic literature. Over 99% of the businesses in North America are private firms, and they account for nearly 59% of sales and nearly 49% of aggregate pretax profits (Biery 2013). To better understand private firms, two research questions were posed: (1) Why are some private firms highly successful in terms of increasing their revenues, profits, number of employees, and markets? (2) Are there common characteristics among the successful firms that differentiate them from their less successful peers? One of the unexpected findings arising from the study was that the most successful private firms were values-led. Deeply embedding ethical values into all the firm's operations served to engage, motivate, and retain employees. These employees, in turn, provided superior service and innovative products to a clearly defined set of customers in a differentiated niche marketplace. Values were also used to guide and sometimes control growth and market entry (Cunningham 2019). While there is an extensive literature related to firm performance, no prior studies could be found that linked being led by a specific set of ethical values with superior performance and growth.

## Background

Following the pioneering work of Birch 1989, fast-growth companies have been titled "gazelles" – those firms who have achieved a growth rate of 20% or more over a time period of at least three consecutive years. Little work has been done to find generalizations that characterize rapidly growing private firms. What has been uncovered represents a fragmented body of work with little overarching theory that can be used to unite the diverse findings that arose in previous studies (Gabrielsson et al. 2011). Typical explanatory variables for rapid growth that have arisen out of the extant research include founder characteristics, ownership type, firm size and age, strategic orientation, market environment, partnership

development, customer orientation, innovation and new product development, and human resource practices.

While many firms publicly display their values, few authentically live those values in all they do. In contrast, values-led companies are those that have a deeply embedded set of values that are “lived” on a daily basis and impact all of the firm’s planning and operations. The concept of values-led companies appears to have originated with Ben and Jerry’s Ice Cream in the late 1990s. The founders used the term values-led business to describe the firm and wrote a book about how to run and profit from a values-led business (Cohen and Greenfield 1998). To date, most of the literature on values-led companies seems to be in the popular press rather than in the academic literature. However, there is an emerging body of literature related to the concept of values-led business that falls under various terminologies including B-corporations, conscious capitalism, corporate citizenship, social impact company, ethical business, purpose-driven business, social enterprise, and socially responsible business.

## Methodology

Given the limited literature and the equivocal findings from previous studies, secondary data and a field-based approach (in-depth interviews) were used. Applications of 40 companies who entered a competition for a private business growth award comprised the secondary data. To qualify as a private, fast-growth company, the firms had to meet several criteria: revenues in excess of \$five million annually and a record of significant growth. The firms had to demonstrate growth in four areas: revenues, profits, number of employees, and number of markets served, over a 5-year period. All 40 firms came from a wide variety of industries ranging from brewing to food production, finance to pharmaceuticals, high tech to traditional manufacturing. Firms ranked by judges as the top performing firms were compared to firms ranked in the bottom quartile.

In addition, 20 in-depth interviews were undertaken with senior managers (e.g., the owner, CEO, CFO, or senior executive team members) of the top organizations. The interviews were conducted with the purpose of uncovering common factors that characterized rapid-growth private companies. The author analyzed the data systematically using standard qualitative data analytic methods (Strauss 1990).

## Findings

All private firms in the study demonstrated the ability to innovate, grow their revenues and profits (some by exceptional amounts up to 300% per year), and expand their workforces and marketplaces. What was particularly striking, however, was that the majority of the top 20 firms (75%) wrote about and talked about their values as one of the primary factors accounting for their success. For example, one co-owner of a firm described himself as being the “culture communicator” who constantly stressed and kept alive the values that he believed led to his firm’s success. The non-winners rarely put such a focus on values (less than 20%), and if values were mentioned, they did not appear to be as central to their customer strategy, culture, or operations. The most common values used by the top fast-growth companies are outlined in the following sections.

### Value of Care

One of the CEOs of a fast-growth, private firm described this value as follows:

XXXX (company name) is more than just a place to come to work; it’s a family. We look after each other.

Senior executives of the highest performing private firms spoke of their firms as organizations where people care deeply for each other. What the firms described as their most commonly shared and primary value appears much like the normative ethical theory articulated by Carol Gilligan (1982), who focused on the female values of empathy and compassion versus the values of justice and abstract duties used by men. While

the values are reflective of Gilligan's work, it has to be stressed that most of the founders and CEOs of the most successful fast-growth, private firms were men.

The caring took place not only in the workplace but when employees were experiencing personal challenges outside of work, like having a sick relative. Employees were given time off, if needed, above and beyond their holiday periods. Others were granted loans to help overcome a challenge like a house fire. One firm consciously limited its production and the number of orders it accepted so as not to cause its workforce undue stress due to overwork or demanding delivery schedules. In this fashion, the fast-growth firms strove to achieve emotional and physical well-being among their employees that has been demonstrated to be so important in today's fast-paced, high-stress world (see Schaufeli and Salanova 2007). The fast-growth firms also went to great lengths to preserve their cultures and the value of care that was so central to their culture as they grew.

As another aspect of care, founders, owners, and senior executives in the fast-growth firms also spoke of their desire to create conditions at work that allowed their employees to reach their full potential. All of the firms had exceptional programs enabling their employees to further their education or skills development. As one of the private, fast-growth firms noted:

It's through this focus on achieving goals that we identify optimal training and development programs to grow all of our employees to reach our desired results.

In many of the firms, employees were cross-trained so that they fully understood how the various functions in the firm created value for the firm's clients.

The fast-growth firms also exhibited the value of care toward the communities in which they operated. One owner noted that one of his main reasons for purchasing his firm was to prevent it from shutting down and removing many jobs from the small community in which it was located. Others spoke of their determination to remain in the community in which the business

was founded even though moving to a new location might have lowered costs or improved access to important inputs. The fast-growth firms also stressed good citizenship and supported many charitable initiatives in their home communities and in other communities in which they operated.

### **Customer Obsession**

The fastest growing companies were universally customer obsessed. As an illustration, one traditional manufacturing firm refused to describe itself in terms of the products it manufactured. Instead, its owner stressed that his firm was a "customer service firm." Putting the customer first and deeply understanding customers is a well-established performance indicator arising from many marketing studies and theories like market orientation (see Slater and Narver 1995). Without exception, the fast-growth firms worked to deeply understand their customer's needs and provide them with exceptional products and services to satisfy their needs. Most of the fast-growth firms (90%) worked in B2B marketplaces using focused differentiation strategies. They had high market cognition and deep customer knowledge that was utilized to outperform their competitors.

### **Honesty, Fairness, Transparency, and Integrity**

Operating using ethical values was central to the most successful fast-growth companies. The owners and founders talked of the need for integrity and honesty in all their dealings and in their communications both internally and externally. One owner featured the following value statement on his business cards and all the company's correspondence:

Integrity will be evidenced in my character and action, and I will not tolerate among us anyone who does not adhere to these values of honesty, uprightness, soundness, and wholeness.

Fairness was stressed and enacted through promotion from within, and it served as a hallmark of many (80%) of the successful fast-growth private companies. Given this, being open, fair, and transparent were essential elements of these firms.

Senior executives at the fast-growth firms went to great lengths to communicate these values to the firm's employees, and they did this personally whenever possible. Their consistent honesty and integrity in both their communications and actions built high levels of trust among both their employees and their clients. For example, some of the firms shared their financial statements with their employees so that they could see and understand how their efforts contributed to the firm's success. This not only led to greater trust in management but also improved employees' productivity and their desire to deliver customer value. Treating customers fairly and with integrity helped the top private firms build strong lasting relationships with their buyers. The relationships were often so strong and trusting that data was freely shared between them. This, in turn, led to a deep understanding of each other's businesses and the challenges and opportunities they faced. The highest performing firms had such strong relationships with their clients that collaborative innovation projects were the norm in these companies. The top fast-growth firms worked closely with their clients to develop new products, processes, and services. Clients (and firms with similar problems to solve) readily adopted the innovations reducing the firms' market risk.

### **Respect for Diversity**

The majority (60%) of the top fast-growth, private firms had diverse workforces, and they strove to ensure that each and every employee felt appreciated for the value they brought to the firm. When asked to give the reasons why their firms were so successful, the CEOs stated that it was their employees who created success for the enterprise. Employees were encouraged to express their opinions and were given the independence to solve problems for the firm and its clients. Having a diverse workforce was especially important when it came to expanding the firm's markets to a diverse set of overseas locations. In addition, many of the firms used in-bound marketing receiving queries and orders from firms located from around the world. Having people within the firm who spoke one or more languages and who knew the culture dominating various overseas

markets and the norms and business practices of new geographic markets boosted the firms' ability to enter new markets and serve them successfully.

### **Collaboration**

The most successful fast-growth private firms valued collaboration far more than their less successful counterparts. Internally, many noted that individual success depended on other's successes. The following quote is illustrative of this thinking:

People at XXXX [company name] are friendly, inclusive, approachable, and dedicated to serving not just their customers, but one another. Its culture can be summed up in a short phrase: How can I help you? Just as XXXX strives to build strong communities among its investors, tenants and suppliers, it encourages cohesion and community among its staff.

The most successful fast-growth companies focused on team success more than individual merit and based their reward and bonus structure on team or group success. Not only did they encourage collaboration among employees, they collaborated with others in their supply and delivery chains. As noted earlier, they collaboratively undertook R&D which led to new product development which both lowered costs and improved the success of their new products.

### **Focus on Sustainability**

The highly successful firms had significant environmental sustainability programs at a level far above their less successful counterparts. Many began their efforts to make their products and production methods more sustainable ahead of their competitors in the industry. This often gave them a point of distinction and a first mover advantage. They focused not only on environmental sustainability but on the sustainability of growth being careful not to overly stress their employees, capabilities, or financial resources. Rather than relying on outside financing to support growth, the most successful fast-growth firms grew organically, using self-generated funds (profits) that were reinvested into improvements and growth rather than venture capital. This ensured ongoing control of the firm and helped to maintain the values and culture.



## Conclusions and Directions for Future Research

This is one of the few studies on private firm performance and one of the few to link being values-led with high performance in terms of rapidly growing revenues, profits, number of employees, and number of markets served. It adds to the literature that has worked to make a business case for having ethical values and programs aimed at social and environmental responsibility. The study suggests that adherence to a specific set of values was fundamental to exceptional growth and that adherence to these values contributed to other conditions enabling success. Caring for employees gave them a sense of safety and empowerment. It increased the trust employees had in management and their loyalty to the company. Such employees were free to innovate and solve problems both for their firm and for its customers. The strong link between being values-led and instilling employee trust and commitment (Cunningham 2018) suggests that a similar theoretical relationship can be used to explain these findings as did the work by Morgan and Hunt (1994), who explained customer trust and commitment in their seminar paper describing the trust-commitment model of marketing.

Customer obsession and collaboration lead to a greater ability to serve the marketplace and enabled collaborative innovation. The top private fast-growth companies had very low levels of turnover; thus, their investments in employee training and development paid off handsomely over the long term. Being cross-trained and deeply knowledgeable about the company's operations made for strong sales and marketing capabilities among a wider set of employees than would be the norm. Respect for diversity not only allowed employees to better understand the value they created for the firm and its customers but also enabled successful market expansion. In these ways, values translated into high performance and rapid growth. These findings should prove useful for managers wishing to improve the performance of their firms, small or large, private or public.

Since little research has been conducted on private firms, this area is ripe for further

investigation. While qualitative research was useful in suggesting the relationships noted in this paper, other methods should be brought to bear on questions of private firm performance to help validate and extend these preliminary findings. A set of relationships has been suggested between firms' values and other performance-related variables (e.g., employee commitment, innovation). Modelling and using quantitative methods to test these relationships using a larger sample size would be a fertile ground for a future research project. This study was conducted in a single country (Canada). Studies in different geographies with different cultures would provide a test of how generalizable these findings are across countries. Other values may also be conducive to superior performance, and research needs to be conducted to uncover these values.

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- Ethical Citizenship and Business Ethics
- Socially Responsible Investment and Corporate Engagement
- Values-Based Consumption

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## Female Chair: Moving Away from Shareholder Primacy

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## Synonyms

Gender and Values-Direction of Boards

## Introduction

Recent global and regional corporate governance trends are once again turning the spotlight onto corporate boards. Corporate purpose, which is drawing increasing attention particularly in the European Union (EU), is one of those trends that puts pressure on boards to take immediate action in shifting from traditional shareholder primacy to stakeholder considerations (Russel and Reynolds Associates 2020). In August 2019, 181 out of 188 member Chief Executive Officers (CEOs) of the US Business Roundtable signed an amended Statement on the Purpose of a

Corporation, putting aside the traditional view that maximizing shareholder returns is the top priority. This was followed by a December announcement from the World Economic Forum updating their 2020 Davos Manifesto (last published in 1973) (Schwab 2020), challenging companies to put stakeholders at the heart of a company's purpose. Additionally, an increasing number of institutional investors have started to look for indices to discover whether a shift from shareholder primacy is taking place at firms they consider investing in. To this end, the S&P 500 ESG (Environment, Social, Governance) Index and yearly reports have been introduced (S&P Global 2020) to assess companies' ESG performance on a yearly basis (Stedman and Perrone 2019). Gaining investors' trust that a stakeholder mindset is adopted during decision-making and, thus, will soon reflect on ESG measures and reports may not be an easy task for boards, simply because boards are mainly comprised of independent directors who are appointed for their loyalty to the shareholder primacy. Additionally, independent directors, who share similar backgrounds and professional experience, are unlikely to provide diversity in perspectives, experience, or values that would consider not only the economic but also the environmental and social impact of strategic decisions. This chapter reflects on this important corporate issue and, as a solution, suggests that the appointment of women directors could bring the stakeholder mindset to board decision-making. However, only when women directors can be influential in male-dominated boards will this transition really begin. Relatedly, the argument in this chapter is enriched by discussing whether and how a female chair can play the role of a transition agent and, hence, strengthen an early signal to the investors that the transition from shareholder primacy to stakeholder considerations is taking place.

## Moving Away from Shareholder Primacy

Imagine you invest some amount of money in firm A. According to shareholder primacy, what you

should expect is for returns on your investment to be maximized at the end of the investment period. To this end, as a shareholder of firm A you want to make sure that your agent, the CEO of firm A, make decisions that set maximizing shareholder returns as a priority. How do shareholders monitor CEOs' managerial decisions as well as actions? The board of directors! This is why, for decades, boards have been seen only as monitoring mechanisms or "watch dogs," fulfilling one main role, of control. After the corporate scandals of early this century, the spotlight has been turned on boards, raising questions over their ability to successfully fulfill their fiduciary duty of control. As a solution, it was suggested that boards be independent. That is, where almost all directors are expected to be outsiders, having no affiliation with the firm or the top management team. The idea was simple: with no social relationship attached, nonexecutive directors (NEDs), who have expertise and experience in management efficiency, might better monitor managerial decisions and actions. Where boards are successful in fulfilling this monitoring role, it is expected that a repetition of the previous decades' corporate scandals would be avoided and that they would contribute to maximizing shareholders' return, which is seen as the main purpose of a firm.

In sum, according to shareholder primacy, the corporate purpose is to maximize shareholders' returns and boards are the independent control mechanisms serving this purpose. This understanding has become so powerful that corporate influentials – such as institutional investors, international organizations, nongovernmental organizations (NGOs) – have suggested board independence as best practice of corporate governance. Several national governments have imposed board independence and effective implementation of the control role as legal obligations. Education systems, theory, and research on corporate governance were no exception to this spread of ideology (Ghoshal 2005). Although academic jury continues to discuss the mixed findings on whether shareholder primacy leads to better financial outcomes, today this mindset seems to remain the dominant view in the corporate world.

However, in the last decade, role expectations of boards have started to change and this development, together with rising public sensitivity to environmental and social issues, have contributed to the expansion of the board's role. In addition to the control role, boards are expected to offer advice and counsel to top managers, and even participate in and contribute to strategic decision-making. It is interesting to note that, from recent reports on boards, strategy has become a priority for boards (McKinsey 2016). This increase in a board's role expectations can be explained by the changing circumstances in a firm's environment. Facing a rapidly changing, volatile, ambitious, and uncertain environment, corporate leaders might have recognized that boards are in fact key assets, rather than merely watchdogs, which should be utilized in the strategy process. Research has demonstrated boards' contribution to decisions in, for instance, strategic change, investment, organizational innovation, and corporate social responsibility (CSR) activities (Rao and Tilt 2016).

Why it is important to acknowledge this change in boards from being control mechanisms to strategic decision-making groups? Simply because this change has opened the way to hold boards, together with top management teams, responsible for strategic decisions that may not favor the greater number of stakeholders, or perhaps the environment and society. Accordingly, sitting at the apex of decision-making, boards have started to feel the pressure of moving away from shareholder primacy and the reconsideration of the corporate purpose. This pressure belongs to the public, scholars, journalists, activists such as Greta Thunberg, and even institutional investors (see also Canadian government's Bill C-97). What does it mean to put the stakeholder mindset at the center of corporate purpose? Laurence Fink, the chair and CEO of BlackRock and one of the signatories to the new Business Roundtable Statement, explains stakeholder primacy in practice. According to Fink, among other things, a company should consider its role in the community, its management of its environmental impact, its efforts to create a diverse workforce, its ability to adapt to technological change and take advantage

of new opportunities, its retraining programs for employees in an increasingly automated world, and its efforts to help prepare workers for retirement. But these goals are not just goals in and of themselves; they have a larger purpose (Posner 2018).

It is hardly in doubt that moving away from shareholder primacy toward the stakeholder mindset has become an important topic for boards and requires immediate actions. However, injecting a stakeholder mindset into board decision-making might not be an easy task for boards. The dominance of independent directors with a loyalty to shareholder primacy might not provide the diversity in perspectives that would reflect a stakeholder primacy. One immediate action corporate leaders might take would be the restructuring of their boardrooms by appointing new directors, particularly those who might bring along a variety in perspectives and experience as well as values that might add the stakeholder mindset to board's agenda. However, this variety might also bring along its unique challenges, which would affect board dynamics and, hence, board decision-making.

Increasing numerical representation of women directors on boards continues to be another hot topic in the corporate world. Whether to comply with the recent gender quota laws or avoid increasing pressure from business influentials, corporate leaders are appointing women directors to their boards. What is interesting is that, although unintentionally, newly appointed women directors might be an important step in bringing the stakeholder mindset into boardrooms. Next, the case for appointing women directors on boards is explained in detail.

### **Moving Away from Shareholder Primacy: Appointment of Women Directors**

Several well-known theories (behavioral theory, upper echelons theory, information processing theory) support the idea that boards make strategic decisions which are nothing but a reflection of the directors' cognitive frames. Decision makers' cognitive frames are shaped by their educational

background, functional background, professional experience, values, and beliefs. Cognitive decision-making is divided into three phases. Scanning is the phase where a director collects information about the decision/problem at hand. For example, a director with a background in finance would most likely collect information about the financial aspects of a decision/problem. Second is the interpretation phase where the information collected is harnessed with knowledge and values to generate an individual perspective on the problem. Similarly, a director with expertise in finance would create decision alternatives related to the possible financial issues of the decision/problem at hand. In the last phase, choice, decision alternatives are discussed between directors to reach a consensus on a final decision. This last phase is considered as a negotiation between different power/shareholder groups represented by directors.

Acknowledging the dominance of independent directors on boards, it will hardly be a surprise to see that board decisions reflect shareholder primacy. Board independence refers to the degree to which a board is comprised of NEDs, who are not affiliated with the firm and/or management in any way. On the surface level, increasing board independence would result in replacing executive directors with NEDs. However, at the deeper level, this change has led boards to be dominated by male directors with skills, knowledge, and experience in finance who mainly have a reputation in safeguarding shareholders' profit maximization. In this regard, while board attention would be most often directed at maximizing financial performance, other aspects which cannot be directly related to economic efficiency would be greatly neglected. This predicament is actually at the core of rising pressures against boards.

What action could boards take immediately to disentangle the fortresses of shareholder primacy? One main answer would be "change the board composition." As a matter of fact, boards might have already taken that action by appointing women directors to their boards, either voluntarily or as a legal obligation. Women directors on boards might start the transition from shareholder primacy to stakeholder primacy. Women on boards have become a worldwide topic in the

last decade. Several national governments (e.g., Norway, Spain, Italy) have adopted women quotas on boards, requiring, for example, 40% of board members to be selected from women candidates. Women directors are often different than their male counterparts in relation to educational background, functional background, professional experience, and values (Groysberg and Bell 2013). These differences generate important outcomes that might explain the rationale behind the argument that women directors might bring a stakeholder mindset to board decision-making.

Managers from marketing, sales, research, and product development backgrounds might be more often exposed to situations where stakeholder demands are in conflict. Theory and research emphasize that while a vast majority of male directors come from a business background, a vast majority of female directors come from banking, marketing, law, and public relations. Women directors are also more likely to report having strengths in marketing and sales (Hillman et al. 2002). In this regard, due to their different functional backgrounds to their male counterparts, women directors can be expected to be more open to paying attention to multiple, competing economic, environmental, and social attributes to make sense of ambiguous sustainability issues. It should be noted that instead of the key difference being their sex, it is the career path that female directors pursue in general that explains why they might be more likely to bring a stakeholder mindset to male-dominated independent boards.

Additionally, female directors might help elicit multiple viewpoints and cultivate deliberativeness in decision-making, creating an atmosphere of a stakeholder mindset in the board (Huse and Solberg 2006). Previous studies support this. Female directors are more likely to value interdependence, benevolence, and tolerance; they are more empathetic than men and thus are more likely to accept others' standpoints; and they are more likely to use a cooperative decision-making approach that results in a fair decision when competing interests are at stake (Bart and McQueen 2013).

Indeed, research shows that gender diversity increases the likelihood of firms getting involved in CSR activities (e.g., Rao and Tilt 2016). For example, some studies have found that women have stronger environmental attitudes and commitment to a green entrepreneurship program than males, suggesting that women entrepreneurs may be more engaged in green issues than male entrepreneurs. Other studies show that female directors influence different aspects of CSR, such as charitable giving, and higher levels of environmental CSR.

While changing board composition by appointing women directors can be a necessary step in moving away from shareholder primacy in board decision-making, it might not always be sufficient. It is mentioned before that in the last phase of decision-making different perspectives are discussed at board level to reach a consensus on a final decision choice. This implies that women directors' different perspectives, which most likely would reflect a stakeholder mindset, should be heard, taken seriously, and valued during board discussions. Although it may sound unrealistic, several studies emphasize that women directors face social barriers in male-dominated boards where they are perceived as unequal members of a board and categorized as tokens, as well as outgroup members (Groysberg and Bell 2013; Huse and Solberg 2006). The result is that they fail to participate and contribute to board decision-making. Therefore, appointing women directors, even with certain backgrounds and experience, is no panacea for moving away from shareholder primacy; nor will investors necessarily perceive it as a positive signal toward stakeholder primacy.

### Repositioning the Female Chair: The Agent of Transition

Compared to the USA, it is a more common governance practice in continental Europe and the UK that the CEO and chairperson positions are separated. However, recent reports suggest



that the separation of the roles of chair and CEO is increasingly seen as best practice in governance in the USA. The chairperson is the leader of the board, responsible for setting the agenda, keeping board discussions on track, and managing board meetings in such a way that each director's knowledge and experience is utilized. In this regard, an efficient chairperson can be an agent of transition. That is, an efficient chairperson may facilitate women directors' participation and contribution to board discussions. This might be achieved through setting an agenda that would reflect women directors' voice in meetings, by asking for each female director's perspective during decision-making and by working against social barriers women directors might face in the boardroom (Kakabadse et al. 2015). Research supports the idea that an efficient chairperson can influence social interactions between directors, facilitating directors' contribution to board decision-making (Kanadli et al. 2018).

This important role that would help women directors start the transition might be gender sensitive. That is, a female chair may differ from a male chair in her leadership style and reaction to social categorization processes in the boardroom. The leadership style of women directors is distinguished by their tendency to be more sympathetic, more receptive, more caring, and more cooperative (e.g., Kakabadse et al. 2015; Huse and Solberg 2006). A female chair may be more open to and supportive of a stakeholder mindset compared to a male director. Additionally, coming from a similar career path, experiencing similar difficulties while climbing to the c-suite, a female chair can be more sensitive to the social barriers women directors may face in boardrooms and, thus, be prepared to effectively handle boardroom dynamics so that female board members can be heard and be able to positively contribute to boardroom meetings. A female chair, for example, may act as a mentor to newly appointed women directors, facilitating their participation in board work as well as giving advice about how to shape social relationships in boardrooms particularly with male directors (Kakabadse et al. 2015). As a result of such sympathy for women directors and

being the leader of the board, a female chair may change the overall balance of power in favor of women directors. In turn, this may help women directors overcome the silencing effect of high power male counterparts and be influential in affecting critical decisions. Research that investigates whether and how women on boards send positive signals to investors on various initiatives supports this line of reasoning that points out the important role a female chair plays. Lucas's (2003) study hints that the visual of a female chair can relay positive information about women's fitness for board director positions, warding off gender status differences. All in all, a female chair can act as the agent of transition against shareholder primacy by facilitating women directors' contribution to board decision-making and strengthening the signal that change is on its way.

## Conclusion

Boards are no longer viewed only as control mechanisms. Boards are actively participating and contributing to strategy process and, therefore, are held responsible for a shift against shareholder primacy, which defines the corporate purpose as the maximization of shareholders' return. However, it is not an easy task. The appointment of women directors with certain backgrounds and professional experience is an immediate action to bring the stakeholder mindset to board decision-making. It is crucial to acknowledge that this transition requires an effective board leadership.

## Cross-References

- ▶ [Corporate Governance](#)
- ▶ [Gender Policies on the Board of Directors and Firms Financial Performance](#)
- ▶ [Impact of Board Diversity on CSR Practices](#)
- ▶ [Women on Corporate Boards and Sustainable Development](#)



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## Feminist Economics and Agency

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## Synonyms

Capabilities; Empowerment; Gender economics; Power; Self-efficacy

## Introduction

Feminist economics is a subdiscipline of economics that emerged in the 1980s as feminist economists started to interrogate assumptions embedded in their discipline that failed to take account of gendered roles and responsibilities and gendered social norms, particularly as they affected households and the market. As Benería et al. (2016: 56) observe, “mainstream economics defines the discipline principally in terms of optimizing the behavior of individuals.” Markets and transactions are theorized, and individual or group behavior is modeled mathematically with individuals or agents maximizing utility,<sup>1</sup> profit, or well-being subject to financial or time constraints. Attempts to understand the household and realms where prices did not hold and transactions did not involve money or assets, theorized unpaid work being exchanged for financial or in-kind support provided by individuals engaged in market labor. But as Benería et al. (2016: 56) also point out, “this approach marginalizes or obscures the importance of social provisioning, that is how societies organize the activities involved in making a living.” This is where social and cultural norms shape expectations about the gender roles individuals have and what is appropriate for their

<sup>1</sup>Utility is what economists call satisfaction. The concept of utility as it is used in microeconomics comes from Jeremy Bentham's work on happiness in the eighteenth century. <http://www.iep.utm.edu/bentham/>

time use. This includes whether women engage in paid work outside the household and have control over their earnings. Marilyn Power (2004) uses the term “social provisioning” and associates this with the emerging discipline of feminist economics. In Power’s view, there are five main components to social provisioning: “incorporation of caring and unpaid labor as fundamental economic activities; use of well-being as a measure of economic success; analysis of economic, political, and social processes and power relations; inclusion of ethical goals and values as an intrinsic part of the analysis; and interrogation of differences by class, race-ethnicity, and other factors.”

A central tenet of feminist economics is the recognition of the importance of unpaid and caring labor (Benería et al. 2016). Worldwide, the responsibility for unpaid care work falls disproportionately on women and girls, leaving them less time for education, leisure, self-care, political participation, paid work, and other economic activities. Much of unpaid work is devoted to caring for household members and household provisioning such as cooking, cleaning, washing, mending, and making clothes. Caring work takes up a significant amount of time in most countries, especially where infrastructure is poor and publicly provided services are limited or absent. Women’s responsibilities for care work can limit their engagement in market activities, reduce their productivity, increase labor market segmentation, and lead them to concentrate in low-paid, more insecure, part-time, informal, and home-based work as a means of reconciling unpaid care work and paid employment. Where social and cultural norms dictate that women bear the primary responsibility for caring, women frequently have little opportunity to shift or renegotiate these roles, limiting their agency and ability to choose other roles and responsibilities.

### **Gender as Defining Characteristic for Economic Analysis**

Feminist economics uses gender as a defining characteristic relevant for economic analysis. Gender goes beyond sex to ascribe social and cultural constructs to an individual. Gender is a social construct that is being reshaped and

reconstituted over time in different cultures and epochs (Benería et al. 2016). Gender affects the substantive freedoms that individuals have to be and do what they may wish to do, and it may even affect their imagining of what they might be and do. Gender also affects an individual’s agency, that is, the capacity of individuals to act independently and to make their own free choices (Sen 1999).

### **Agency and Empowerment**

Agency is frequently linked to empowerment and considered to be a core component of empowerment (Kabeer 1999). While various definitions exist for empowerment, a commonly accepted definition is that empowerment is an “expansion in one’s ability to make strategic<sup>2</sup> life choices in a context where this ability was previously denied to him/her” (Kabeer 2001).

Agency is defined as the ability to formulate strategic life choices and control resources and decisions that affect important life outcomes. Put more simply, it is the ability to define one’s goals and act upon them (Kabeer 1999; Sen 1999). Agency is related to one’s internal power and the meaning, motivation, and purpose that people bring to an activity. Important to exercising and having agency is having an understanding of one’s values, as well as having self-esteem, confidence, and aspirations. The expression of agency can include bargaining, negotiation, manipulation, resistance, and protest. It also includes intangible processes of reflection and analysis (Klugman et al. 2014).

Integral to agency is self-efficacy. Self-efficacy is the perception of your capability to get something done in a way that leads to desired outcomes (Bandura 1995). Drawing from social cognitive theory, what people think, believe, and feel in turn affect how they behave. Self-efficacy is important because unless people believe that their actions can produce results, they have little incentive to act or persevere when they face challenges.

<sup>2</sup>Strategic life choices are synonymous with important life choices that help people live the lives they want, as opposed to other choices which are those with less consequential outcomes.

Depending on how well you think you can do something (self-efficacy), your choices and actions will be affected (agency).

Agency is psychological, but resources and the institutional environment impact the development and exercise of agency (Klugman et al. 2014). Agency can be indirectly reinforced through a supportive environment and directly encouraged through psychological interventions that have people reflect on their personal values, goals, and hopes. Agency can be promoted through programs and policies that expand economic opportunities, provide young women and girls with trainings or new information and skills, promote gender-responsive social protection (including addressing unpaid care responsibilities), and increase access to quality education (Klugman et al. 2014: 47–56). The ability to undertake paid work can also increase agency and afford women income and earnings that can be used to secure their well-being, acquire new skills or enable them to change their status as dependents, and influence decisions within and beyond the household (Agarwal 1997). With agency and resources, people can make important choices in their lives and gain increased control over their lives.

Nancy Folbre (1994) highlights how identity and gender affect one's agency. She describes how the collective structures of constraint in a society affect agency through the pattern of rules, norms, assets, and preferences that position individuals within a social hierarchy according to their intersecting group identities (such as sex, age, race, caste, class) and how these rules determine the scope for agency available to them. The distinction Folbre (1994) makes between rules and norms allows us to see how norms and rules interrelate and how change can be brought about by acting in either arena. In Folbre's analysis, rules have an official status and can include laws and regulations that are enforced by an external authority. Norms tend to have a more implicit and decentralized nature and are embedded in our sense of who we are and our identities. But explicit initiatives to change rules through legislation, such as whether a woman can drive a truck or work on a construction site, or to set quotas for

women's participation in economic and political spheres, can also challenge existing social and cultural norms and begin to shift them over time. Similarly, interventions that support communication and behavioral change often act on social and cultural norms to challenge and reshape them. Folbre brings assets into her analysis of the structures of constraint because they too can affect agency. Access to productive assets such as land or housing changes opportunities to generate income and may also affect choices about what to do and be. Having control over assets has the potential to change a woman's intra-household bargaining power and the ability to negotiate outcomes that reflect her preferences (Agarwal 1997). As a result, having assets and/or income can also affect individual agency.

### Power

Central to agency and at the root of empowerment is power. Power dynamics, which are socially constructed, are implicit in all social, economic, cultural, and political relations. These social constructions often inhibit women from being able to claim or wield their own power. Power can be categorized in four areas: power to, power over, power with, and power within (Rowlands 1997). "Power to" is about creating new possibilities and controlling, determining, or influencing what happens. "Power over" is an interpersonal form of power and involves the ability to resist manipulation or exert control over another person. "Power with" refers to collective power in a group and achieving things collaboratively that the group wants as a whole. Finally, "power within" is intrapersonal power and is related to strength based on self-respect and self-acceptance. This "power within," which arises from oneself, is important to fostering self-efficacy and ensuing agency. These types of power interrelate in various ways.

Fostering women's empowerment requires a deep commitment to understanding how gendered power relations can change in different contexts and over time. This means efforts to impact women's empowerment require longer time frames, strong partnerships, and support for local

actors. Women's empowerment involves fostering an increasing ability to question, challenge, and eventually transform unfavorable power relations that are created and reinforced in the institutional environment.

### Why Does Agency and Empowerment Matter?

Agency is critical for an individual to make choices and to seek to act upon them. Without agency, an individual's autonomy is limited in what they can seek to do and be. Without agency and the power to act upon choices, individuals and groups can be subject to the power and rules of others. In its extreme form, such as slavery, imprisonment, or death, but even in lesser forms as a subjugated being, the lack of agency and empowerment compromises an individual's welfare and well-being. In relations between men and women and in the formation of families and households, communities, and nations, the prevailing norms and rules describe a system of entitlements that can privilege men over women and create entrenched social and economic inequalities (Nussbaum 2003; Sen 1999). Agency and empowerment go to the heart of substantive freedoms (Sen 1999). The failure to include agency in economic analysis allows economists to posit that observed outcomes are rational choices, maximizing utility subject to time and income constraints. This approach fails to identify how norms, rules, and the institutional environment shape choices and limit the ability to be and do. It also fails to explain some fundamental differences between markets and households. As Nancy Folbre (1994) points out, this vision of individual behavior sees individuals motivated by selfishness in markets but fails to explain why the same individuals might be altruistic in the household or indeed the community. This false dichotomy fails to conceive of markets as gendered institutions (Elson 1999) and conceive of human behavior as bearing the imprint of gender socialization. It also fails to understand that humans may not all seek to maximize utility or profits through market mechanisms but may have preference for other divisions of labor, surplus, and allocation and distribution of production (Power 2004).

### Institutional Environment

The institutional environment or "opportunity structure" (McAdam 1999) includes formal/informal laws, stereotypes, values, and norms. The institutional environment largely determines resource allocation and is the context within which people not only access resources but are offered the opportunity (or not) to exert agency. Oftentimes, despite changes in formal laws, women's freedoms can remain defined by tradition and customs that inhibit them from taking advantage of new possible choices. Gender norms are not just constructs perceived by individuals, but are very real structures and constraints that are embedded in organizational bodies and practices, economic transactions, and group identities (Gammage et al. 2016; Elson 1999).

Enhancing women's empowerment involves a shift in the institutional environment that can be supported through formal changes in laws, but also requires women themselves choosing to reject the power arrangements that disempower them. But in order for them to do so, Paulo Freire (1973) argues that women must be able to see the reality of oppression as a limiting situation that they are able to transform. He refers to this as "critical consciousness," which involves being able to also see that one is being oppressed and that there are other ways of being. By being able to imagine the possibility of choosing differently, one can move from an unquestioning perspective to a critical perspective. It's important to create and promote opportunities to enhance the ability of women to reflect so they can move to a critical perspective. Moving from reflection to action is a shift in thinking in which women, using a critical perspective, question and then overturn the existing power dynamics.

With voice, women can speak up about the oppression they face, be heard, as well as shape and share in discussions and decisions that affect them. Voice is commonly referenced to in terms of political interventions and initiatives (Hirschman 1970; Sen 1999; Klugman et al. 2014). Voice as part of the politics of representation takes on particular significance in the feminist literature on

collective action by women coming together in various organizational forms, ranging from cooperatives, political parties, social movements, women's organizations, trade unions, and so on (Bina Agarwal 2000; Petra Dannecker 2000; John Blaxall 2007).

## Resources

Resources describe the stock of assets or capabilities that facilitate functionings (Sen 1999) or action from which choices are made and can lead to new ideas of possibility (Kabeer 1994). Resources can be material, social, or human. Material resources include economic resources such as land, equipment, and finance. Human and social resources enhance the ability to exercise choice. Human resources can be one's knowledge, skills, and creativity. Social resources are made up of obligations, expectations in relationships (including related to unpaid care work), networks, and connections that are present in the different spheres of one's life. Yet coming full circle, access to resources reflects the rules, norms, and practices that prevail in certain contexts, as well as the preferences of those who have authority. It's not only important to consider if women are able to access resources but also how they access those resources, as access might also be conditional or exploitative. Resources create the potential for choice to be exercised. They are necessary but may not be sufficient for empowerment. There remains a need for individual or collective ability to recognize and utilize resources in one's own interest deploying agency.

## Cross-References

- [Feminist Ethics](#)
- [Gender and Household Economics](#)
- [Gender and Social Security](#)
- [Gender and the Economic Theory of the Firm](#)
- [Gender, Economics, and Unpaid Work](#)
- [Human Rights](#)
- [Medical Ethics and the Land Ethic](#)
- [Social and Economic Mobility](#)
- [Social Construction of Businesses](#)
- [Social Identity Theory](#)

- [Women on Corporate Boards and Sustainable Development](#)
- [Work-Family Conflict and Policies](#)
- [Work-Life Balance](#)

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## Feminist Ethics

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### Synonyms

Empathy; Ethics of care; Relations; Stakeholders

### Introduction

Feminist ethics pertains to the inclusion, perspectives, experiences, and reasoning of women in theories of ethics (Derry 2002) and is primarily focused on sexual differences, relating to female perspectives and experiences, and gender theories – frequently relating to inequality and dominance over women and the place they [should] hold (Machold et al. 2008). This entry reviews the reasoning behind feminist ethics, its contradiction with justice ethics theories, and considers some strengths and weaknesses noticed in this theory.

### Feminist Ethics Versus Universalism

Feminist ethics builds on the observation that conventional moral reasoning has been based on male dominance, thus seriously disregarding the voice, presence, and perspectives of women in moral reasoning. While in general agreement with the above, Koggel (2010) places a well-considered footnote within the context of gender equality and the discussion of feminist ethics by pointing out that the feminist voice heard in regard to gender equality is oftentimes the one of “white,

middle class, heterosexual, able-bodied, western women” (p. 177). She therefore calls for awareness of the diversity that also exists between women groups when addressing concerns of this nature.

Bringing in the context of the ethics of care and Kant’s categorical imperative, Machold et. al observe that feminist ethics dives deeper in its ethical deliberations, by bringing in the notion of relationships. In order to clarify this, we should first explain the ethics of care and Kant’s categorical imperative, also known as Universalism.

The ethics of care is relational oriented: it focuses on characteristics such as sympathy, compassion, and friendship, which are all social virtues (French and Weis 2000). Derry (2005) describes the ethics of care as moral reasoning that stems from a concern for others and a longing to maintain considerate, reciprocal relationships with those affected by one’s actions. White (1999) alludes that the ethics of care is imperative to business ethics, as it endorses the quality of relationships through active listening, respect for, and being empathetic toward others. The ethics of care, in White’s (1999) explanation, advocates non-harming and may even involve self-sacrifice in order to meet important needs of others. White (1999) and Gilligan (1982) concur that women largely use a relational context when making ethical decisions, considering that each individual involved should be defined in connection to others, should be considered as having their own construct of reality different from others’, and should be treated well and with as little harm or suffering as possible, and with whom a decent relationship should be maintained. The reasoning above reveals that feminist ethics are relativist-based, as “right” and “wrong” are considered against the background of circumstances. This is in stark contrast with Kant’s categorical imperative, which disengages moral considerations from the specific individuals or circumstances involved.

Universalism is considered a deontological or duty-based approach (Weiss 2009). Immanuel Kant, a German philosopher, carried the conviction that each person should base his or her moral



philosophy on autonomy and that there should be one universal moral law which each of us should independently impose onto ourselves. Naming it “the categorical imperative,” this notion holds that every act we commit should be based on our personal principles or rules. Kant refers to these principles or rules as “maxims.” Maxims are basically the “why” behind our actions. Even if we are not always aware of our maxims, they are there to serve the goals we aim to achieve. In order to ensure that our maxims are morally sound, we should always ask ourselves if we would want them to be universal laws. In other words, would our maxim pass the test of universalizability? (Marques 2015). Within the framework of the categorical imperative, a maxim should only be considered permissible if it could become a universal law. If not, it should be dismissed (Rolf 2010). Kant’s categorical imperative was based on treating each other individual as an end and never as a means only (Johnson 2012), boiling down to the consideration that we should only do something when we felt that every other person in the universe should do the same, based on respect for that other person, regardless of who he or she is.

Because Kant’s categorical imperative does not consider any specific attributes to others involved in a moral act, it is supposed to be consistent and to a large extent resembling the Golden Rule, which recommends to treat others the way one would like to be treated. Moyaert (2010) confirms that Kant’s categorical imperative can be seen as “a further formalization of the golden rule” (p. 455).

It is, nonetheless, exactly the universalizability concept of Kant’s categorical imperative that places it in opposition to feminist ethics, because Kant’s theory is not relational but rather based on justice, while the feminist theory very much encourages relational contexts. Machold et al. (2008) opine that feminist ethics places its moral considerations beyond Kant’s categorical imperative by adding an imperative of care for the self and others in the context of relationships.

## Relational Considerations

The justification, which feminist ethics claims within its context, is that humans are relational beings and that it is insufficient to base all decisions on sheer rational considerations, while there may be circumstances that require adjustments. Feminist ethics places caring for others in relationships while considering circumstances, feelings, and emotions, toward a morally sound decision. So, while in the categorical imperative and other justice-based theories, all stakeholders should be given equal treatment, and the feminist ethic considers all stakeholders but allots more value to those with whom relationships have been established or can be established (Noddings 1984).

Simola (2015) brings moral courage into the equation, affirming that both, care, and feminist ethics are strongly dependent upon moral courage, particularly of the psychological kind. Moral courage has, over time, been defined as the act of overcoming fear of rejection in order to maintain ethical integrity (Putnam 2010); remaining authentic while facing rejection, discord, or condemnation (Lopez et al. 2010); and behaving in a prosocial manner with few or no rewards (Osswald et al. 2010). Simola (2015) clarifies that in work environments where harassment, abuse, and other immoral behaviors are practiced, moral courage is definitely needed. While it requires a strong backbone, moral courage can help reduce groupthink, hypocrisy, and injustice, while it can promote proper conduct, strengthen trust, and give emergence to voices that were previously ignored. Supporting Simola’s stance is Nelson (2004), who suggests a Buddhist consideration, supported by feminist ethical thinking, that builds upon deep connectivity between all beings and invites us to deviate from us versus them mind-sets, especially when that entails the perception of seeing business entities as impersonal systems.

## Feminist Ethics and the #MeToo Movement

Over the first two decades of the twenty-first century, a major upsurge of sexual harassment and

sexual assault reports rattled the status quo in a widely diverse world of professional performance. Generally known as the #MeToo movement, but also manifested under a number of alternative titles globally, this social justice and empowerment movement primarily aims to demonstrate empathy and provide mental strength to women who became victims of sexual assault and harassment in professional environments. The #MeToo movement resulted in multiple high profile firings and severe criticisms.

Deliberating about this movement, Ozkazanc-Pan (2018) shares the insight that a collectivist approach to agency is necessary to provoke gender system change. She thereby coins the term “collective feminism” to underscore the importance of joining forces toward social change, including gender equality. Also contemplating the #MeToo movement, Murray (2019) alludes to the fact that there were private actors needed to join forces in changing a disturbing trend in the professional arena and describes this as a failure of the state to apply appropriate regulation of sex and sexuality.

Weighing the positive effects of the #MeToo movement against the negative, Zugelder (2019) points out that MeToo brought increased awareness about harassment through broad media coverage, also resulting in amplified reporting. The movement also led to better management behavior to curtail harassment tendencies and prompted improved prevention and training policies. Furthermore, MeToo has resulted in an upward trend of workplaces increasing their insurance coverage to compensate claimants and imposing economic sanctions for sexual harassment, while law enforcement has also become more alert and strict in that regard. On the negative side, Zugelder (2019) found that multiple polls reported increased levels of skepticism among the US population about sexual harassment, often accompanied by a negative perspective about women claiming such harassment, and demand that cases of more than two decades ago should not result in major penalties. Another criticism that emerged from the movement is the possibility of false claims that can ruin the careers of large numbers of innocent men. Possibly the most

concerning criticism is the possibility of MeToo instilling discomfort in managers to hire or promote women, as a way of taking cautionary measures toward potential harassment claims, hence generating a new level of gender discrimination, inadvertently prompted by the movement.

## Global and Other Concerns

Feminist ethics may be instrumental in heightened awareness when it comes to global business dealings. Joseph (2016) refers to the increasing degrees of globalized business practices in our times, where it becomes progressively important to be mindful of, and respectful to, cultural, generational, gender, and other diversity-based factors. Ethical decision-making processes may suffer if organizational leaders think that they are able to place themselves in the shoes of stakeholders from very different backgrounds and mind-sets. In consideration of this reality, a sincere call for caution is in place for those who adhere to Kant’s categorical imperative. At the same time, however, the relational foundation of feminist ethics should require the same level of caution suggested for Kant’s categorical imperative: a strong focus on relational considerations may lead to perceived nepotism or even discriminatory claims in the eyes of those that have little or no relationships with the ethical decision-maker. In management terms, too much focus on a relational approach could lead to in- and outgroups, with all moral code violations therewith.

Another concern that has been mentioned in regard to feminist ethics is the manifestation of gender binarism, whereby philosophers within this theory have a tendency to distinguish between only two genders, which represents a limited and unrealistic view. Additionally, some critics (e.g., Jaggard 1974) have called for the consideration of finding a way to bring together the best of multiple worlds – or perspectives – rather than creating separate ethical theories that only result in increased antagonism between proponents of the various theories.

## Cross-References

- [Agency Theory](#)
- [Deontology](#)
- [Feminist Economics and Agency](#)
- [Human Dignity and Business Ethics](#)
- [Justice](#)
- [Political Philosophy and Business Ethics](#)

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## Financial Secrecy Index

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## Synonyms

Financial secrecy measurement; Financial secrecy scale; FSI; Index of financial secrecy; Levels of financial secrecy

## Introduction

This is an overview of the Tax Justice Network's measure or scale of financial secrecy in any political jurisdiction.

## Description

The Financial Secrecy Index (FSI) is an initiative of the Tax Justice Network (2016a). It is based on a biennial survey of secrecy jurisdictions from 2009, 2011, 2013, and 2015. “Secrecy jurisdictions” is the Tax Justice Network’s preferred name for what are more familiarly referred to as tax havens. They are an assortment of countries (e.g., Belgium, Greece), protected territories (e.g., British Virgin Islands), special administrative regions (e.g., Hong Kong), or crown dependencies (e.g., Guernsey). These areas of the globe are defined roughly by two characteristics, namely, (1) they have regulations, rules, and/or laws offering special benefits or advantages to nonresident commercial entities, and (2) most especially they offer a “veil of secrecy” prohibiting exposure of the identities of the ultimate owners of those commercial entities from laws, rules, and regulations of their countries of residence (Cobham et al. 2015). In short, secrecy jurisdictions offer nonresidents the opportunity to take a free ride on their competitors, customers, and neighbors at home, notoriously a tax-free ride, but perhaps as often as not, a free ride on laws against environmental pollution and worker rights. Shorter and cruder still, secrecy jurisdictions are areas of the globe in which theft from one’s competitors, customers, and neighbors is officially legalized.

The FSI is an attempt to provide a means of rank-ordering jurisdictions according to the intensity of their secrecy tactics and the extension

of their impact on the world. Instead of creating always controversial dichotomous lists of tax havens versus nontax havens, the FSI allows one to construct a mix of subjective and objective indicators of secrecy of various sorts that apply to all jurisdictions. Prior to each biennial survey, proposed survey instruments are crafted and updated from more or less expert responses to survey items involving 15 Key Financial Secrecy Indicators (KFSI). Authors of the FSI urge respondents to remember that “reasoned judgment” must be applied in scoring responses to survey questions.

The KFSI are subjective indicators (Michalos 2014) in the broad sense that people with different training, experiences, values, and purposes may reasonably have different views about various aspects of secrecy and, in particular, differences between illegitimate secrecy and legitimate privacy. As well, KFSI have features of objective indicators insofar as they may designate not only specific but even distinct numbers of laws and other objectively identifiable secrecy-related attributes.

Table 1 briefly displays the contents of each of the 15 KFSI in four categories. Regarding the first category of knowledge of beneficial ownership, three KFSI provide information on each jurisdiction’s level of banking secrecy in the form of effective access to existing banking data, whether there is a central register of trusts and foundations and whether beneficial ownership of all companies must be registered and updated with a governmental authority. In the second category,

**Financial Secrecy Index, Table 1** Component key financial secrecy indicators

| Knowledge of beneficial ownership | Key aspects of corporate transparency regulation | Efficiency of tax and financial regulation | International standards and cooperation    |
|-----------------------------------|--------------------------------------------------|--------------------------------------------|--------------------------------------------|
| 1. Banking secrecy                | 4. Public company ownership                      | 7. Fit for information exchange            | 11. Anti-money laundering                  |
| 2. Trust and foundations register | 5. Public company accounts                       | 8. Efficiency of tax administration        | 12. Automatic information exchange         |
| 3. Recorded company ownership     | 6. Country-by-country reporting                  | 9. Avoids promoting tax evasion            | 13. Bilateral treaties                     |
|                                   |                                                  | 10. Harmful legal vehicles                 | 14. International transparency commitments |
|                                   |                                                  |                                            | 15. International judicial cooperation     |

Source: Tax Justice Network (2016a), p. 11

information is provided on levels of corporate transparency regulation insofar as official records of beneficial ownership of all companies are publicly accessible, whether all limited liability companies must file and make online accessible annual accounts at a small cost and whether there is publicly accessible worldwide financial reporting of all companies on a country-by-country basis. The third category provides information on the efficiency of tax and financial regulation with respect to whether resident stock companies and financial institutions must report to domestic tax authorities any dividend and interest payments made to nonresidents, whether domestic tax authorities have dedicated units to assess large taxpayers using special taxpayer identifiers for analysis, whether there are unilateral tax credits for foreign taxes paid on foreign capital income (interest and dividend payments) sent home, and whether “protected cell companies” and trusts with “flee clauses” may be created in each jurisdiction. Finally, regarding international standards and cooperation, the fourth set of KFSI provides information on the effectiveness of the anti-money laundering tactics of each jurisdiction, on participation in multilateral automatic information exchange, or “upon request” bilateral treaties on the exchange of tax data, on the extent of participation in five international conventions on financial transparency and international judicial cooperation on criminal issues (Tax Justice Network 2016b, pp. 24–27).

The set of respondents invited to complete reviewer surveys of the proposed KFSI before the biennial report in 2016 included “predominantly professionals and academics in the fields of economics, accounting, law, political science and international relations; experts within civil society and at international institutions; representatives of NGOs; tax authorities’ officials; and TJN’s supporters. . . [members of interest groups like] the Financial Transparency Coalition, Tax Justice – Europe, TJN Australia, TJN Africa, Canadians for tax fairness and Red de Justicia Fiscal” (Tax Justice Network 2016b, p. 40).

Data finally used to provide numerical assessments for each of the 15 KFSI in each biennial report come from “public reports by the OECD [Organization for Economic Cooperation and

Development], the associated Global Forum [on Transparency and Exchange of Information for Tax Purposes], the FATF [Financial Action Task Force], IMF [International Monetary Fund] and the US State Department. . . specialist tax databases and websites such as by the IBFD [International Bureau of Fiscal Documentation], PwC [PriceWaterhouseCoopers], Lowtax.net. . . Ministries of Finance and the Financial Intelligence Units of all 102 reviewed jurisdictions” (Tax Justice Network 2016a, pp. 6–7). The Global Forum (2016) report describes their peer review system and the data obtained from it. For the FSI report of 2015, there were 102 jurisdictions participating, and 92 had sufficient data to be included in the final ranking.

The total secrecy score for any jurisdiction is obtained by adding “the values of each of the assessed KFSIs and [dividing] the sum by the number of assessed KFSIs, expressing the resulting value (between 0 and 1) as a percentage score (0% to 100%). . . For example, if a jurisdiction was given a transparency credit for all 15 indicators, the resulting secrecy score would be 0%. No indicator being rated as transparent, in contrast, would result in a 100% secrecy score” (Tax Justice Network 2016a, p. 9).

Besides assessing each jurisdiction’s level of secrecy involved in financial transactions on the basis of 15 KFSI, the FSI includes a rough estimate of the global impact of each jurisdiction’s financial services activity. A global scale weight is assigned to each jurisdiction “according to its share of offshore financial services activity in the global total” using “publicly available data about the trade in international financial services of each jurisdiction. . . the largest weighting are those that play the biggest role in the market for financial services offered to non-residents” (Tax Justice Network 2016a, p. 2). In other words, “the global scale weight is an indicator of the potential for a jurisdiction to contribute to the global problem of financial secrecy, *if* secrecy is chosen in the range of policy areas discussed above” (p. 66).

As the authors of the report notice, the procedure described has disadvantages. First, they note that “a large part, perhaps the majority, of illicit financial flows may occur through trade in goods rather than through financial flows,” e.g., trade

mispricing involving resource extraction. They immediately grant that “future work could consider a reweighting with trade flows”. Second, they note that it is unclear “what kinds of services are included or left out in the computation of the financial services exports in the Balance of Payments. . . it is not clear for instance if fees for the provision of supporting legal services [are included, and]. . . fees associated with hosting and managing the legal structures. . . such as trusts, shell companies and foundations are likely not to be captured by financial services” (Tax Justice Network 2016a, p. 67). Taken together, it is likely that global scale weights as currently measured underestimate the scale of activity in secrecy jurisdictions, and the authors allow that these problems suggest a “fruitful research agenda.”

The total FSI score for any jurisdiction is obtained by multiplying the cube of its secrecy score by the cube root of its global scale weight. Cubes and cube roots are introduced to reduce the variation in each of the two components to a “similar order” (Tax Justice Network 2016a, p. 68).

Table 2 lists the 5 jurisdictions with the greatest and the 5 with the smallest FSI scores of the 92 jurisdictions assessed in 2015. Inspection of this table immediately reveals two things. First, each of the five jurisdictions with the highest FSI scores has secrecy scores of at least 60%. In fact, 57% of all the secrecy scores are at least 60% and

the average of the 92 scores is 60%. Second, it is possible to have a relatively high secrecy score (67–76%) but still have a very low FSI score. Presumably, policy makers in such jurisdictions have set the table for those in the market for financial secrecy, but few buyers have showed up.

## Cross-References

- [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- [Panama Papers](#)
- [Shell Companies](#)
- [Tax Havens](#)
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**Financial Secrecy Index, Table 2** Five most and 5 least secretive of 92 jurisdictions in 2015

| Jurisdiction   | FSI value | Secrecy score | Global scale weight |
|----------------|-----------|---------------|---------------------|
| Switzerland    | 1,466.1   | 73            | 5.625               |
| Hong Kong      | 1,259.4   | 72            | 3.842               |
| USA            | 1,254.8   | 60            | 19.603              |
| Singapore      | 1,147.1   | 69            | 4.280               |
| Cayman Islands | 1,013.2   | 65            | 4.857               |
| Slovenia       | 22.5      | 34            | 0.019               |
| Dominica       | 21.3      | 76            | 0.000               |
| Finland        | 19.4      | 31            | 0.025               |
| Cook Islands   | 17.8      | 76            | 0.000               |
| Montserrat     | 10.9      | 67            | 0.000               |

Source: Tax Justice Network (2016a), pp. 75–78

## Financial Sector Sustainability Regulations and Guidelines

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## Synonyms

The Group of Twenty (G20)



## Introduction

Over the past few years, there has been intensive discussion about how the financial industry might be affected by environmental impacts, such as climate change. There has also been discussion on how the financial sector can influence the environment and society in either a positive or negative way (Carney 2015; Wiek and Weber 2014). As an example, the G20 initiated a Task Force on Climate Related Disclosure that developed guidelines for managing climate-related risks in the financial industry, such as climate change, (Task Force on Climate Related Disclosures 2016). Furthermore, the Sustainability Accounting Standards Board (SASB) has developed standardized indicators that should become part of mandatory corporate disclosures.

Though environmental risks are addressed by many lenders (Weber et al. 2008) who integrate environmental, social, and governance (ESG) criteria into their financial decision making (Weber and Feltmate 2016), only recently have international (Basel Committee on Banking Supervision 2013) and domestic financial sector regulations been addressing environmental and sustainability risks (Oyegunle 2016b). This chapter discusses new advances in financial sector sustainability regulations and policies including their scope and implementation.

## Why Environmental Regulations for Banks?

Banks hold most of the global financial assets, and bond markets as well as institutional investment are growing rapidly (Zadek and Robins 2015), suggesting a significant impact of the financial industry on the economy and sustainable development. Therefore, the sector is strongly regulated. Newer risks, such as environmental and social risks, however, have not been part of these regulations. Nevertheless, sustainability issues have recently been integrated into financial regulations, particularly in emerging countries, such as China, Nigeria, and Bangladesh, but also in the European Union. Obviously, the drivers to

implement such regulations vary across jurisdictions. Based on Oyegunle and Weber (2015), the following three drivers help to explain why countries integrate sustainability into their financial regulations.

Social pressure and environmental pollution have been a reason to implement financial sector regulations. Often, emerging economies suffer under significant environmental pollution, and direct environmental regulations are hard to implement and enforce (Weber et al. 2015). While developed countries see the financial industry mainly as an enabler of economic growth that should not be limited by too many regulations, developing countries realize that the financial industry might be a source of governance that helps to get access to other industries through financial capital.

One way the financial sector followed to address sustainability and environmental issues has been voluntary codes of conduct. The most well established are the United Nations Environmental Program Financial Initiative (UNEPFI), the Equator Principles for social and environmental risk management in project finance, and the Principles for Responsible Investment (PRI) addressing institutional investment. While UNEPFI addresses sustainability and the environment in the financial sector including banking and insurance, the latter two codes of conduct address specific financial activities, such as project finance and investing.

The codes are increasingly popular with a growing number of signatories from about 80 project financiers that have adopted the Equator Principles to more than 200 signatories of UNEPFI and more than 1700 members of PRI. These voluntary codes of conducts provide sustainability guidelines for their members that help them to integrate environmental and social issues into their business and consequently to create a more sustainable financial market. The codes of conduct contributed to the integration of sustainability aspects into the financial sector and to the standardization of environmental and social risk management processes. It is still unclear, however, whether these “soft laws” really have a positive effect on the sustainability impact

of their signatories as well as on their financial risks, or whether they have to be complemented by financial sector sustainability regulations (Weber 2018).

One example of such a financial sector sustainability regulation is China's Green Credit Policy, where environmental pollution is a motivator to introduce financial sector sustainability regulation. The policy consists of guidelines and regulations that integrate environmental aspects into financial decision-making (Bai et al. 2013) in a standardized way (Bendell et al. 2011). It is designed to enable banks and financial markets to support the transformation to a greener economy (Busch et al. 2015; Oyegunle and Weber 2015; Zhao 2015). Its goal is to initiate green innovation (Aguilera-Caracuel and Ortiz-de-Mandojana 2013) in the financial sector as well as in other sectors. This regulatory approach is discussed in more detail below.

Another regulatory driver is the external pressure from international financial aid institutions, such as the Dutch Development Bank (FMO) and IFC that can lead to the implementation of some of the sustainable finance regulations. International finance is a way to access financial capital for many banks in developing countries. International finance institutions, however, have been integrating guidelines for the use of their funds that address environmental and social impacts for a long time. Therefore, some countries implemented financial sector sustainability regulations to guarantee access to foreign investments by domestic banks through complying with the goals of international finance institutions. One example for this is The Nigerian Sustainable Banking Principles implemented in 2012 (Oyegunle and Weber 2015).

A third driver to introduce financial sector sustainability regulations is peer pressure from regional neighbors. For example, after Brazil introduced their Social and Environmental Responsibility Policy in 2014, other neighboring countries felt the pressure or the opportunity to adopt such guidelines. Such regional implementation supports economic relations with the neighboring country that has implemented similar regulations and supports a more sustainable

financial industry. The rise of financial sector sustainability regulations in South America seems to confirm this assumption.

Many of the countries that have introduced financial sector sustainability guidelines are members of The Sustainable Banking Network (SBN) hosted by IfC (see [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn)). Members of the network are financial sector regulatory agencies and banking associations from emerging markets who want to advance sustainable finance. The network offers the opportunity to learn from each other about ways to create incentives for sustainable finance. Currently, it has 40 members from 34 countries and a regional Latin American network, and there is a strong likelihood that this network will play an important role in promoting sustainable banking activities across these emerging markets.

### **The Chinese Green Credit Policy as an Example of Financial Sector Sustainability Regulations**

One of the leaders in implementing green financial industry regulations is China (Weber 2017). The Green Credit Policy China was implemented in 2006 by the Ministry of Environmental Protection, the Peoples' Bank of China, and the China Banking Regulatory Commission (Aizawa and Chaoferi 2010). The regulation demands the restriction of loans to polluting industries and adjusts interest rates in a way that considers the environmental performance of the borrower. Industries, such as pollution control facilities, environmental protection and infrastructure, renewable energy, circular economy, and environmentally friendly agriculture are eligible for these green loans with reduced interest rates (He and Zhang 2007; Zhao and Xu 2012). Furthermore, the policy asks lenders to reduce loans to polluting industries and to withdraw loans to borrowers suffering from controversies or instances of non-compliance (Jin and Mengqi 2011).

The regulations are compulsory for all Chinese banks, regardless of whether they are government owned, joint-stock banks, or credit unions (China

Banking Regulatory Commission 2012). Therefore, this financial regulatory approach created the need to develop and implement environmental policies, strategies, and assessment systems to evaluate the environmental impact of borrowers and investees (Chan-Fishel 2007). Studies suggest that the guidelines do not harm the financial performance of the Chinese financial sector but rather lead to higher returns and lower credit risk (Cui 2017; Weber 2018).

Whether the implementation of the Green Credit Policy has been successful, and whether it helps create a cleaner environment, while ploughing a path to a low carbon economy remains a controversial discussion (Hill 2014; Jiguang and Zhiquan 2011; Zhang et al. 2011; Zhao and Xu 2012). Hence, to help banks to implement financial sector sustainability regulations, and to overcome difficulties in assessing environmental information from clients, the China Banking Regulatory Commission (CBRC) issued the Green Credit Guidelines in 2012 (Zhao and Xu 2012). These guidelines may serve as example for guidelines in other countries of this regulatory approach.

### Scope of the Financial Sector Sustainability Regulations

As mentioned above, the regulations have different drivers, though all of them address environmental and social issues, they also differ in their scope. While the Chinese regulation mainly addresses environmental issues, others focus on societal need or on governance. Social aspects of the policies often address stakeholder engagement and labor practices. Furthermore, many focus on risk management and on products and services with positive impacts. Most of the policies, however, address environmental issues, such as environmental risk management, green finance, and emissions and climate change. Furthermore, reporting and auditing the reporting are part of a number of financial sector sustainability policies and regulations. Of the three sustainability aspects, economy, the environment, and society,

the focus is on environmental aspects (Oyegunle 2016a, b; Oyegunle and Weber 2015).

### Conclusion

The above-mentioned regulations strive to integrate the financial sector into social and environmental sustainability financing (Park and Ren 2001; Song et al. 2010; Wang and Juslin 2009) and to manage financial risks arising from sustainability problems. Consequently, they may have a positive impact on both sustainable development (Scholtens et al. 2008; Stephens and Skinner 2013) and financial sector stability (Carney 2015). However, only if financial institutions build up necessary resources and capabilities to address sustainability risks and opportunities, they will be able to achieve a positive impact on sustainable development, to reduce financial risks (Weber et al. 2008), and to develop innovative sustainable financial products (Chang and Sam 2015).

In general, financial sector sustainability regulations as an addition to voluntary codes of conduct are intensively discussed and might have a significant impact on the future of sustainable banking and finance. Since more countries adopt sustainable finance regulations, there is an opportunity to explore whether and how these policies are successful and whether they should be implemented in industrialized countries as well. Initiatives, such as the Sustainable Accounting Standards Board (SASB), an industry-lead initiative, also trying to implement mandatory reporting standards for climate-related risks, might be a sign of the acceptance of such regulations in both emerging and western developed countries.

### Discussion

Regulative approaches accept the role of the financial industry as a central player with significant impact on the sustainability of other industries. The introduction of regulations and guidelines for the financial sector would help the

industry ask their client to achieve high sustainability standards in order to receive attractive finance. Instead of “policing” voluntary sustainability standards, lenders and investors could invoke regulation, if they are required to disclose the environment and social risks of their clients. The example of the Green Credit Policy in China, however, suggests that good implementation is crucial for the success of sustainability regulations with regard to a more sustainable financial sector (Aizawa and Chaofei 2010; Bai et al. 2013). Finally, our research suggests that financial sector sustainability regulations should go hand-in-hand with voluntary codes of conduct instead of substituting them. After all, voluntary approaches guarantee the involvement of the particular industry, and regulation provides a strong motivation to contribute to achieving the goals of the voluntary codes of conduct (Weber 2016).

## Cross-References

- [China and Business Ethics](#)
- [Environmental Accounting](#)
- [Environmental Assessment and Resource Extraction](#)
- [Sustainability Reporting](#)
- [Understanding the Governance Structures that Underpin Responsible Investment Decision-Making](#)

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## Five Elements of Normative Ethics

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## Synonyms

Ethical theory; Moral theory; Practical philosophy

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## Introduction

All adequate normative-ethical theories have to contain the following five elements: (I.) normative individualism, i.e., the view that in the last instance moral norms and values can only be justified by reference to the individuals concerned, as its basis; (II.) consideration of the individuals' concerns and interests – aims, desires, needs, and strivings – insofar as they have a justificatory function; (III.) a pluralism of references of these concerns and hence of moral norms and values to all possible elements of actions; (IV.) the necessity of a principle of aggregation and weighing with regard to these concerns; (V.) finally, as a central principle of aggregation and weighing, the principle of relative reference to self and others, operating as a generalizing metaprinciple that guides the application of concrete principles and decisions (von der Pfordten 2010, 2012).

## I. Normative Individualism

Normative individualism contains three principles:

- (1) *Only* individuals can be the ultimate point of reference of moral obligations and hence the justificatory source of morals and ethics. Collective entities such as nations, peoples, societies, communities, clans, families, ecosystems, etc. cannot fulfill this function. Accordingly, like the obligated actor the



obligating other has to be an individual in the last instance. In other words: The basic moral relation only exists between individuals. One may call this the “principle of individuality” of normative individualism.

- (2) In the last instance, justifications of actions or decisions have to take into account *all* individuals affected by an action or decision, i.e., all “moral patients.” One may call this the “all-principle” of normative individualism.
- (3) All individuals affected have to be considered in principle equally. One may call this the “equal-consideration-principle” of normative individualism.

Within academic discourse, the intuitive idea underlying normative individualism appears under various terms and labels: “humanism,” “legitimatory individualism,” “subjecthood of human beings,” “subjectivism,” “self-determination,” “autonomy,” “individuality,” “value of the individual,” “freedom,” “person,” “liberalism,” and “democracy” (Schneewind 1998; Feinberg 1986). Which label one chooses does not matter. The important point is their congruence in content. One can further characterize normative individualism by comparing it with other positions:

The principle of normative individualism is consistent with the fact that *individuals normally live in a social context* – matrimony, families, neighborhoods, communities, and nations. No reasonable ethics can deny this. Normative individualism implies *no egoism*. As a matter of fact, individuals also have altruistic desires and idealist goals. One can empirically observe these altruistic desires and idealist goals in our day-to-day life. They enter the process of weighing not as objective truths, however, but as individual concerns and ideas. Nor does normative individualism support egoism, for there is no reason why individuals should take an interest in egoism in the long run. In order to understand the ontological-empirical embeddedness of normative individualism, it is important to realize that it does neither presuppose nor support an egoistic view of man. Normative individualism does not lead to *relativism* of ethical justification. Admittedly, the individual concerns that are its foundation are dependent on the respective individuals and to that extent contingent, but, first, there are basic needs that any individual has, e.g., the need for fresh air and nourishment; second, the contingency of some concerns does not preclude objectivity of

deliberation. Normative individualism traces ethical justification back to individuals, but this does not preclude that *collective acts or goals* such as social equality are *pursued and supported*, that is, it is consistent with a modest form of communitarianism. The opposite of normative individualism is the *principle of normative collectivism*: Actions and decisions can have their ultimate ethical justification only in a *collective*, that is, the group, family, clan, nation, people, race, ethnic group, society, economy, legal, cultural, or language community, neighborhood, etc. The assumption of normative collectivism is, that the justification of at least *some* decisions is not to be traced back to the respective individuals in the last instance but to collectives. Stronger versions of normative collectivism even hold that *all* or at least all *crucial* decisions are to be justified by reference to collectives. Normative individualism and normative collectivism are not contradictory but *contrary*. That is, they do not join to an exhaustive disjunction which precludes other possibilities of ethical justification such as religious justifications, value-objectivistic justifications, or justifications in terms of natural law. However, due to their metaphysical claims, such justifications have lost their credibility in the modern era. Their general acceptance can no longer be expected, let alone demanded. Many modern ethical theories, e.g., utilitarianism, Kantian ethics (Kant), or contractualism, are in accordance with normative individualism in some of their elements. (Kant 1968; Bentham 1963)

Why is it that, according to the *principle of individuality*, only individuals can in the last instance justify moral obligations or evaluations? There is an undeniable moral and hence normative asymmetry between morally significant individuals and collectives. One speaks of concerns and interests of collectives and thus presupposes the existence of such concerns and interests. But one can always ask whether these collective concerns and interests are in accordance with the morally relevant concerns and interests of the members of the collective. Is, say, a company’s activity really in accordance with the moral interests of its employees, shareholders, and other stakeholders? Does the representative of a family really act according to the moral interests of all family members? By contrast, the inverse does not hold: When individuals are morally affected and do not act as representatives of a collective, the question whether the interests of the individuals are really in accordance with that of the collective



cannot reasonably be posed as a normative or moral question but at best as an empirical question.

The fundamental asymmetry between the moral consideration of individuals and collectives, respectively, becomes apparent when collectives are dissolved. Setting aside religious or otherwise transcendent justifications, there is no moral reason why a collective should be preserved against the will, that is, the interests and desires of all of the individuals concerned. If all morally relevant individuals agree, a collective's dissolution is not morally objectionable. For instance, it has not been considered as morally questionable – but at best as inexpedient – when the USSR or Czechoslovakia dissolved. Similarly, one does not consider it morally objectionable when friendships end or when a club decides to dissolve itself. Only disappointed expectations, unfulfilled duties, or other concerns and interests related to the collective's preservation can be susceptible to negative moral evaluations; these concerns, but not the ceasing of the collective itself, may lead to duties of compensation or delay. It is morally neutral since the community as such, independently from its acceptance by its members, has no intrinsic value by itself.

## II. Aims, Desires, Needs, and Strivings (Concerns and Interests)

If all individuals concerned are the ultimate point of reference for moral justifications or obligations, respectively, the question is which property or aspect of individuals should be considered as normatively decisive? These properties of individuals are *strivings*, *needs*, *desires*, and *aims (intentions)*, or, generally: *the will*: *Strivings* are purely vegetative-bodily properties whose function is to sustain bodily integrity, beyond the mere effects of physical forces. They can be characterized as the local and temporary inversion of general physical entropy and can only be found in microorganisms, plants, animals, and human beings, but not in inanimate matter such as stones or water. Human strivings, e.g., are those for bodily temperature balance. Strivings of plants are, for

instance, that their leaves turn to sun light and take up water from the ground, against the natural direction of gravitation. *Needs* often have a bodily basis, but they can be mentally influenced, e.g., with regard to when and to what extent they are satisfied. Only human beings and animals have *needs*, e.g., for food, water, excretion, warmth, etc. *Desires* sometimes also have bodily components but are primarily mental phenomena. Unlike needs, their mental components can completely override possible bodily components; they can modify the need or even suppress it altogether. Although it is primarily humans who have desires, higher animals can have them as well, e.g., the desire for company, protection, entertainment, new experiences, etc. The line between needs and desires is not sharp. For instance, in higher animals, the sex drive is a need, whereas when one speaks about humans, one would rather speak of a desire for sexual unification. After all, humans can also be celibate. Finally, *aims (intentions)* are purely mental properties and, as far as one knows, they can be had only by humans, even though recent studies show that some higher animals can also make use of tools in a purpose-oriented way. In order to handle the variety and complexity of these aspects, it is reasonable to subsume them under a single term. The synonymous terms “concerns” and “interests” suggest themselves here, given that one does not take them in an egoistically reduced sense.

## III. Pluralism of References in Moral Evaluations and Obligations

In principle, the concerns of moral patients can pertain to all aspects of an agent's action in the widest sense. For that reason, it is important to analyze the concept of action. A complete, full-fledged action in a comprehensive, morally relevant sense contains at least the following seven elements:

- (1) The *internal*, *external*, and *general conditions* of the action, that is, as *internal conditions*: values, feelings, thoughts, habits, emotions, needs, strivings, virtues, mental states, and

general convictions of the agent; as *external conditions*: the community within which the agent lives, their competences, profession, and property; and finally, as *general conditions*: the society's moral, political, or economic situation, its social order, laws of nature, etc.

- (2) The agent's concrete *convictions* (*a*) and *desires* (*b*) that, in the course of a process of deliberation, determine the action-guiding intentions or aims. This process also includes external processes such as conversations and consultations. The crucial convictions will usually be evaluative or normative. But descriptive convictions can also play an important role.
- (3) The agent's action-guiding *aims* or *intentions* which may also include multilevel intentions.
- (4) The process of *developing the concrete will*, that is, descriptive means-ends-considerations and assessments of proportionality; by choosing appropriate means, these considerations and assessments lead from action-guiding aims to the concrete will to act. Again, the conditions mentioned above may play a role, e.g., preferences that make the agent choose one rather than another means. And again, the will-forming process also involves external elements such as conversations or consultations.
- (5) *The will to act or to omit an action* resulting from the will-forming process; it manifests itself in *the selection of a means* and immediately directs the action or omission of an action. Frequently, there will be several wills since various partial actions are required for achieving the intended end.
- (6) The agent's *acting* or *omitting an action* as an immediate behavior and outer result of the process of deliberation, that is, the external action in a narrower sense.
- (7) The *consequences* of the action or the quasi-consequences of the omission insofar as they were intended or at least anticipated, avoidable, and go beyond the sheer action or omission as such.

#### IV. The Necessity of a Principle of Aggregation, Weighing, or Balancing

In the case of possible or real conflicts, the individual's concerns have to be weighed against each other or aggregated in order to reach a justified moral or ethical decision. A comparable principle of deliberation or aggregation, respectively, is maintained by utilitarianism (as a maximizing principle or sum principle), by deontological ethics (as a generalization principle), and by almost all other ethical theories except for egoistic ethical theories such as Nietzsche's or situational, decisionist ethics.

#### V. The Principle of Deliberation Regarding the Self- and Other-Relativity of Individual Concerns

With regard to the fifth element, one would have to discuss all material and procedural deliberation and aggregation principles: the contractual principle, the discursive principle, the equality principle, the maximization principle, the maximin principle, the pareto principle, the satisficing principle, the generalization principle, etc. According to the critical view maintained here, all of these principles are legitimate to a certain degree; however, they are either too abstract and for that reason only combine the four elements addressed so far. This means that they cannot materially direct the deliberation or aggregation, respectively (contractual principle, discursive principle). Or, they are too concrete and hence only apply to certain cases (equality principle, maximization principle). Here, an alternative proposal for a metaprinciple is set forth that can direct and guide the application of the more concrete principles, the "principle of self- and other-relativity of individual concerns": The more the origins or the realization of the concerns or the interests of a morally considerable individual depend on others or a community, the more the respective concerns and interests have to be relativized in the process of deliberation, and the more the community may decide according to its common goals.

One can distinguish three kinds or zones of concerns or interests: (1) concerns of an *individual zone*, which are not dependent on particular others, e.g., body, life, and physical and psychic integrity – concerns, that is, that can be localized within the symbolic boundary of the body; (2) concerns of a *relative zone* which partially depend upon others or a community, e.g., the freedom of action, of speech, of religion, and of profession, and help by others in cases of distress; (3) concerns of a *social zone* which are almost completely dependent upon others or a community, e.g., the interest in shared activities in public or private life, in culture and sports, in natural resources, access to economic infrastructure, equal opportunities, etc.

In order to deliberate between potentially conflicting concerns, one can now refer to this tripartite scheme of zones, rather than to the abstract principle of self- and other-relativity. To that end, one has to relate the potentially conflicting interests to those different zones. The next crucial question is, then, whether there are conflicts between concerns belonging to the same or to different zones.

### Conflicts Between Concerns of the Same Zone

In this case, two principles seem plausible:

- (1) If there is a conflict between interests of the individual zone, the principle of equality holds. If, for instance, lives have to be weighed against each other, all individuals concerned have to be considered. There is no reason why the life of one person should be attributed a higher value than the life of another.
- (2) If there is a conflict between interests in the relative zone, one has to distinguish the following cases: The principle of equality also holds for deliberations of individual actions, e.g., when two persons aspire to a job. There is no reason why one profession should be more valuable or more important than another. However, when it comes to conflicting concerns, further aspects that

extend beyond those found in the individual zone have to be taken into account. To the realm of private exchange of goods, for instance, the pareto principle applies. Everybody can seek his advantage by agreeing to contracts. It can be assumed that nobody will agree into something that he believes to be a disadvantage for him. When considering the public distribution of goods, in contrast, community-related references will play a more important role since the goods in question have been produced in collaboration. Here, Rawls' difference principle suggests itself at least as a starting point for argumentation.

- (3) When it comes to conflicts between concerns in the social zone, the other- and community-dependency of interests becomes most effective. In that case, the maximization principle seems most plausible. The community can aim at optimizing the sum of shared interests, e.g., interests concerning political projects.

### Conflicts Between Interests of Different Zones

Here, deliberations are more complicated. Some cursory remarks may suffice.

- (1) Generally, concerns of the individual zone have absolute priority. After all, one could not justify why the personal concerns of single individuals should be subordinated to those of the other zones. For instance, one must not put others at risk for the sake of pursuing, say, one's own job ambitions or public plans such as building measures; also, torture is not permitted as a means for promoting the common welfare, etc.
- (2) Similarly, concerns belonging to the relative zone – such as the desire for a certain profession – have priority in relation to concerns of the social zone such as cooperative projects. The individual person must be conceded the freedom to decide whether they prefer to join cooperative projects or rather want to work on their own. The individual must not be forced,

say, for the sake of his family's interest, to choose a particular job or a particular partner.

The metaprinciple of the self- and other-relativity of individual concerns that has been proposed as the fifth element of ethical justification calls for further specification, e.g., its relation to more specific principles of aggregation, distinctions such as those made between duties of omission and duties of assistance, the relation of duties and rights, etc.

## Cross-References

- [Beneficence](#)
- [Contract Theory](#)
- [Core Values](#)
- [Distributive Justice](#)
- [Egoism and Libertarian Ethics](#)
- [Human Rights and Business Ethics](#)
- [Humanitarian Ethics](#)
- [Individualism](#)
- [Justice](#)
- [Kant, Immanuel](#)
- [Libertarianism](#)
- [Normative Ethics](#)
- [Social Norms](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Food Advertising

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## Synonyms

Food labeling and marketing

## Introduction

In the United States, companies that produce or sell food products have wide but not unlimited latitude when marketing their products. Laws at the federal and state level prohibit false or misleading statements in advertising food (including food labels). Two federal agencies, the FDA and the FTC (Food & Drug Administration and Federal Trade Commission, respectively), get involved to varying degrees in enforcing those laws.

## Legal Issues

Advertisements for food, as with other products, make various claims about the products. What legal restraints apply to those advertisements?

## Free Speech

In the United States, any discussion of whether a company's advertisements can be regulated starts with the First Amendment to the US Constitution, which says that Congress "shall make no law . . . abridging the freedom of speech." The US Supreme Court has held that the First Amendment allows for the regulation of false or misleading statements. *See, e.g., Virginia State Bd. Of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748 (1976).

Companies producing and selling food are engaged in what the law calls "commercial speech" – that is, speech (marketing campaigns, ads in print and online, etc.) for the purpose of selling a product. There is not one settled

definition about what comprises “commercial speech” or even about the precise legal test that should apply to such speech. But in general, commercial speech receives less protection under the Constitution than speech that is for the purpose of creative expression or political protest – meaning that the government is more free to pass laws regulating commercial speech.

#### Federal Laws

Two main federal statutes govern in the arena of food advertising. First, the FTCA (Federal Trade Commission Act) requires that advertisements – for food and otherwise – be truthful and not deceptive (21 USC §331, 343). Second, the Lanham Act prohibits false or misleading advertisements or labels and allows for a civil suit against anyone who “misrepresents the nature, characteristics, qualities, or geographic origin” of products. See 15 USC §1125(a). Importantly, the Lanham Act does not give a remedy to consumers who claim they were misled by an advertisement or label. Instead, it is available to commercial entities as a way to address unfair competition. For example, a producer of pomegranate juice claimed that a competitor labeled its juice as being mostly pomegranate juice, when in reality the competitor’s product was largely made of (less expensive) blueberry and apple juices. That misleading label could dupe customers into buying the competitor’s juice instead of the one made up of mostly pomegranate juice. See *POM Wonderful LLC vs. Coca-Cola*, 134 S.Ct. 2228 (2014).

Congress passed a third statute that affects advertising for food or other products, the CAN-SPAM Act (Controlling the Assault of Non-Solicitation Pornography and Marketing Act of 2003), to address “spam” or unsolicited emails, but its provisions are more broad than that. The law prohibits deceptive electronic messages, including deceptive headings or subject headings. It also requires that electronic advertisements include certain content, including the sender’s postal address, a notice that the message is an advertisement, and that the recipient may take steps to stop the mailings. It also includes fines

for violations and a private action for anyone adversely affected by the communication (See 15 U.S.C. §7701-7713).

#### State Laws

Various state laws allow consumers to bring suit for false or misleading food advertisements, such as the California Unfair Competition Law and the California False Advertising Law (See Cal. Bus. & Prof. Code §17500).

#### “Natural” and “Organic”

There is no federal rule defining what “natural” or “organic” means or when it can be used in marketing a food (at least, at the time of this writing). The FDA (Food and Drug Administration) has sought comments on a possible rule to define the term “natural.” The FDA has said its policy is to construe the term to mean “that nothing artificial or synthetic (including all color additives regardless of source) has been included in, or has been added to, a food that would not normally be expected to be in that food. However, this policy was not intended to address food production methods, such as the use of pesticides, nor did it explicitly address food processing or manufacturing methods, such as thermal technologies, pasteurization, or irradiation. The FDA also did not consider whether the term ‘natural’ should describe any nutritional or other health benefit.” (See <https://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm456090.htm>).

The US Department of Agriculture operates the National Organic Program, which oversees items labeled as “organic.” Products may be labeled as “USDA Organic” if they meet the program’s requirements. See <https://www.ams.usda.gov/publications/content/about-national-organic-program> (“Organic is a labeling term for food or other agricultural products that have been produced using cultural, biological, and mechanical practices that support the cycling of on-farm resources, promote ecological balance, and conserve biodiversity in accordance with the USDA organic regulations.”)

## Ethical Issues

Food manufacturers and restaurants sometimes face dilemmas about when to alert the public of dangers found or suspected to be in food and how broadly or narrowly to address the issue. See, for example, the example of Chipotle restaurants (Strom 2016). In addition, producers face decisions about what studies provide support for health claims touted on labels or in advertisements. For example, the court in *POM Wonderful* noted arguments about the ethics of trials that involve depriving patients of needed vitamins in order to assess the effects of those vitamins but quoting the FTC as saying that one who makes “express representations about the level of support for a particular claim” in an advertisement must “possess the level of proof claimed in the ad” – whether through controlled trials or otherwise – and must inform consumers about that proof (See 777 F.3d 478, 496–97 (D.C. Cir. 2015)).

More broadly, advertising generally presents many ethical issues. This is perhaps not surprising given advertisers’ goals to (a) get consumers’ attention and (b) sell products that consumers may or may not actually want. Scholars have noted the function of advertising to create desires, not just respond to them. And the role of fast food in creating high rates of obesity, especially among children and in countries with fewer regulations, is a related ethical matter.

## Cross-References

- [Advertising Ethics](#)
- [Fair Trade Consumerism](#)

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## Additional Readings

For additional information about the CAN-SPAM Act. <https://www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business>

The USDA organic food regulations are at 7 CFR § 205 et seq. The USDA website describes various other related issues, such as claims related to GMO and bioengineered food; see <https://www.ams.usda.gov/rules-regulations>

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## Food Studies: Values and Ethics

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## Synonyms

Food justice; Food security; Food sovereignty; Food systems; Sustainable food value chains

## Definition

Food-related research in general is rich, varied, and from multiple perspectives including the health sciences – specifically nutrition – analyses of the broader agri-food system and related value chains, food engineering, and sociocultural perspectives to name a few. The rise of food studies in recent years focuses on the larger political, economic, and cultural context of agri-food systems as distinct from more technically focused research on food production, distribution, and more physiologically oriented nutritional work. Questions of values and ethics are either explicitly identified in the scholarship on food or implicit in the topics and research questions that are asked and the manner in which they are approached and answered.



## Overview

Building on the work of some early pioneers such as Goody (1982), Douglas (1984), Belasco (1989), and Visser (1991) to name a few published in English, there has been an explosion of multi-disciplinary scholarship on food in the last 20–30 years to the point that food-related research might be seen as a newly emerged discipline. This has been accompanied by the creation of a plethora of journals, scholarly associations, and other types of infrastructure to support the growth in research and teaching activity. Research on food, diet, and agri-food systems generally is rife with issues of values and ethics to the point that there is a Springer encyclopedia on food and agricultural ethics (Thompson and Kaplan 2014). This article will touch on a few of the main issues with respect to values and ethics pertaining to food-related research, particularly food systems and food security.

There has been considerable work in conceptualizing and mapping various aspects of the food system from various perspectives, all of which have built-in value assumptions. This entry makes use of UN Food and Agriculture Organization (FAO) economist David Neven's (2014) concept of sustainable food value chains (SFVCs). He defines an SFVC as:

the full range of farms and firms and their successive coordinated value-adding activities that produce particular raw agricultural materials and transform them into particular food products that are sold to final consumers and disposed of after use, in a manner that is profitable throughout, has broad-based benefits for society, and does not permanently deplete natural resources. (Neven 2014, vii)

Hence, Neven's SFVC concept is different than a simple supply chain due to its emphasis on vertical coordination through governance mechanisms, mapping of entire sectors, and explicit references to value added and sustainability as performance measures.

According to the Food and Agriculture Organization of the United Nations (FAO):

Food security exists when all people, at all times, have physical social and economic access to

sufficient, safe and nutritious food, which meets their dietary needs and food preferences for an active and healthy life. (World Food Summit 1996)

However, this definition is a bit of a “motherhood statement” with controversy focused on the causes and possible solutions of food insecurity, and this is where questions of values and ethics come into play. Furthermore, there is growing interest in the more expansive concept of food sovereignty, a concept advanced by La Via Campesina, which goes beyond the mainstream World Food Summit definition to challenge the dominance and control of large multinational agri-food corporations and assert and protect the place of small-scale producers and distributors. Conceptually, therefore, it resembles the concept of food justice, which is less utilized, but both definitions share a commitment to an explicit set of values and ethics related to social justice, democratization, and public accountability in opposition to what is seen as a neoliberal agenda (La Via Campesina 2003).

## Debates on Causes of Food Insecurity and Possible Solutions

There are various core debates related to global food security. A fundamental issue is whether or not there is enough food to feed the world, now or in the future. A high-level form convened by FAO in 2009 concluded that food production should be increased by up to 70% to feed a world of more than nine billion inhabitants by 2030, which has been an enduring theme infused by Malthusian assumptions (FAO 2009). Others have demonstrated for decades – including studies released by FAO since 2009 – that there is more than enough food to feed the world now, as well as the predicted global peak population of nine billion and that issues are primarily around distribution, access, and entitlements due to poverty, not supply as the world produces enough to feed every man, woman, and child nearly 3000 calories per day (Alexandratos and Bruinsma 2012; Lappé and Collins 2015). Indeed, Nobel laureate in Economics, Amartya Sen, is well known for his food

entitlement argument (Sen 1986), which we might think of as one that revolves around questions of values and ethics if food is seen as a human right. For example, the fact that much land is used to produce meat and animal products, sugars, and processed foods – which has questionable health and environmental impacts – has led many to argue for the need for sustainable diets from which sustainable food systems can and should eventually flow. While there is no agreement on what a sustainable diet is, a common feature of most views is eating lower on the food chain with a greater emphasis on fresh fruits and vegetables and far less consumption of processed foods and animal products. Some have argued for vegetarianism and vegan diets. There is also growing attention to activities ancillary to producing and accessing food and their overall impacts. For example, in wealthy societies, driving to buy food is a significant source of greenhouse gas production. Thus, the lens of the food/energy/water nexus is a central now and in the future and revolves around what values we do or do not hold dear in terms of human and environmental health.

Other controversies revolve around potential solutions to food security. For example, there are different perspectives on the role of markets versus that of the state with some favoring market-based solutions, others emphasizing government responsibility with a reasonable policy perspective recognizing the importance of the two. Similarly, there are different views on the role of science and technology and how far one should go, for example, with respect to genetically modified organisms, particularly transgenic foods that combine genes from species that could not normally be bred through conventional means.

Last, but certainly not least, there are both explicit and implicit assumptions about the role and importance of international trade with respect to the global food system and differences of opinion regarding how much emphasis there should be on trade as opposed to supplying local needs. While no reasonable authors reject the notion of trade entirely, it's a question of the appropriate balance between supplying local and domestic needs and international trade.

Generally speaking, there is a “David vs Goliath” narrative within the food scholarship discourse. One perspective values small-scale, locally oriented production where another supports multinational agri-food conglomerates who supply a global market. A question to be asked is whether this is a true dichotomy as, first, small-scale producers are often ensconced in global supply chains controlled by large-scale firms and, second, large food conglomerates regularly acquire smaller-scale enterprises, once they are successful. A mapping of the gray areas between these two perspectives in both theory and practice with specific references to issues of values and ethics may be required.

## Other Overarching Issues

More recently, in addition to the traditional concern around starvation and the stunting of growth due to the lack of proper nutrition, an article public by *Lancet* concluded that obesity is now a bigger problem than hunger (NCD Risk Factor Collaboration 2016). While approximately 800 million individuals are still chronically undernourished, mostly in Asia and Africa, the Millennium Development Goals from 2000 to 2015 largely succeeded in reaching their target of cutting hunger by half (MDG Monitor 2017), in many ways due to economic growth in China and, to a slightly lesser extent, India. The new globally inclusive Sustainable Development Goals aspire to address food security from various dimensions by 2030 (FAO 2017).

## Conclusion

While values and ethics within the emerging field of food studies are not always explicit, they are often implicitly at the heart of the work being done by scholars approaching eating habits and the analysis of agri-food value chains. The discourse in food studies tends to be somewhat bifurcated along ideological lines with the majority of scholarship leaning toward progressive ideas such as food sovereignty and justice couched in a

commitment to the fair distribution of resources and the redressing of power imbalances within the larger food system. However, at the empirical level, there is a local/global dialectic and complex value chain simultaneously involving micro, small, and medium enterprises and large multinational agri-food and related corporations. It is therefore perhaps more difficult to make firm distinctions between the reality of the food system and foodscape on the ground and the analytical constructions associated with food studies scholarship though the field is evolving quickly and promises to continue to yield new and exciting work.

## Cross-References

- [Animal Ethics](#)
- [Fair Trade Consumerism](#)
- [Food Advertising](#)
- [Gender and Food Security](#)
- [GMOs](#)
- [Seed Banks](#)
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## Fraud Triangle: Cressey's Fraud Triangle and Alternative Fraud Theories

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## Synonyms

Bribery; Corruption; Cressey's fraud triangle; Differential association theory; Fraud; General strain theory

## Introduction

There has been much attention on explaining causes of fraud based around the “Fraud triangle,” the original theory developed by Donald Cressey in 1953 who modified it many times, most

recently in the early 1970s. The theory originated from sociology literature and was adopted as an empirically valid explanation of fraud describing three necessary conditions for crimes to occur: pressure (a non-shareable problem), opportunity (lack of internal controls), and rationalization (the ability to justify one's actions). Cressey's theory focused on the individual and identified improving organizational internal control measures as the deterrent for preventing fraud.

The basic assumption of Cressey's Fraud triangle is that for people to commit fraud, the three "elements" of the triangle need to be present. For example, pressure (such as gambling and other addiction problems, credit card debt) is the "trigger" event in the cycle. The individual will then need to "justify" their actions and is referred to as rationalization – the ability of the individual to rationalize their behavior as acceptable. This is supported by published research demonstrating that many fraud perpetrators have no criminal record and are upstanding citizens and often long-term, trusted employees. Therefore, to commit the crime, they need to justify their actions against their previous, "law-abiding" behavior. This justification can take many forms, "revenge" for been overlooked for a promotion, thoughts of "paying back" the money, or even a feeling of "deserving" additional financial rewards due to their previous commitment to the organization.

The third element of the triangle presents "opportunity" as the catalyst that allows fraud to take place if both pressure and rationalization exist, and it is this area that organizations have been known to be complacent. Opportunity can include poor or lack of fraud-control policy, poor supervision, low levels of risk mitigation, weak internal software controls, a lack of segregation of duties, and poor governance in general. Within the fraud triangle, opportunity is the element that organizations or third parties are able to control or at least exert direct influence over to mitigate the risk of fraud.

The fraud triangle has been widely accepted by industry and studied in great depth in academic institutions worldwide. The US-based

Association of Certified Fraud Examiners (ACFE) and the AICPA (American Institute of Certified Practicing Accountants) are strong proponents of Cressey's approach. However, others have been critical of his work or have made modifications to the original theory.

## Modifications to the Fraud Triangle

The Fraud Scale (see Albrecht et al. 1984) is a refined version of the fraud triangle; the scale includes the elements of opportunity and pressure while substituting rationalization for personal integrity. These three conditions – opportunity, pressure, and personal integrity – are analyzed to assist in determining the fraud risk. The model was developed in an attempt to assist with the prediction of fraud though the provision of a better understanding of an individual and their likelihood to offend.

Another iteration of the fraud triangle is provided by Wolfe and Hermanson (2004) who refined Cressey's Fraud triangle through the inclusion of a fourth element to create a Fraud Diamond. The additional element was an individual's capability to commit the crime. The authors argued that in addition to the influence of incentive, opportunity, and rationalization, a person's traits and their individual abilities also play a significant role in determining if fraud may occur. The other subtle refinement was the renaming of "perceived pressure" to "incentive." They state that if there is available opportunity and personal capability, along with rationalization and incentive, then fraud will likely occur.

## Alternative Theoretical Explanations for Fraud, Bribery, and Corruption

There is considerable empirical evidence stemming from criminology, sociology, and organizational literature that suggests there are limitations to the fraud triangle and its various iterations. Branches of criminology theory attempt to

explain criminal activity and include classical theory, individual trait theory, social disorganization theory, differential association theory, anomie theory, strain and general strain theory, and rational choice theory (see Cullen and Agnew 2002). Each of these theories helps to explain crime, including white-collar crime such as fraud. A growing body of organizational research supports the application of criminology theory to examine the motivations of accountants, CEOs, and other high-level executives who have been involved in fraud, and many of those studies integrate a combination of criminology theories.

### General Strain Theory (GST)

Merton (1938) suggested that social problems such as crime result from a failure of institutions, families, and other structures to provide for the functional and effective needs of individuals leading to levels of strain. Cressey would describe strain as motivated purely by financial anxiety and represented in the fraud triangle as “pressure.” However, others suggest that the removal of something positive from an individual’s life (loss of respect from peers, intimidation or hostility from supervisors) can also lead to fraudulent activities. Regardless, a sense of alienation or anomie can manifest through a number of harmful actions including fraud.

It is argued that strain and anomie can arise from circumstances such as unattainable economic goals that create ongoing anxiety over the gap between an individual’s present statuses and approved societal goals of wealth and desirable levels of success (see Zahra et al. 2005; Cohen et al. 2010; Donegan and Ganon 2008; Langton and Piquero 2007). Strain is not a condition felt only by those of low social class, but affects anyone who feels blocked from attaining financial success, even if they are already considered wealthy and successful. The individuals’ reaction to strain is dependent on their personality traits and determines whether fraud will result.

An important aspect of GST is the role of coercion. In an organizational context, strain and

anomie are created through interpersonal or impersonal coercion at either the micro- and/or macro-level. Interpersonal (microlevel) coercion results from negative relationships within an organization and impersonal (macro-level) coercion from circumstances beyond an individual’s control such as structural arrangements and circumstances (e.g., the economic climate, levels of unemployment), all of which may lead to feelings of anxiety, desperation, and anger. In the modern context, anomie can stem from large, bureaucratic organizations where success may be less attainable or firms with harsh promotion policies, unattainable budgets, and/or unrealistic productivity demands. GST suggests that coercive interpersonal relations (e.g., unjust treatment) or impersonal forces (e.g., economic pressures) lead to feelings of frustration, desperation, and anger. If a person is affected by negative stimuli, this produces a “strain point,” which can lead to depression or antisocial behavior and, in an organizational context, fraud.

Cressey’s Fraud triangle and general strain theory consider how and why individuals commit fraud. If taking into consideration high-profile cases such as Enron and WorldCom, we need to consider the context of groups within an organization and how they form to commit fraud. Differential association theory is one approach to explain this occurrence.

### Differential Association Theory

Sutherland (1949) suggests that individuals’ interaction with deviant peers results in cognitive changes that make offending more attractive. This theorization has been augmented by several scholars who suggest that the application of rewards and sanctions (so-called operant and participant conditioning) is a significant source of behavioral reinforcement (see, e.g., Free and Murphy 2014; Donegan and Ganon 2008; Colvin et al. 2002).

When individuals are suffering from strain and anomie, social support within a deviant subgroup can help ease the strain. Providing financial



assistance, resources, positive affirmations, and guidance helps to reduce the impact of strain and anomie and also provides resources that allow individuals to cope with adversity through coercively pushing the adoption of the deviant acts of the subgroup.

We have seen many high-profile examples of subgroup deviant behavior from accountants and top management in cases such as Enron, Arthur Anderson, and HIH where a collective group of people who had previously acted ethically and had no prior criminal history committed fraud. Collusive fraud committed by employees at lower levels of the organization is also commonplace such as vendor fraud, payroll fraud, and asset misappropriation. Regardless of their level within the organization, the subgroups that formed to commit fraud adopted norms that were morally and ethically opposed to those of the more general groups within each organization (see Cohen et al. 2010; Donegan and Ganon 2008). This indicates that behavior of those involved in, for example, corporate scandals may have been learned from others through socialization with members with whom they identified.

## Conclusion

In essence, the above theories provide explanations on how and why individuals and/or groups form to commit fraud. Cressey's Fraud triangle is the most well-known and widely accepted approach to explaining how and why fraud occurs. However, alternative approaches to understanding fraud and other white-collar crime also provide useful insights. Fraud is a societal problem that can only ever be minimized – never eliminated. Cressey's Fraud triangle, general strain theory, differential association theory, and other theories stemming from criminology, sociology, and organizational literature provide insights into individual and group-level contexts, structural conditions, and characteristics that may lead to criminal behavior.

## Cross-References

- [Bribery](#)
- [Corporate Crime](#)
- [Enron Scandal](#)
- [Organizational Culture and Corruption](#)

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## Free Rider Problem During the Covid-19 Pandemic

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### Synonyms

Evolutionary game theory; Game theory; Public goods dilemma; Public health; Social dilemma

### Introduction

As of writing, the Covid-19 virus has infected over 280 million individuals and claimed 5 million lives worldwide, representing one of the most severe and protracted crises in recent history. The pandemic has highlighted the numerous difficulties inherent in maintaining public health, with countries finding the road to herd immunity a long and winding one: many countries continue to face high infection numbers, recurring waves of infection, novel viral strains, strained healthcare resources, and slow vaccination rates.

An emerging obstacle in this fight is noncompliance with pandemic management guidelines (Norton et al. 2021). Rates of noncompliance with demonstrably effective measures like frequent handwashing, mask-wearing, social distancing, and vaccination are considerable and worrying, even when (and, sometimes, because) such measures have been made mandatory (e.g., Chan 2020; Dror et al. 2020; Hills and Eraso 2021). This issue is often exacerbated by low levels of trust in governments and the politicization of the pandemic (Conway et al. 2021; Fancourt et al. 2020). Noncompliance is no trivial matter either; only a few noncompliant individuals are needed to trigger “super-spreader” events that quickly derail any progress made on the public health front (Majra et al. 2021). This entry describes how non-compliant behaviors can be understood as a form of

free riding by applying classic and evolutionary game theoretic perspectives and conceptualizing public health as a public good. Following which, this entry describes some ways to manage free riding behaviors before closing on a note about the sociocultural factors that complicate efforts to promote public health, particularly the emerging and damaging role of conspiratorial thinking.

### Game Theoretic Perspectives and Pandemics: Noncompliance as Free Riding

A starting point for understanding noncompliance as a form of free riding is to consider the role of public goods, which refer to commodities and services that are non-excludable and non-rivalrous (Olson 1965). Not only is it difficult to prevent those who do not pay for a public good from using it (i.e., non-excludable), one person’s use of a public good also does not diminish its availability for others (i.e., non-rivalrous). Classic examples of public goods include clean air and national defense. Similarly, public health can be conceptualized as a public good – once achieved, no one can be excluded from the benefits of public health like herd immunity or low levels of infection, and one person’s enjoyment of public health does not reduce the “available amount” of public health for the next person (Smith 2003).

As public goods are produced through collective action, there is an inherent incentive for individuals to hold back on contributing to its production (Olson 1965; Yong and Choy 2021). Individuals may be motivated to withhold their own contribution – especially when they anticipate that the critical mass of collective action required for producing a public good will be achieved – since non-contributors are rarely excluded from the benefits of a public good. Consider, for instance, the production of herd immunity, where if enough people in the population decide to bear the costs of getting vaccinated (e.g., side effects), a smaller number of individuals may enjoy the benefits (i.e., herd immunity and slowing infection rates) without paying for them. However, the downside of such free riding

behaviors is immediately obvious. While one or a few individuals holding back on getting vaccinated may not impose too large a drain on public health, herd immunity would certainly not be achieved if everyone behaves in such a manner. Therein lies the public goods (or social) dilemma: Individuals face a choice between incurring costs while contributing to the production of a public good *or* withholding such contributions while benefitting from sufficient collective action at the risk of depleting the public good (Yong and Choy 2021).

Situations like the public goods dilemma, where the payoffs (and costs) for each person's chosen strategy depends on the strategy of others (i.e., the payoff structures are interdependent), have been studied extensively through an economic framework known as game theory. Game theorists have modeled such situations as "games" in which players choose between cooperation and defection. In the public goods game, players choose to either contribute to a common resource (cooperate) or not (defect). As illustrated above, while the optimal solution would be for all players to cooperate and contribute equally, players simultaneously experience the temptation to defect. Generally, experiments employing such games have shown that prolonged cooperation is rarely achieved as an outcome; without the implementation and enforcement of structures to prevent free riding, even players who behave cooperatively at first switch to defection over time (Falkinger et al. 2000; Fehr and Gächter 2000; Perc et al. 2017). This basic finding also emerges in studies of phenomena related to public health. For instance, experimental studies of vaccination decisions have shown that as people perceive their group to be increasingly vaccinated, they increasingly decide to not undergo vaccination themselves (Böhm et al. 2016; Ibuka et al. 2014).

## Managing and Preventing Free Riding

How then can free riding be managed, if not prevented? Classic game theoretic perspectives stress that sanctions are a key strategy as they

disincentivize free riding behavior by increasing the costs of noncompliance. During the Covid-19 pandemic, such sanctions have taken the form of regulations and punishments, including restrictions on the freedoms of unvaccinated individuals (e.g., not being able to enter specific places or travel overseas) or punitive measures (e.g., fines) against individuals who do not comply with pandemic management guidelines such as social distancing requirements. Notably, punishment by a third party (e.g., the police or the state) is often preferred to punishment by one's fellow citizens (i.e., vigilantism), since third-party bodies can enforce fair behavior without undermining social relations among the public (Traulsen et al. 2012). Punishment enforced by a governing body is not only helpful but also critically important when the likelihood of retaliation against individual punishers is high, or when social norms do not promote calling out on others' bad behavior (Raihani and Bshary 2015).

Nevertheless, whether regulations and punishments should be imposed is an issue that generates significant controversy in societies where the pandemic has been politicized (Naso 2020). For instance, in countries with high levels of distrust in governing bodies or scientific institutions, sanctions to enforce vaccinations or other forms of public health behaviors are often perceived as violations of basic human freedoms (Schmelz 2021; the next section explores this issue further with a discussion of noncompliance driven by conspiratorial thinking). Moreover, the implementation of monetary punishments such as fines can backfire: People may either feel so justified about their noncompliance to the extent that they are willing to pay the fine, or feel that having paid a fine entitles them to noncompliance – both paradoxically lead to increased noncompliance rates, particularly for those who can afford it (Gneezy and Rustichini 2000). These examples of pushback suggest that extrinsically motivated sanctions may not always be effective in encouraging compliance (Cato et al. 2020; Yong and Choy 2021).

Social dilemma researchers have also drawn on evolutionary perspectives emphasizing natural or evolved biological factors to understand how

defection can be reduced more effectively (e.g., Maynard Smith and Price 1973). According to evolutionary game theory, humans possess a psychology that is designed to promote cooperative behaviors, quickly detect noncooperation, and motivate sanctions against free riders (Fehr and Gächter 2000, 2002; Norton et al. 2021). Such inclinations have, to a large extent, evolved in response to the need for high levels of cooperation among our hunter-gatherer ancestors who took part in high-stakes tasks (e.g., hunting, warfare) that were critical for survival and reproduction (Tooby et al. 2006). Such a psychology can be observed from people's pandemic-related behaviors. For instance, experimental studies show that vaccinated individuals tend to behave less prosocially toward unvaccinated individuals, which reflects that people – especially those who have incurred the costs of vaccination – view unvaccinated individuals as reneging on the social contract and are motivated to impose sanctions on such perceived free riders to prevent further exploitation (Korn et al. 2020). Emotions also complement people's sense of morality and function as powerful motivators for action. Indeed, the negative feelings that people experience when they perceive others to behave unfairly often spur sanctioning behaviors against free riders (Fehr and Gächter 2002); in turn, the shame and guilt from the threat of being poorly regarded by cooperators can motivate free riders to fall in line (Jacquet et al. 2011; Sznycer et al. 2016). One study on a large sample of Japanese participants showed that the tendency to experience shame from behaving in ways that others disagreed with predicted the likelihood of curbing unnecessary social interaction during the Covid-19 pandemic, indicating that emotions like shame can motivate positive behaviors – especially in societies where relational harmony and social obligations are highly regarded (Cato et al. 2020). Overall, leveraging on humans' deeply rooted inclinations for cooperation has been and will continue to be an important avenue for the management of free riding during pandemics.

Alternative strategies can also be used in concert with sanctions to effectively promote cooperative behavior and reduce free riding. A critical

policy aim is to promote prosociality, which is a key driver of cooperation (Campos-Mercade et al. 2021b). Given that individuals behave more prosocially when the links between their interests or outcomes and those of the group are emphasized (Chapman et al. 2012), appropriate framing of the costs and benefits of cooperation will be important. As discussed elsewhere (cf., Yong and Choy 2021), social norms that encourage prosocial attitudes will help to cultivate an organic and bottom-up proclivity for cooperation that can be more resilient and effective than heavy-handed, top-down policies.

## Non-game Theoretic Considerations

It is important to note a growing body of work that identifies the various sociocultural factors that complement existing game theoretic perspectives on noncompliance. For example, younger individuals who expect to have less serious symptoms from infection may be less inclined to engage in health safety behaviors (Moore et al. 2021), while marginalized individuals such as the poor may also engage in noncompliant behaviors not so much out of a desire to free ride, but more so due to an inability to withstand the economic losses sustained from abiding with safety measures like enforced lockdowns (Blundell et al., 2020).

An emerging phenomenon that has seriously frustrated the pursuit of public health goals during this pandemic is conspiratorial thinking – such as the belief that Covid-19 is a hoax propagated by the “deep state.” In part, such thinking is a maladaptive manifestation of the human striving for sense-making in unfamiliar and uncertain situations (Douglas 2021; Yong et al. 2021). Critically, such forms of noncompliance are not driven by the desire to make use of others' contributions to avoid contributing, but because they do not believe in the existence or harms of Covid-19 and consider advocates of public health policies as dishonest and malicious (Douglas 2021). For conspiracy theorists, sanctioning their noncompliance can trigger feelings of persecution and inadvertently solidify their beliefs, leading

them to understand their noncompliance as a form of righteous resistance and engendering ever more stubborn noncompliance (Arnot et al. 2020).

Therefore, while the actions of noncompliant individuals may be seen as free riding through a game theoretic lens, sociocultural factors can create significant variation in the costs and benefits of noncompliance for different groups of individuals. For many of these groups, noncompliance can still be managed using game theoretic strategies to increase the (dis)incentives of (non)cooperative behavior, such as by offering rewards when people get vaccinated or by providing financial assistance to those affected by public health measures like lockdowns (Campos-Mercade et al. 2021a; Chan 2020). However, noncompliance rooted in conspiratorial thinking poses far greater difficulties as conspiracy theorists do not perceive public health as being under threat and instead view the governing and scientific authorities, as well as those who believe in the dangers of Covid-19, as the actual threat (Douglas 2021). To tackle conspiratorial thinking, strategies aimed at changing people's deep-seated beliefs will instead be required (Yong et al. 2021).

## Conclusion

The Covid-19 pandemic has revealed the numerous obstacles in managing public health, and noncompliance with pandemic management measures has emerged as one such challenge. A game theoretic perspective that conceptualizes noncompliance as free riding on public goods can produce meaningful insights into understanding this problem, but it is also important to note the limits of classic game theoretic approaches and consider the role of evolutionary and sociocultural factors when designing effective public health guidelines to manage noncompliance.

## Cross-References

- Behavioral Ethics and Rationalizations
- Contract Theory
- Ethical Dilemmas

- Public Goods
- Social Norms

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## Funding and Sponsorship of Publications

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## Definition

Most significant scientific research is funded through a variety of mechanisms and the research is conducted in single universities or corporations or in multiple sites around the world. Although global comparisons are difficult, funding sources include governments, corporations, and to a lesser degree, philanthropic organizations. Monies are allocated through a mix of hard sources (i.e., budget allocations directly to specific projects) and soft sources (i.e., competitive grant awards).



In certain fields, such as biomedicine, there is a long history of collaboration between industry and academia, while in other disciplines, such collaboration rarely occurs. Funding mechanisms can vary also, but most commonly, monies are allocated to an institution and not an individual researcher. Research budgets include money for materials, personnel, institutional overhead (e.g., electricity, office or lab space, ethical oversight, publication management), and more recently, funds for dissemination through open access publication.

### What Are the Issues?

Unless there is a very clear demarcation between researchers and funders, there is a risk of ethical misconduct in the form of conflicts of interest (COI) with potential to bias the outcome of the research (see Carrick-Hagenbarth 2018). Competing interests may be financial with funding bodies; however, nonfinancial interests can also be significant. Financial COIs appear more straightforward in situations where clear evidence of financial benefit can be seen in a specific outcome, such as significant improvement from a new drug in comparison with standard treatment (see, e.g., COPE Case 04-34, <https://publicationethics.org/case/competing-interest>, related to undeclared funding by a drug company of a favorable review article on one of the company's drugs). Although somewhat less obvious, a political, religious, or ideological COI (see COPE case 06-30, <https://publicationethics.org/case/conflict-interest>) has the potential to create the perception of bias. The long campaign by US tobacco companies to discredit scientific evidence about the harmful effects of smoking is a complicated and cautionary tale of the "exertion of commercial interests within science and medicine" (p. 1; Brandt 2012). In some disciplines, policies and procedures for mitigating COI are well developed and strictly followed. In other disciplines, where objective criteria are difficult to agree, readers

are left to make their own determinations. The primary mechanism for managing potential COIs in research funding is transparency; declaring sources of funding received by the researchers for the project is a minimum requirement for transparency. Declarations should be accessible on publications, funding announcements, institutional websites, as well as privately in selected circumstances.

*Declarations of competing interests on publications:* The biomedical publishing enterprise has developed comprehensive regulations for declaring competing interests, including funding statements. Since 1978 the International Committee of Medical Journal Editors (ICMJE) has agreed standards of manuscript formatting and preparation for the purpose of maintaining highest ethical standards in the conduct and reporting of biomedical research, one of which is the requirement to acknowledge all sources of support for the submitted work, including grants, equipment, drugs, or others (<http://www.icmje.org/recommendations/browse/roles-and-responsibilities/author-responsibilities%2D%2Dconflicts-of-interest.html>). Subsequent modifications led to the extensive requirements of the current ICMJE Conflict of Interest form (<http://www.icmje.org/conflicts-of-interest/>), which includes financial disclosures relevant to the current submitted work, financial activities outside the submitted work, intellectual property (patents or copyrights) "broadly relevant" to the work, and other relationships not covered in the above (personal fees, nonfinancial support, pending patents or licenses, and royalties). Disclosure forms are required by most biomedical journals and reviewed by editors and reviewers for potential competing interests to the submitted work. Most journals also publish the information submitted by the authors in a "declaration of competing interests statement" at the end of the article. Although declarations of financial statements do not guarantee the absence of bias, the statement serves as a warning to readers to consider the potential for bias in interpreting the results.



*Management of declared competing interests:* In some cases, a declaration of competing interest can be managed with careful attention to the process of review. For reviewers with expertise in a niche area and a bias toward a specific viewpoint, transparency in their review process can help to illuminate areas of concern. It is possible for reviewers of qualitative research, for example, to declare their philosophical and theoretical grounding in an introduction to their review of a paper or a proposal. This statement of orientation or approach can inform the review and provide an editor or grants manager with enough information to make an informed decision. Reviewers of biomedical grants and manuscripts will often be recused from the review if they declare competing interests with another drug or device company. Management of institutional competing interests may not be as easily handled; however, many academic institutions receive funding from diverse sources, which may diminish bias. Disclosure of major funding to a research institute within a university should be declared on any papers related to products manufactured or distributed by that company. A policy of transparency regarding financial disclosures at the institutional level, especially for large endowments of research institutes devoted to a specific field (e.g., lipid research, diabetes research, agricultural products), is important. Details should be publicly available on the website, in annual reports, and other accessible locations.

*Best practices in reporting funding sources:* Requirements of funding bodies for disclosure vary greatly and may require minimal to extensive detail. Some of the key elements are full name of the funding body and grant number, additional resources, and data handling. The full name of the funding body in the case of US Federal grants could include the name of the institute, center, or office and the name of the umbrella agency (e.g., National Institutes of Health, Centers for Disease Control and Prevention, Agency for Healthcare Research and Quality). If there is a grant number, that should also be included. Often abstracts and notices of funding are available for searching on the agency

website, and full disclosure facilitates that search. Frequently, additional resources are provided and should be acknowledged, such as data sets, cell lines, or biological materials. A critical piece of information is the data handling information. It should be clear that the researchers had full access to and control over the data, and the results are those obtained by the researchers. In the case of industry funding, similar elements should be stated. There may not be a grant number, but the full name of the funding company and its location should be stated (e.g., funded by XYZ Pharmaceuticals, New York, NY). For experimental drug studies, the name of the drug manufacturer and location should also be stated; this may not be the same as the funding company. In commercial funding, it is common that drug companies want to control the data to avoid leaking proprietary information before the conclusion of the trial. However, there should be at least one or two researchers who have complete access to all the data and who can guarantee the results as their original findings. The names of those researchers should be printed with the publication of the resulting paper, which is now a requirement of most major reputable publishers.

Funding of research is necessary but should be handled transparently to avoid COIs. Readers must have all the available information to make informed conclusions about the project.

## Cross-References

- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)
- [Conflict of Commitment](#)

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## Future of Work: Values and Ethical Issues

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### Synonyms

Contingent work; Industrialization; Gig economy;  
Golden rule

### Definition

In order to understand the values and ethics associated with the changing world of work and its probably future trajectories, it is necessary to delve into the history of work and the major shifts that have taken place with the advent of the agricultural and industrial revolutions. Many of the assumptions that western industrialized societies have made about the world of work are in the process of being challenged with the rise of the “gig” economy. These changes are beginning to have drastic consequences not only in how labor markets are structured, but also in how workers see themselves and interact with their colleagues. Examples include moving from a hierarchical system where one reports to a supervisor to more fluid interactions related to the quality of interpersonal relationships as well as the need for an analysis of what goods and services the market requires and can pay for.

### Work in the Past

People have always worked. Initially it was hunting and gathering to acquire enough food and shelter to stay alive which depending upon the environment and the numbers of people would require greater or lesser amounts of time and effort. Once agriculture developed, food supplies became more reliable although bad luck or bad weather could lead to famine and farming

required ongoing, steady work except for the hungriest of seasons.

Even with all that effort, early agricultural practices enabled a family to produce no more than 10% more than was required for their own survival. This meant that 90% of the population toiled hard on the land for very little return with only necessity as their boss.

This changed in the eighteenth century CE with the agricultural revolution. New techniques of crop rotation and animal fertilizers meant that instead of needing 90% of people on the land to feed a population, 50% could now do the job and that share kept on dropping. The others could now be freed to produce those kinds of goods like plates and ample clothing that only the very richest had been able to enjoy before; but to do this, the way people worked had to change drastically.

The industrial revolution meant that most people now had to work together in factories. They had to get a job with a boss. They were told where to work and what to do. Someone else determined when they started work and when they could eat, rest, or even use a toilet nor could they stop work until the bell or whistle signaled the end of the work day.

Schools were one of the ways these former farmers were converted into factory automatons. Schools did provide basic literacy and numeracy to people who did not have them before, but they also prepared people for a factory job. School meant that you had to be at a certain place at a certain time and stay until you were released. School meant that you had to sit quietly in rows and do what you were told – excellent training for a job where you would be working for someone else.

In industrialized countries, this pattern of work has persisted into the twentieth century. Wages and working conditions have improved considerably. We can thank labor unions for much of that. More people worked in offices, hospitals, schools, and other establishments rather than in factories. But the basic pattern of work was still the same. You went to a job in a certain place for fixed hours. You had a boss who told you what to do even if you yourself were a boss over other

people. Schools still prepared you for your job by teaching you about timeliness and doing what you were told as much as by any specific skills you learned.

As we left the twentieth century, all this began to change.

## Work in the Future

The agricultural revolution meant that we no longer needed almost everyone to be a peasant. The industrial revolution turned those peasants into robot-like creatures repetitively doing what they were told in a structured, hierarchical environment. Now the technological revolution is filling all those robot-like jobs with mechanical robots. White-collar jobs that required more brains than brawn are disappearing in favor of computers with ever higher degrees of artificial intelligence. Even the concept of having a job is becoming much less ubiquitous.

If people will no longer work in jobs where they have to be continuously monitored and told what to do and how and when to do it, we will no longer need huge organizations be they factories, universities, or government offices. Armies will become leaner with mechanization, automation and drones replacing hordes of obedient, disciplined foot soldiers, and even jet pilots.

What people will do are all those things that cannot be performed by a machine or a computer. First there is the large category of work involved in conceiving, designing, building, and maintaining all the machines, computers, and systems that now do the jobs that people used to fill. Second there are those social activities that need a human touch.

We will be doing this new work in a pattern that is very different from merely getting a job. Instead of working for someone or something outside of ourselves, we will be working on our own behalf. We will work for what someone has called Me, Inc., and, in most cases, we will be the boss, the janitor, and everything in between within this new structure. Our support “staff” may include other people but will likely be largely digital. This self-employed work structure has also been called the

gig economy and not as a compliment. It has its disadvantages and its advantages.

The biggest disadvantage of this new work configuration is the lack of certainty and security. One could always be fired or laid off from a job, but the more usual practice was to stay in a given job for months, years, or even decades with regular pay checks and possibly even a pension when one reached the senior years. If you loyally served an employer, you expected that employer to be loyal to you. Without an employer, the only security is knowing what you are going to do next.

Now and in the future, people will not only have to think about how to do a job and then do it. They will also have to think about what good or service they can continue to provide that someone will be willing and able to pay for tomorrow and after that. In our rapidly changing world, that good or service will not stay constant for long. Furthermore, the skills and abilities that can generate a living now will require continuous adapting and upgrading to remain in demand. Moving to a totally new field or occupation may even be required.

The advantages of working for Me, Inc. are the opposite side of the disadvantages. You are no longer facing a life sentence of working for the boss, doing what you might not choose to do when and where someone else tells you. You set your own work hours although that often means starting as early as you want and finishing as late as you want rather than the other way round. You have a greater degree of freedom in selecting who you will be working with as colleagues, customers, or suppliers and also more geographic mobility when it comes to deciding on where you would like to live.

The tedium and boredom of routine jobs will no longer be a problem. All such activities will be relegated to computers and their steel-collar assistants. Instead there will be the ongoing buzz of excitement that comes from always being on the lookout for the activities and customers that will fill out next month's or next year's calendar and bank account. Sometimes this will be a bit more scary and tiring than positive, especially for today's workers who are now facing this big transition.

## The Transition

The hardest part of transitioning to the new world of work will be giving up the ideas and patterns that worked for generations up to and including the twentieth century. Those patterns involved staying in school; getting a “good” education and then a “good” job, preferably unionized, with a large public or private organization that ideally offered you generous pay and benefits; a chance for promotion; and a pension at 65. Such a situation enabled your parents to heave a sigh of relief. You were now looked after. You could get a mortgage, buy a house, and start a family.

Alas, as many new graduates are now realizing, that pattern does not always work anymore. Permanent, ongoing positions are fewer, farther between, and more fought over. Construction companies hire more contract workers and fewer long-term employees. Governments and phone (now communications) companies, long the safe havens for those who wanted stability in their careers, are cutting back on employees and getting more of their work done by consultants and other contingent people. Even colleges and universities are limiting tenure track appointments in favor of contract lecturers hired on as needed basis.

The reasoning behind this is not just to save money and cut down on overhead, although that is a factor. It is because the skills and abilities required are changing much faster than those of most employees. Unless she has been constantly upgrading, an engineer or even a professor of engineering who trained 20 or even 10 years ago will not be able to deal with, let alone teach, the new techniques, materials, and systems that have been developed in the last 6 months. A public relations officer who does not realize that your youthful target market is now moving from one messaging system to another will not be able to get your products out the door.

## Ethics and Values

Certain values and ethics are always required. Without sanctions against murder and theft, for

example, it would be difficult to maintain any form of civilized society. Honesty and effort are almost always part of a successful life. Other values are changing with the new structures of work.

Discipline has long been touted starting with telling children they should be seen and not heard. Discipline has been a big part of schooling. Good students were obedient, still, and quiet even if that went against the natural exuberance of childhood. The good employee did what he was told and nothing else. “I don’t get paid to think” has been a working maxim for many staff. Unquestioning discipline has been a mainstay of military organizations. “I was only following orders” has been used to justify unspeakable atrocities.

Today, anyone who waits to be told what to do and then does exactly that and nothing more or less can be replaced by a machine. Replacing external discipline is self-discipline.

People now need to show initiative, originality, and creativity, in other words, thinking outside the box. If, in the gig economy, you wait around for someone to tell you what to do or to give you work, you will be waiting a long time. It is self-discipline that will make Me, Inc. successful, getting you out of bed in the morning and asking and then answering the entrepreneurial question: what good or service can I provide that someone is willing and able to pay for? It then takes more self-started effort to produce that good or service, find customers, and generate income. If the Me in Me, Inc. does not do it, it does not get done.

Reputation is another changing value. For women, having a reputation usually had negative connotations. The name of a woman was to appear in the media only three times in her life, at birth, at marriage, and at death. For most workers, reputation was also a bad word. As the Japanese say, the nail that sticks out gets hammered down. Keeping your head down was a very good idea for most workers.

Now, having a reputation is not only positive but essential and it had better be a good one. If people don’t know that you exist, customers, contracts, and cash will not come your way. If people have heard bad things about you, that is even worse. The value of positive visibility

cannot be over emphasized. It is a positive reputation that will enable you to earn a living. Any threat to that reputation requires immediate damage control. Better yet is enough attention and caution so that reputational damage does not occur in the first place.

There is one ethical value that should be universal but has not been seen much in practice. Its star will rise with the changing work configurations. That is the golden rule: do unto others as you would have them do unto you. This has always been the ideal that has been preached (with variations in wording) from the pulpits of every major religion. It has not always been practiced.

Good bosses notwithstanding, many managers and supervisors would not like to be treated the way they treat their staff. And employees have been known to take their employers' products, equipment, and even money if they felt they could away with it. Stealing the time that the company has paid for, by example, taking it easy on the job is considered fair game.

With the growth of contingent work arrangements, doing to others what you would not want them to do to you becomes an unaffordable luxury. Employees who feared for their jobs in a tight labor market might have put up with ogres who yelled at them or made impossible demands. In the gig economy, a reputation for being nasty or slow to pay means that those who have any choice (and this includes all the good, capable workers) will avoid working with you. On the other side, delivering work that is sloppy or late rapidly diminishes the supply of further work that is likely to appear in the future.

It now behooves all those who want to get paid or who pay others to constantly consider and act upon the best interests of those they work with. Ethical values now coincide with what is needed to be materially successful. How you deal with others, whether we call it ethics, people skills, or emotional intelligence, is no longer just the icing on the cake. It is absolutely essential and it could lead to a much better work environment and even a better world. Doing well requires you to do good and doing good means that you will do well.

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## Cross-References

- ▶ [Capitalism](#)
- ▶ [Collective Bargaining \(USA\)](#)
- ▶ [Gender, Economics, and Unpaid Work](#)
- ▶ [Locke, J.](#)
- ▶ [Marxism](#)
- ▶ [Meaningful Work](#)
- ▶ [Property Rights](#)
- ▶ [Supervisor-Subordinate Guanxi](#)
- ▶ [Work Ethic](#)
- ▶ [Work-Life Balance](#)

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- Profiting from the Golden Rule Harvard Business Review <https://hbr.org/2011/10/profitting-from-the-golden-rule>
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## Gender and Food Security

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### Synonyms

Access to resources; Consumption patterns;  
Gender bias; Sexism

### Introduction

Food security is recognized as a social determinant of health contingent upon a regular and consistent supply of foods meeting standard nutritional requirements. The Food and Agriculture Organization of the United Nations (FAO) states that food security “ensures that all people at all times have both physical and economic access to the food they need.” It raises significant ethical issues since: “eating often involves moral decision-making rooted within the context of cultures, traditions and social structures that impact human nutrition and health outcomes in a globalized way” (Fanzo 2015). Food security has traditionally been constructed as gender-blind despite the dominant role played by both women and men in food production, harvesting, and distribution and the significant constraints imposed on women preventing their full participation in these areas.

### Discussion

Historically, a flexible definition of “gender” that is subject to interpretation coupled with a lack of knowledge about how a gendered lens may be applied has resulted in gender being ignored or left out of the equation. Adopting a gender-based approach to food security requires a recognition of the differing and unequal roles of women and men and the context in which these roles are constructed and perpetuated. Reducing gender inequality is an important part of the solution to global hunger. Those countries with the highest levels of gender inequality as reported in The Global Gender Gap Report also relate the most severe hunger problems (Njuki et al. 2016). Adopting a gender-based approach is even more imperative given that global threats posed by environmental change will increase food insecurity. Some of these threats are posed by the greater frequency of extreme weather events that prove hazardous to the global food system and increase the vulnerability of marginalized peoples to food insecurity.

Food security is based on three areas: food availability, economic access to food, and nutritional security. Women play a dominant role in each of these three areas but also face socioeconomic and cultural inequities and constraints. Addressing and alleviating these constraints is a critical element of achieving food security worldwide.



## **Food Availability**

Both women and men work as farmers and natural resource managers and contribute to sustainable food production. In many cultures, women are primarily responsible for food preparation and distribution and for ensuring family and community health. Despite this active participation, women have unequal access to land including access to common property resources and to improved seeds, fertilizers, technology, credit opportunities, and advanced education. Women are paid less than men for the same work or are expected to carry out work on an unpaid basis. Women are inadequately represented on decision-making boards. The failure to incorporate both women's and men's perspectives results in a lack of diversity regarding decision-making processes, and women's unique knowledge and expertise goes unrecognized. Women and men possess different knowledge and transmit it in various ways due to their respective roles and responsibilities. Food productivity and security would increase should these constraints be alleviated.

## **Economic Access to Food**

Poverty remains a major threat to household food security with the most adversely affected and the most vulnerable group being women and children. These individuals are at greatest risk of developing malnourishment and/or obesity – both of which have a detrimental effect on physical and mental development, long-term health, and productivity. Discrimination against such disadvantaged individuals may lead to further marginalization of their needs and their contributions. As household welfare improves, so too does access to a consistent supply of high-quality food. In particular, women's incomes are closely connected to the nutritional status and health of children as women tend to spend a higher amount of their income on family food and healthcare. Women who are empowered within the household and who hold a higher status there

compared to men are actively engaged in decision-making processes at the household and community levels. This also results in the provision of higher quality healthcare for all household members including children. The greater the power of a woman within a household, the greater the access to food.

## **Nutritional Security**

Additional key contributors for nutritional security include ready access to adequate healthcare including nutritional information, childcare, sanitation, and clean water. Ensuring nutritional security is almost always the exclusive domain of women. In order to secure or provide these services for the family, women must invest significant time in order to care for household members. Despite the fact that a correlation exists between women's nutritional health and children's health, gender biases in food distribution and caregiving practices within the home may occur. This leads to poorer nutritional outcomes for girls and women and consequently reduces women's abilities as caregivers.

## **Conclusion**

Gender equality and the recognition that women's rights are human rights remains an elusive goal in many parts of the world. However, according to de Schutter (2013): "Gender inequality can make a substantial contribution to a country's economic growth and it is the single most important determinant of food security." This is reflected in an increasing number of gender-based strategies being developed and implemented worldwide by various institutional stakeholders. Given the far-reaching nature of many of the inequities and constraints faced by women, a complex multi-sectoral approach over the short- and long-term is required at the community, regional, and national levels. This challenging approach includes a greater recognition and understanding of the degree to which women are constrained

within food production; how poverty disproportionately impacts on women and how women's nutritional health is linked to children's health. Wide-ranging systemic changes are required to increase global food security through addressing gender inequality. These changes include modifying existing regulations, laws and cultural practices, challenging long-standing patriarchal traditions; promoting women's rights to land ownership; improving access to education for girls; valuing women's knowledge; encouraging the participation of women in nontraditional fields including natural resource management; improving political representation for women; and increasing women's participation on decision-making boards. Although unlikely to be achieved quickly or without disagreement over the appropriate interventions, addressing these constraints and removing these gender-based obstacles will benefit women, men, and children in society, promote social justice and help to bolster food security.

## Cross-References

- [Environmental Ethics and Sustainability](#)
- [Feminist Ethics](#)
- [Gender and Household Economics](#)
- [GMOs](#)
- [Human Rights](#)
- [Humanitarian Ethics](#)
- [Medical Ethics and the Land Ethic](#)
- [Seed Banks](#)
- [Water Security: Ethical Debates](#)

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## Gender and Household Economics

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## Synonyms

Gender and family economics

## Definitions

*Gender and Household Economics* is a field in economics that analyzes household decisions by assuming that some differences in persons' abilities to act in a certain way or their treatment by others vary by gender. These differences are usually taken as given. The source of these differences is either assumed to be biological or the result of social constructs like norms or institutional restrictions.

*Utility and Utility Function.* The utility function is a function capturing the well-being of an agent from any given consumption bundle; it represents the agent's preference ranking over all consumption bundles. These bundles may include actions like leisure or an action of another agent. Utility is the outcome from entering a specific combination of goods and actions into an agent's

utility function. For example, a person might experience a lower utility if in addition to a given bundle of goods their partner yells at them than in the absence of the yelling. In economics, we usually assume that each individual is endowed with their own preferences and hence utility function.

*Household Utility Function.* A household utility function is a function capturing the well-being of a household, not one individual, from any given consumption bundle. This bundle includes the consumption bundles of all household members.

## Introduction

Economics of the household focuses on actions taken by individuals within households. These actions include investment in children, purchases of durable goods or financial assets, labor supply and division of labor, the number and spacing of children, and formation and dissolution of marriage. Gender and Household Economics' focus is on the role that gender plays in household decision-making. This could be due to the gender of children (i.e., does gender of the existing children play a role in a couple's decision to have another child?), while parents are treated as a uniform agent. Alternatively, the decision-makers' genders might play a role in the decision process (is gender a factor in the bargaining power of a household member?).

Many actions of household members seem to depend on gender. For example, it is well documented that, on average, married mothers spend less time in employment than married fathers and that mothers tend to spend more time caring for their children than fathers (e.g., Stastna 2012; Bureau of Labor Statistics 2017) in different-sex couples. Empirical evidence from other disciplines suggests that parents treat sons and daughters differently (e.g., Park 2017) as well as empirical evidence from economics (see Lundberg 2005 for a survey).

In interpreting different treatment of men and women, it is important to make a distinction between differences in treatment and differences in well-being. For example, a different pattern of

investment in children based on their gender means that daughters and sons are not treated equally with respect to inputs, but it could still be the case that parents seek to equalize the well-being of their children regardless of gender; if boys and girls need different inputs to be equally happy, parents would not equalize their children's well-being (i.e., utility) by providing them with the same bundle of inputs. Unequal treatment of equals most certainly leads to unequal well-being, but if producing quality child care differs for boys and girls, unequal amounts of financial and time investments in boys and girls may not necessarily lead to a difference in boys' and girls' well-being.

Gender and Household Economics seeks to document systematic differences in household members' treatment and behavior by gender, provide explanations for such differences, and in many cases also provide a welfare analysis. That is, we are interested in whether a well-documented difference in observed behavior or treatment is an indication of a difference in well-being of an adult or child compared to their peer of different gender.

Gender and Household Economics is a growing field both in applied theory as well as empirical economics and finds applications in developing countries and developed countries. The increasing availability and access to individual-level data within households has spurred a growth in empirical studies in the field. Researchers also take advantage of field and laboratory experiments to understand how gender influences decision-making in the family and how a shift in decision-making power might change household members' actions and intra-household distribution.

Policy questions in the field often ask if measures targeting specific members in the household would make a difference in their impact on household decisions. Real-world examples of such policies are gender-based parental leave policies (e.g., "daddy months") or who should be the recipient of child benefit payments aimed at improving the standard of living for children (Brindle 2010). The lending practices of the Grameen Bank also reflect such considerations

(Esty 2014, Cross-reference: ► [Gender and Microcredit](#)).

## Models of Household Decision-Making

Some models in household economics aim at explaining differences in economic indicators by gender such as a gender wage gap or a lower labor force participation of married women compared to married men without addressing intra-household distribution. Unitary models of the household typically fulfill such purpose emphasizing that the result of efficient division of labor in a household tends to be specialization where the mother takes care of the children for more hours each day than the father.

Unitary models assume there is one utility function for the whole household, hence the term “unitary.” While the household in the unitary model consists of two adults and often children, the members act as if there is just one agent commanding the pooled resources of the household when maximizing household utility.

The main premise of these models is that a biological difference in the ability to produce household goods or an institutional difference in the ability to work in the labor market tilts the efficient division of labor in a household in such a way that leads to married men working more hours than married women and to married women spending more time in home production than married men.

It also means that if we switched the comparative advantages in home production between the partners, we would observe the opposite pattern of specialization, but the time spent in each activity would be exactly the same as before. Moreover, because pooled resources of the household remain the same, the well-being of each partner will also remain unchanged. To sum up, in unitary models, the answer to “Who does the dishes in the household?” does not tell us anything about the distribution of welfare among the couple.

The unitary model also leads to the conclusion that a change in the recipient of child benefits from the mother to the father would have no impact on how much money is spent on children in two-

parent households. The amount that the couple receives in child benefit is exactly the same no matter if the father or mother receives the payment, and hence pooled resources would be unaffected by such a change.

Many empirical studies have found violations of the pooled income hypothesis. For example, Part II of Haddad et al.’s book, as noted in their introduction (1997, p. 11), “begins with a critical evaluation of the empirical evidence – both informal and formal – that casts doubt on the unitary model,” and the editors conclude by arguing “that the existing evidence should be seen as shifting the burden of proof to an approach in which assumption of income pooling is defended rather than maintained.” Vermeulen (2002) includes more recent references to empirical work rejecting the pooling hypothesis.

## Bargaining Models

Family bargaining models treat household decision-making as the result of negotiations between the partners, each with their own utility function, so each partner derives utility from the consumption of their own private goods and possibly household public goods. Family bargaining models can be static (one period) or dynamic, and they either impose efficiency or allow for inefficient decisions. They can also be cooperative or noncooperative in nature. (See Bergstrom 1997 for a survey).

As in the unitary model, most bargaining models do not provide a link between specialization in marriage and intra-household distribution. This is true for all the bargaining models that impose efficiency. In efficient cooperative bargaining models, both spouses negotiate from a status quo or disagreement point to an efficient division of labor that increases the welfare of both spouses beyond their utility in the disagreement point by splitting their maximized marital gains. For simplicity, let us assume that the bargaining solution awards each spouse half of the marital gains in addition to the utility the spouses claim in their disagreement point. This means that if one spouse has a lower utility in the disagreement

point than the other spouse, the spouse with the lower disagreement utility will experience a lower welfare over all in marriage than the spouse with the higher utility at the disagreement point. Hence family bargaining models stress the importance of policies aimed at changing the disagreement point in order to influence intra-household distribution. What determines the disagreement point varies across bargaining models.

### Disagreement Points in Static Models

Some models take the utility when single as the benchmark. In this case, own earnings play the most pronounced role. Not earnings during marriage (which are the result of specialization) themselves, but earnings at the disagreement point are an important factor in a person's utility as a single relative to that of the partner's. A policy aiming at increasing the bargaining power of women could therefore aim at recruiting more girls into majoring in programs in which women are underrepresented but that lead to higher earnings. This would narrow the gender wage gap of singles and then change the bargaining power of these women in marriage.

Some models take the utility in divorce as the benchmark. In these models changes in child custody or alimony regulations change the disagreement utility and hence bargaining power of partners during marriage. These models can also speak to the benefit of women shelters; their existence increases the bargaining power of women in marriage because it increases women's utility in the disagreement point.

Some models use a hypothetical scenario in marriage as the disagreement point where partners play a noncooperative game or retreat to their sanctioned gender roles (e.g., mother stays home with the children and receives an allowance from the husband, while husband works full time). As gender norms change, so would the disagreement point and hence bargaining power of women.

Another influence on the bargaining process could stem from the use of force. Models of intimate partner violence (IPV) usually assume that men and women have different tendencies to use violence in a relationship and try to explain the mechanism behind the gender difference in

victims of domestic violence and evaluate policies aimed at reducing IPV.

### Dynamic Models and the Role of Specialization

Dynamic bargaining models typically allow for decisions in marriage in one period to impact the disagreement point in the next period. In such a case, spouses typically take inefficient actions, yet the assignment of who is doing the dishes is still driven to some extent by efficiency considerations not unlike in the unitary model.

For example, assume that both spouses start out with the same wage rate but one partner works full time in the first period of marriage while the other partner takes time off to take care of the children. Despite the same initial wage rate, due to the difference in labor force attachment in the first period of marriage, spouses will face different wage rates in the next period, and so different investments in one's labor market skills during marriage in one period may result in a difference in disagreement utility over time that is largely driven by the difference in specialization during marriage. In such a model, and in contrast to the unitary model or the static bargaining model, switching the comparative advantage in household production between partners while keeping everything else unchanged would lead to a lower utility of the person specializing in household production during marriage. Hence these models provide a link between labor force attachment during marriage and intra-household distribution of welfare. In other words, if spouses had a choice, they would rather be the spouse not assigned to doing the dishes.

### Competing Mates

The composition of the marriage market may also play a role in the bargaining power of a spouse. If women face a high male-to-female ratio of singles, depending on the assumptions of the bargaining model, this could lead to married women capturing a higher welfare than in a market where this ratio is low. The intuition for such a result is that whichever side has a higher number

would compete with each other more to match with a spouse from the different gender, and so the welfare of a spouse depends on the relative shortage of competitors in the marriage market.

## Negotiation Skills

Gender can play a role in bargaining power independent of earning power. For example, some models allow for different negotiation skills by gender in the bargaining process. In this case, even women with a high wage rate relative to their male partner could face a low bargaining power because they are socialized from an early age to accommodate demands from others.

## Relationship Between Collective Models and Bargaining Models

Above I contrast bargaining models with the unitary model. A more general approach that allows for the nesting of both the unitary model and the bargaining models is the collective approach. It assumes that the household maximizes a weighted sum of member's utility functions and allows for the weights to be influenced by age difference, earning potential, divorce laws, etc. These parameters are called distribution factors.

Collective models are more general than bargaining models in the sense that they leave open the exact decision-making process but allow for the parameters that influence the bargaining power of a spouse to play a role in how spouses allocate their joint resources. See, e.g., Vermeulen (2002) for a survey.

## Cross-References

► [Gender and Microcredit](#)

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## Gender and Macroeconomics

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## Synonyms

Engendering macroeconomics; Feminist macroeconomics



## Introduction

Economic development affects women and men differently. This statement may seem obvious today, but economists did not begin to even consider the relationship between gender equality and the macroeconomy until the 1970s. Since then, gender-aware research has sought to document the gender-differentiated impact of neoliberal macroeconomic policies adopted around the world in both low-income and high-income countries. Neoliberal policies, key features of stabilization and structural adjustment programs pushed by the World Bank and International Monetary Fund, encompass fiscal and monetary austerity, privatization of public services and goods, and liberalization of trade and investment flows. A growing number of economists have recognized that these macroeconomic policies are not gender-neutral in their impacts. In the reverse direction, gender relations in the household and market work to shape macroeconomic outcomes. As this body of research has expanded, international financial institutions have increasingly emphasized the synergy between growth and gender equality, and they have integrated gender equality into their institutional mandates.

The channels between gender equality and economic growth are complex; and considerable debate has emerged regarding both the direction of causality and the distributional consequences of growth. Gender-aware empirical research has shown that the relationship is contingent on a variety of factors, including the measure of gender equality, the time dimension of the analysis, and the structure of the economy and its institutions. This entry reviews the research on how gender equality and the macroeconomy interact and the kind of macroeconomic policies that promote gender-equitable well-being.

## Macroeconomic Policies and Gender Outcomes

Key policy objectives for sustained economic growth have traditionally included full

employment, price stability, and foreign sector balance, which are pursued through fiscal, monetary, and exchange rate policies. Since the early 1980s, the World Bank and the International Monetary Fund have enforced a particular set of macroeconomic policies – which they billed as “sound” and “sensible” – through their stabilization and structural adjustment packages. Typically, these packages encompass an initial macroeconomic stabilization component (currency devaluation to reduce the balance of payments deficit and an austerity program to curb the domestic debt). Stabilization policies are followed by long-term economic adjustment to prevent the recurrence of macroeconomic imbalances. The basic policies for adjustment include: (a) removal of government price regulation and subsidies, (b) privatization of public services and industrial enterprises to ensure their operation according to market criteria of profitability and to eliminate budget support for state-owned companies, (c) reduction of trade restrictions and orientation of domestic production towards export markets, (d) removal of restrictions on foreign direct investment (FDI) and financial flows, and (e) maintenance of balanced government budgets.

The standard macroeconomic models upon which these stabilization and adjustment programs are based do not include gender as a dimension of analysis, thereby implicitly presuming that macroeconomic policies have gender-neutral effects. Feminist economists have challenged this presumption, initially in the context of the impacts of these programs, which launched the feminist macroeconomics research agenda. Feminist economists have argued that because gender inequalities are embedded in social institutions, macroeconomic policies will affect men and women differently. In addition, household- and market-level gender inequalities in the division of work, distribution of income and wealth each work to shape macroeconomic outcomes such as the composition of aggregate demand and GDP growth. When analyses incorporate rather than ignore gender, class, and ethnicity effects, they

show that neoliberal reforms do not promote well-being in a broad-based manner.

Questioning the soundness of neoliberal reforms, feminist economists have argued that shrinking public budgets, restrictive monetary policy, and increased privatization have placed enormous pressures on the availability and quality of public services in countries around the world. They have also shown that these policies entail additional drawbacks for women – especially women in low-income groups – due to the constraints they face in the household and in society (Elson and Çağatay 2000). Adverse impacts include disproportionate job losses for women in public sector contractions, as well as increasing work burdens as women and girls have needed to cope with expenses of privatized education, healthcare, and water services. Based on this evidence, feminist researchers have argued that the soundness of macroeconomic policy needs to be judged not only in terms of traditional aggregate indicators, but also in terms of the gender-, class-, and ethnicity-differentiated impacts on well-being (Berik and Rodgers 2008).

Trade and investment liberalization – another component of neoliberal reforms – has had mixed blessings for women. Increased openness to trade and FDI in many countries has given women greater access to employment in export-oriented labor-intensive manufacturing. Women's jobs in highly competitive export industries (especially garments, textiles, and electronics) have generated new sources of foreign exchange, resulting in an increasing feminization of foreign currency earnings. Even in agriculture, women's seasonal or daily wage labor on farms has proven critical to keeping production costs low and export demand high.

However, employment gains for women have often been accompanied by downward pressure on wages, precarious working conditions, and an informalization of work in which jobs lack basic legal and social protections. While some have argued that wage discrimination is costly and necessarily declines in the face of competitive pressures in global markets (Black and Brainerd 2004), several studies using data from Asian

economies have provided compelling evidence of growing gender wage gaps resulting from increased trade openness (Berik et al. 2004; Menon and Rodgers 2009). In these cases, rising wage gaps are the outcome of employer efforts to compete internationally: as employers lay off workers in import-competing sectors and move to lower-wage sites, they obtain wage concessions from those still employed in a manner that disadvantages women workers. Research has also focused on the adverse impacts of the footloose nature of FDI moving from one country to the next in search of the lowest-cost producers. In particular, Seguino (2007) provides evidence that FDI mobility not only leads to lower wage growth but also has a negative effect on productivity growth in semi-industrialized countries.

Pressure from international markets to keep production costs low has increasingly induced firms to offer insecure jobs that are temporary, casual, and flexible (Beneria 2007). Across countries, increases in the proportion of the workforce classified as informal are partly explained by the growing tendency of final-goods producers to subcontract smaller-scale, home-based operations (Gwynne and Cristobal 2014). Home-based workers are predominantly women who work for lower pay (often on a piece-rate basis), receive few (if any) fringe benefits, pay their own utility costs, and work long hours. In view of their informal status, most home-based workers remain uncovered by labor regulations that impose costs on producers. They are predominantly new labor-market entrants, women who have lost their formal-sector jobs, or women who need to combine paid work with child care obligations.

A large body of evidence has documented poor working conditions, worker abuses, lack of union rights, and discrimination by gender in developing countries (Berik and Rodgers 2010). Despite these drawbacks, some researchers have argued that jobs in the export sector offer better pay as compared to many other alternatives for women (Kabeer 2004). However, this argument leaves the improvement of working conditions to the unfettered market. With pressure from consumers and the negative consequences of media exposure,

corporations have increasingly turned to voluntary self-monitoring through corporate social responsibility in order to address poor working conditions in developing country factories. Even if consumer-led corporate codes of conduct are proliferating, relying on companies to self-regulate compliance may be insufficient, especially in light of strong consumer demand for low-cost clothing, the lack of agreement among corporations and monitoring groups over a common set of labor standards, the large number of factories and subcontractors that remain outside the scope of private monitoring efforts and, above all, the unwillingness of corporate buyers to offer developing country suppliers unit prices that are sufficient to pay for decent working conditions.

Export orientation has contributed to rising employment opportunities for women. However, several studies have shown that in middle- and higher-income economies, women have experienced displacement from low-paying jobs in manufacturing industries that have upgraded their technologies, reduced the size of their workforce, and moved production to lower-wage countries. For example, Tejani and Milberg (2016) find evidence of a shift in labor demand away from women as a result of industrial upgrading in Southeast Asia and Latin America. And in Mexico, technological upgrading and rising capital intensity of export-oriented manufacturing has been linked to a relative decline in employment opportunities for women (Fussell 2000). Even in lower-income countries, women can experience job displacement when technological change makes traditional female jobs redundant and when women face barriers to training for new jobs.

Although financial liberalization constitutes another integral feature of standard macroeconomic policy reform packages, greater integration in the world's capital markets has contributed to increased vulnerability to financial crisis and exchange-rate shocks. A number of high-profile crises in the 1990s and early 2000s have spurred wide-scale discussions about the costs and benefits of financial liberalization as well as reforms to the existing international financial architecture. That said, empirical studies that focus specifically on financial liberalization and crisis through a

gendered lens are quite sparse, with results suggesting that the main cost is the additional burden created for women during financial crises and economic downturns (Stotsky 2006).

While gender-aware macroeconomic analysis has encompassed mostly empirical work, some theoretical studies have incorporated gender into macroeconomic models, including the representation of gender differences in consumption, savings, labor force participation, and unpaid care work (Çağatay et al. 1995; Grown et al. 2000; Braunstein et al. 2011). Some of this work follows the approach of modeling an economy as two systems: one includes the standard types of variables related to the macroeconomy and the other comprises gendered variables related to the unpaid reproductive economy. Other modeling efforts have incorporated gender-disaggregated variables in order to trace the implications of promoting gender equality for macroeconomic outcomes. For example, some models trace the effect on output of removing constraints on female labor supply or raising the earnings of women who have a higher marginal propensity to spend on consumption that benefits children's well-being. In building the macroeconomy as a gendered structure, these gender-aware models have contributed to the growing awareness of the valuation of women's care work, the constraints and costs that care work imposes on women, and the division of resources and tasks within the household.

## Gender Equality and Economic Growth

Economic growth can potentially reduce gender inequalities and enhance broad-based well-being through the utilization of newly generated resources. Economic growth can empower women and reduce gender inequality in health, schooling, labor-market outcomes, rights, and political voice. The causality can also run in the other direction, in that gender equality can promote economic growth and is a worthy goal to pursue for both intrinsic and economic reasons. Removing barriers and alleviating the constraints that women face can yield benefits in the home, in

the labor market, and even in the broader macroeconomy such that the potential productivity gains achieved by closing gender gaps will boost economic growth. Moreover, failure to close these gaps can actually harm economic growth through such channels as relatively poor health and educational attainment for women, inefficient allocation of resources, suboptimal governance in business and governments, and reduced aggregate productivity.

Several studies have shown causal links between economic growth and gender inequality, with growth improving or worsening inequality depending on the gendered indicator under consideration. Evidence indicates that economic growth reduces the disadvantages faced by women, especially in educational attainment, life expectancy, and labor force participation (World Bank 2011; Duflo 2012). Growth brings higher incomes and improved service delivery, which helps to close gender gaps in educational attainment, health outcomes, and employment. In some countries, technological improvements work to women's relative advantage as the returns to cognitive skills rise relative to the returns to manual skills.

A way in which growth can mediate women's welfare is by creating the need for structural changes that indirectly benefit women. For example, when economic growth is associated with greater public investment in infrastructure, it saves women time from collecting water and fuel, thus freeing up their time and other resources to engage in paid work or alternate remunerated activities. This type of transformation has been documented in countries like South Africa, where the mass roll-out of electricity to rural areas caused women's employment to rise by almost 10 percentage points while men's employment did not change (Dinkelman 2011). And in Morocco, a program that financed connections to piped water contributed to greater leisure time and less stress over water-related issues (Devoto et al. 2012). Conclusions about economic growth freeing up women's time hold not only for infrastructure, but also for labor-saving appliances and devices.

Yet economic growth may not be sufficient to improve gendered well-being in all its dimensions, especially if unpaid work burdens, biased laws, differential access to resources, and social norms continue to constrain women's ability to take advantage of new, well-paid employment opportunities (World Bank 2011). Gendered biases in access to new labor market opportunities play a crucial role in constraining women's advancement in the labor market and in achieving more equitable occupational distributions and narrowing pay differentials. These biases could be caused by inequities within households (especially women's relatively greater time burdens in performing unpaid household work), formal institutions (including statutory laws that favor men and inadequate public infrastructure that contributes to women's domestic work burdens), markets (particularly unequal access to credit, agricultural inputs, and investments in skills), and informal institutions (such as employers' discriminatory attitudes toward women workers and social norms that restrict women from engaging in market-based work).

In the reverse direction, gender inequality can impede economic growth. A growing body of empirical evidence indicates that gender inequality in education and employment can act as a drag on long-run growth. Educational inequality can contribute to women's unequal household bargaining power, which could potentially reallocate household spending away from children's needs, thereby reducing the quality of the future labor supply and long-run productivity growth. Systematic differences in investments in girls' and boys' education can be inefficient due to distortions in skill levels that channel men and women into gendered occupations, an argument supported with evidence in Klasen and Lamanna (2009). Their cross-country economic growth analysis indicates that countries with wider gender differences in labor force participation rates grow more slowly, with simulations showing lower growth in the Middle East, Northern Africa, and South Asia due to this effect. Closely related, greater equality in education can help to boost FDI by expanding the pool of skilled labor,

which, in turn, stimulates economic growth (Busse and Nunnenkamp 2009).

The widely emphasized positive association between growth and gender equality in education or labor force participation may not hold in the case of gender earnings inequality. There is a plausible case to be made that women's lower relative wages can raise profitability in sectors that employ women, boost investment or exports, and fuel economic growth. This growth effect poses a challenge for policy makers seeking to reduce gender wage gaps, since doing so may slow down growth, as the expected expansion in women's consumption spending is likely to be more than offset by decline in investment and exports (Seguino and Grown 2006).

The empirical evidence is not conclusive, and in a meta-analysis of studies that use regression analysis of cross-country datasets, Bandiera and Natraj (2013) conclude that this body of work cannot definitively demonstrate a causal link from gender inequality to economic growth. This failure is mostly due to the difficulties inherent in this methodology in identifying the direction of causality and in pinpointing the underlying mechanisms that link inequality and growth. Another criticism, echoed in Benería et al. (2015), is that cross-country regression analysis implicitly assumes that the role of gender inequality is similar across countries, ignoring the role of country-specific factors. These weaknesses can diminish the plausibility of claims that link gender inequality to growth. Although most cross-country regression analyses include controls for regional differences, the research strategy generally does not evaluate the effect of differences in economic structure among countries.

Results from this body of research on gender and the macroeconomy support the implementation and enforcement of a number of policy interventions. Of particular importance is a transformative approach that boosts the remunerative value and security of women's jobs, supports women's roles as caregivers at the same time that they are employed in productive market-based activities, and promotes equal opportunities for skills development and employment for women. Macroeconomic policy reforms are integral to this

agenda, with three specific directions for policy reform that need to be implemented at the multi-lateral and national levels: first, end fiscal austerity so as to facilitate public investment in infrastructure that boosts productivity, in particular, invest in a public social care infrastructure that provides care services for children, elderly, disabled, which predominantly employ women and which reduce the unpaid care burden of women in the labor force. This investment pays off in the long run by improving labor productivity and is more effective than investment in physical infrastructure in creating jobs and boosting current aggregate demand (İlkkaracan 2016). Complement this strategy with industrial policy that invests in upgrading of economic activities so as to create higher productivity, higher-paying jobs. Second, strengthen the enforcement of labor standards, including gender equity in employment, with a broad-based strategy that incorporates trade incentives to support creation of decent jobs. And third, consider regulations that slow the speed with which financial capital and foreign direct investment can leave a country. These reforms will promote gender equitable well-being by improving women's entitlements through the state as well as the labor market, thereby promoting gender equality and broad-based social well-being.

## Cross-References

- [Corporate Social Responsibility](#)
- [Feminist Ethics](#)
- [Gender and Social Security](#)
- [Gender and the Economic Theory of the Firm](#)
- [Gender, Economics, and Unpaid Work](#)

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## Gender and Microcredit

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## Synonyms

Microcredit; Microfinance; Self Help Groups (SHG); Small loans to women; Women's entrepreneurship

## Definition

### Why Microcredit?

Let us start with the basics. Poor men and women need money, first of all, to meet their daily consumption needs. Then there are other requirements as a part of their life cycle that include both normal and crisis times, for regular livelihood as well as for securing some safety net. Earlier, whenever the poor failed to meet these needs out of their own income, they used to borrow from relatives, and when that dried up, they went to moneylenders who levied high interest rates. To alleviate miseries in such a situation, microcredit has been conceived as an intervention in the form of a financial loan from a public



source, given to a group to enable its members to use it for productive purposes. Microcredit and microfinance are sometimes used interchangeably, though strictly speaking, microfinance includes not only credit but also other forms of financial support such as insurance and saving schemes. Mostly, microcredit is administered through self-help groups (SHGs), usually consisting of women coming together voluntarily, registering themselves as a group to avail credit and launch income-generation activities.

The range of life cycle needs is so wide that they require urgent attention. They involve:

- Special events such as weddings, funerals, childbirth, education, home building, widowhood, and old age
- Personal emergency needs related to sickness, injury, unemployment, theft, harassment, and the untimely death of breadwinners
- Disaster-time needs for dealing with fire, flood, drought, earthquakes, cyclones and tsunamis, and human-caused events like war or the destruction of homes in displacement by development projects
- Investment opportunities for expanding or starting a business; buying equipment, raw materials, or land; and housing

To meet all such needs, people without assets tried to rely on their wages or incomes from whatever profession they pursued with their physical labor or skill. Often that fell far short of meeting their needs. For personal needs, they could approach their better-off family members, but for agricultural and entrepreneurial needs, they traditionally went to the moneylender or some private source which became yet another cause of their miseries. The horrendous accounts of exploitation by moneylenders by their usury practices have been widely documented. Paying exorbitant interest rates, mortgaging the homestead land, working on the lender's land as bonded labor, or even working on one's own land mortgaged to the lender were some of the practices. This type of condition of the poor in the developing countries was too well known to need any elaboration. In many countries, banks were called upon to move

in and support the poor by advancing loans. But in all cases, they asked for collaterals that the poor were unable to provide.

It is to address such situations of dire poverty and helplessness of the poor, especially women, that an institutional initiative such as microcredit was conceived. Here the collateral is the collectivity of a group embodying mutual trust or social capital, while considerations such as the availability of suitable raw material, knowledge of skill, and linkage with market are also taken into account.

As has been pointed out in a succinct way by an author, this initiative can be considered to be an "opportunity" to tap the "fortune" at the "bottom of the pyramid" (Prahalad 2004). Microcredit may be regarded as an effective channel to potentially fulfill a range of unmet needs of the poor, not least the need to save for contingencies. If a microenterprise is well designed and successful, it has the potential to meet and exceed the cost of capital. Donor agencies try to target their efforts at generating savings through the investment in microenterprises and spreading it to other activities (Robinson 2001). Since microfinance was seen as having the potential to alleviate poverty and help women's development, the UN declared the year 2005 as "the year of microcredit."

### **Women and Forms of Microcredit**

Many initiatives appeared on the scene in different countries to address this situation. Both non-government organizations (NGOs) and government agencies introduced measures for helping poor women to alleviate their poverty. In India, the Self Employed Women's Association (SEWA), a trade union of women in the informal economy, started the SEWA Cooperative Bank in 1974 to provide loans to low-income, self-employed women. The women themselves saved a little from their low wages and later on took loan from the bank to meet their unmet needs. In the subsequent decades, numerous NGOs came up in India such as the Professional Assistance for Development Action (PRADAN), Center for Youth and Social Development (CYSD), Sa-Dhan, and Bhartiya Samruddhi Finance Ltd. Along with them came up the National Bank for

Agriculture and Rural Development (NABARD), a semigovernmental bank which has been a major source of finance in this category besides being the main agency for many types of agricultural finance in India. In 2001, the Government of India initiated the Swayamsiddha program to empower women's SHGs to avail of both credit and other social sector benefits at the village level. This later became the Rural Livelihood Mission in 2011.

In Indonesia, microcredit was pioneered by the Bank Rakyat Indonesia (BRI) or "people's bank," the country's oldest bank which has been largely state owned during its history of more than a century. In Vietnam, the Vietnam Bank for the Poor, later renamed as Vietnam Bank for Social Policy modeled on Indonesia's BRI, besides the Bank for Agriculture and Rural Development (VBARD) and some other state agencies has been providing microfinance and small credit to individuals, small enterprises, and SHGs. In Bangladesh, before the well-known Grameen Bank was set up in 1983, there was an important initiative, namely, Bangladesh Rural Advance Committee (BRAC), which began as Bangladesh Rehabilitation Committee in 1972 after the country's formation. It is currently renamed as Building Resources Across Communities. An example of a related, but different, kind is a US-based NGO, the Women's Economic Ventures (WEV), active since 1991, giving credit to help single and disadvantaged women to develop microenterprises. Many of these NGOs have targeted the poorest of the poor.

Initially, microcredit initiatives spread like wildfire, and many international NGOs diverted their funds to poor countries to support them. Being lured by the access to easy money, many NGOs in developing countries took advantage of the international sources and started giving quick loans to fulfill the targets assigned to them. The targets were to reach a large number of poor women without caring to check whether the borrowing group satisfied the basic conditions governing microcredit such as availability of raw materials, social capital, and skill. In some cases, slightly well-off women availed the loans from the NGOs working as microfinance institutions (MFIs), and in turn they advanced loans to poorer women at a higher rate of interest. In the process,

the recovery of loans became difficult. In fact, NGOs used various unfair means to recover the loans. It has been pointed out that in Bangladesh, the NGOs sometimes invoked a family's "honor and shame" to recover the loan (Karim 2011).

In 2010, a trend crystalized showing the emergence of a crisis in the MFI sector in India. Unable to repay their agricultural loans, many farmers committed suicide. The norms and practices on microcredit came under intensive review. Many MFIs were blacklisted on charges of violation of rules. After that the Reserve Bank of India took note of the situation and made some rules to regulate the MFIs. First of all, the Reserve Bank set one rate for the commercial Bank which is 26% per year. The second one is for the MFIs which is 10% higher.<sup>1</sup> But in practice in some cases the small MFIs charged 20–60% annual interest to poor clients depending on the situation. Secondly, the tribal women took loans not only from MFIs but also sometimes from the traditional money lenders. At times, simultaneously, all the agents – MFIs, through collateral women and the money lenders – sought recovery of loans. Many farmers, tribal and non-tribal, are driven to commit suicide in such situations. Generally, the collateral women are responsible for ensuring smooth recovery of the loan. If crops did not fail, the poor women from tribal families would be able to repay. In case of crop failure, the pressure of the multiple lending agencies created havoc for the poor families. This situation assumed critical proportion in 2015 in the backward state like Odisha, a state where farmer suicides were rare.<sup>2</sup> This illustrated the negative side of the prevailing credit system with multiple layers.

### Debating Microcredit: Has It Empowered Women?

Now we come to the crucial question as to whether microcredit as a policy instrument has

<sup>1</sup>[http://articles.economictimes.indiatimes.com/2014-02-08/news/47127322\\_1\\_margin-cap-lending-rate-interest-rate](http://articles.economictimes.indiatimes.com/2014-02-08/news/47127322_1_margin-cap-lending-rate-interest-rate)

<sup>2</sup>Ganatrantik Adhikar Sangathan Suraksha (GASS) (2014). The GASS organized public hearing among the family members of the farmers of Odisha who committed suicide since they could not repay the loans which they had taken from different sources.

liberated women from various structural constraints by empowering them financially, politically, and socially or has it touched them only superficially. Does it indicate that the state has abdicated its welfare role in alleviating poverty and gender injustice in favor of NGOs or does the state still play an important role in this respect?

Critics have observed that microcredit had done very little for poor women. They have cited evidence to show that while launching microcredit programs, the state had cut down allocations for welfare schemes. In turn NGOs/MFIs took over that responsibility, and, operating on market principle, they sought to make high profit imposing high interest rates on the clients. As a result, the women's interests were compromised. Hence the whole purpose of the microcredit was lost. In fact, they cite the crisis in microcredit sector in 2010 to vindicate their point.

High rate of repayment and dependence on the existing financial institutions of the market have been seen as actually harmful to women's empowerment. One author terms it as "feminization of capitalist modernity" (Fernando 2005).

Observers have critiqued the activities of Grameen Bank and BRAC of Bangladesh showing how these NGOs had taken over the role of state by building roads and offering education and after assuming the major role in managing microcredit have assumed more power for themselves accentuating conditions of inequality. These NGOs became more interested in maximizing profits rather than helping the poor. The women who take money from them also operate within the close network of kinship of the family. In most cases, even though they take money from the NGOs, they hand over the same to their husbands who in turn manage it and give the installment. In case the women fail to repay, besides invoking family "honor and shame," the agents who are invariably tough-looking male resorted to a variety of coercive and manipulative means to secure repayment. The poor women being unable to pay often lose their only asset, namely, the thatched houses or even a cow to repay the loan. In other cases women from lower middle class used mobile phones to facilitate the operations by collecting information on the fair price of the product. But instead of helping the poor by this,

they charged the latter for the use of mobile and thus made money at the cost of the poor. Thus, critics argued that microcredit hardly challenged patriarchy, rather it operated microcredit within the prevailing patriarchal system even using women against women (Karim 2011).

However, the reality is more complex. While this depicts one side of the story, it fails to recognize how women used even small credit and collectivity of their action to enlarge political and economic space. This is what we will take up next.

Even when there were trends indicating a retreat of the welfare state and rise of profit-oriented NGOs, there were compulsive historical forces requiring a positive role of the state as well as NGOs to respond to social development goals. In that context, women availed the opportunity to form women's collective and fight for their rights in various ways.

For example, the fully state-owned successful microcredit program in India known as *Kudumbashree* (prosperity of the family) has been working since 1998 in Kerala. It is a federation of women self-help groups. These women get loans from the state government to earn additional income. Besides manifold income-generation activities, they are also involved in state-run activities such as conducting social audit of the largest right-based rural employment guarantee scheme all over the state. Having gained the SHG experience, they move on to undertake multiple roles in society, politics, and economy. Many of these women get elected as leaders by contesting for offices in the local government institutions both rural and urban. Thus, they are engaged in the delivery of various public goods such as low-cost shelter, sanitation, drinking water, etc.<sup>3</sup>

<sup>3</sup>Incidentally the Seventy-Third Constitution Amendment Act was passed in 1993 reserving not less than one-third seats for women both at the membership and headship level. The objective of the Act is to bring participatory, transparent governance to the doorstep of the villagers in which they have a say and, secondly, to enable women to participate in the decision-making process which would improve their image in the public sphere. The above Act enabled a large number of women to get elected. Many welfare schemes such as drinking water, sanitation, and low-cost shelter are implemented and monitored through the local government. These women's collective thus improve the good governance.

Extensive evaluations of this program have shown that these women groups had proved themselves in practice as important agents of social change achieving economic as well as social objectives (Oommen 2010).

Similarly, a study of the experiment of women SHGs in Andhra Pradesh concludes that rather than focus on the successful repayment of loans, one should note the value of the political experience women gained through their involvement in the entire process of utilizing the microcredit. Taking part in the consultations and decision-making within the SHG about utilizing the loan and planning repayment was extremely important (Finnis 2017). These activities can be understood as expanding the empowerment of the individual and the agency of the group. In a particular case, the members decided to use the loan to improve the connectivity to the village by constructing a road so that a doctor could come to serve the village. By completing the road, the group not only felt empowered but could also improve the welfare of the villagers. Thus, in spite of facing inequalities in the everyday lives, the women could utilize the funds in the desired way, and this itself had long-term implications for positive social change.

NGOs like the Mysore Resettlement and Development Agency (MYRADA) or Development of Humane Action Foundation (DHAN) and SEWA are conspicuous for the fact that they did not succumb to the market crisis in 2010. They showed as one scholar has put it, “the importance of the power of communities in resolving issues that can’t be solved by market and the state institutions” (Sharma 2011, 60). As we have mentioned earlier, SEWA fights for the rights of the self-employed women. The NGOs enable the scheduled caste (formerly untouchable castes of India) and scheduled tribe (tribes listed for special welfare support) women to form collectives to lobby in the public space to pressurize state and local bodies for improving irrigation facilities, electricity supply, and other utilities. They also look after health needs such as sending pregnant women to the hospital, undertaking immunization of the children, etc. (Ghosh et al. 2011).

The remarkable achievement of Bangladesh in literacy as well as life expectancy of females may not be unconnected with the extensive role that NGOs have played in the country with microcredit being a major component of their activities. Infant mortality and maternal mortality rates have declined, and all these may be partly connected with the women’s participation in the microcredit program. On the top of all this, in spite of having a lower per capita income than India, the rank of Bangladesh is much above India in HDI (Human Development Index) as well as GDI (Gender Development Index). Amartya Sen has frequently highlighted this. He attributed the achievement largely to the imaginative initiative of Grameen Bank and BRAC along with many welfare-oriented government policies (Sen 2011).

Thus, it is noticed that neither has the state withdrawn fully nor are the NGOs engaged only in maximizing their profit at the cost of poor women. Enabled by the provisions of local government institutions and that of microcredit, poor women could form women’s collective to improve their bargaining power and raise their status in the public sphere in addition to achieving concrete livelihood needs. In the process, the women become decision-makers even if in a small way. It is true that this by itself does not lead to fundamental social transformation of the patriarchal order. For that we need to undertake many long-term structural measures providing much more access of women to productive assets along with education and health and above all change the cultural attitude of people. Otherwise, despite the improvement in their status, the women continue to face violence against them. In other words, microcredit is not a “magic bullet.” Along with this, one needs other enabling social, economic, political, and cultural factors to empower them substantially.

## Cross-References

► [Usury](#)

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financial security and well-being of the population, including family policy, housing, education and early childhood programs, health, and income security policy. These are labeled social policy, which is often demarcated from economic policy, though the two overlap. Clearly each of these policy areas has clear economic impacts, and many aspects of social policy are social investments that maintain and enhance the quality of the labor force and develop the next generation. Research on social security and social programs occurs in a range of disciplines, including sociology, economics, social work, education, and health. The starting point for a gender analysis of social security and social programs is that these policies are often framed as gender neutral or gender blind, when in fact the underlying assumptions and impacts are highly gendered. Furthermore, academic analysis may fail to use a gender lens, whether in conceptualizations of the overall welfare state or evaluations of specific policy areas.

Feminist scholars have been particularly active in (re)examining social policy from a gender perspective.

## Social Security Through a Gender Lens

While feminists may frame the issues differently across disciplines or policy areas, a common point of departure is that gender inequality in the labor market and the household results in different social security risks and entitlements for men and women. For example, women are more likely to be in precarious jobs or have discontinuous paid work, which reduces their entitlements to employment-based income security programs such as employment insurance, pensions, and health insurance. These employment-based programs form the top tier of social security systems in many countries, with lesser entitlements for others. Women's entitlements are often based on their roles as wives and mothers. The hierarchy of entitlements is also linked to the underlying separation

## Gender and Social Security

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## Synonyms

Income security; Social policy; Welfare state

## Definitions/Introduction

Social security and social programs refer to several areas of government policy that support the

of the paid (production in the market) and unpaid (social reproduction outside the market) economies and the invisibility of the latter. The work of women in unpaid caregiving is also linked to the devaluation of care work in the market, which further affects entitlements. Evidence in many countries shows that women's entitlements to pensions, employment insurance, and other income security programs are affected by their responsibilities for social reproduction (MacDonald 1998). Risks also differ by gender. Those in precarious employment face higher risk of income inadequacy or job loss; wives face higher risk of income loss from divorce than husbands; single mothers have higher rates of poverty. Health risks also differ by gender, which is a problem if research results from samples of one gender are generalized to the whole population.

At a system level social security and social programs mirror and reinforce gender roles and gender inequality. Welfare states differ by the underlying gender regime or gender contract. Conceptualizations include the male breadwinner model, where women are responsible for unpaid work in the home and are dependent on spouses for income security (with social security policies primarily linked to the paid work of the male breadwinner); the universal earner (or adult worker) model where both spouses are expected to work and social policy is based on a norm of active labor force participation by all adults; and the parental model, where social security is provided for children regardless of parental work status (MacDonald 1998). These models can be clearly seen in family policy, both in terms of financial benefits and services. For example, are income benefits for children universal (parental model) or are they targeted only to the poorest children (male breadwinner model)? Are early childhood programs framed as supporting working parents (universal earner model) or investing in the development of children (parental model)? Do schools provide lunch and after school programs (universal earner model), or are children sent home (male breadwinner model). Similar differences exist in income and service policies

for the elderly. A gender analysis highlights how caregiving in all its forms (children, elderly, sick) is organized and the implications for the financial security, health, and well-being of the carers, be they paid or unpaid workers.

A gender perspective on social security and social programs draws attention to broader questions of what is valued in society and how economic resources are distributed and redistributed. What is considered a contribution to society and an economic investment? Is public spending on early childhood education a drain on the economy or a social investment? Should social programs be universal, in that they provide benefits to the whole society, or targeted only to those in need? Who are considered as deserving and undeserving of financial assistance? Who is expected to engage in paid work and who is deserving of public support for unpaid contributions? Do stay at home moms need childcare programs?

At the level of individual programs and policies a gender analysis asks what are the underlying gender assumptions and likely gender impacts. For example, parental leave policies in many countries are biased toward mothers taking the leave, reinforcing a traditional gender division of labor around childcare with resulting consequences for careers. Standard economic criteria for policy evaluation need to be reconsidered from a gender perspective (Himmelweit 2002). Equity usually focuses on horizontal and vertical equity, but to this is added gender equity. Economists often argue that targeting programs is an efficient use of limited resources, but gender considerations complicate that evaluation. For example, many programs use the household as the unit of consideration, but feminist analysis draws attention to intrahousehold inequality. Thus, it may be problematic to use household measures in means or needs testing to target programs. Individual entitlements to social security benefits are important. Similarly, research has shown that it matters who in a household receives income in terms of how it is spent. Thus, outcomes differ if child benefits are paid to the mother or the father (MacDonald 1998). Social security policy has a role to play in redistributing resources *within*



households as well as *between* them. Conditional transfers have become popular in a development context as a way of improving the health and education of poor children. However, from a gender perspective, these may contribute to inequality. When child benefits are conditional on school attendance or medical services, the traditional role of mother is reinforced, limiting her ability to be economically independent (Molyneux 2009). In general, policies need to be evaluated for their impacts on the gender division of labor and intrahousehold inequality.

Social security policies may also privilege certain family arrangements over others, whether intentionally or not. This is especially the case in welfare states based on a male breadwinner model, where policies reinforce the patriarchal family. Support for single women may be minimal. Women have few claims on such a system except through marriage. Lone mothers are traditionally covered by social assistance, but the amounts are typically low and stigma is attached to being outside the “normal” family in many countries. Tax policies that allow income splitting also favor married over single individuals.

Social security policies and social programs can also shift resources between the paid and unpaid economies (Himmelweit 2002). False efficiencies or cost savings are achieved when work that was done for pay moves to the home and typically to women. Examples include early hospital discharges and other forms of deinstitutionalization. Not only does women’s unpaid workload increase, with impacts on stress and well-being, but their ability to participate in the paid economy is undermined. These costs are usually invisible to policy makers and the public. Gender budgeting is one way to track the real costs and benefits of government programs and to show differences by gender in the distribution of those costs and benefits (Elson 2006).

While social security policies and social programs typically reinforce gender norms and inequality, a gender analysis points to ways policies can be structured to help promote equality.

For example, in terms of child-related leaves, many countries have moved from maternity leave only to parental leave that can be shared, and to father-only leave, with the aim of increasing the uptake by fathers and altering the division of labor around care and paid work. At the same time, women’s rights to decent social protection in their traditional roles needs also to be promoted, such as better employment insurance access for precarious workers, or pension credits or other compensation for time spent doing unpaid caregiving. A basic annual income is one way to support the many ways people contribute to society. For many feminists, the goal is to promote more equal access to income-earning opportunities and equal sharing of caregiving and other unpaid labor. Social security policies are one tool for achieving this.

## Cross-References

- [Distributive Justice](#)
- [Human Rights](#)
- [Feminist Ethics](#)
- [Gender and Household Economics](#)
- [Gender and Macroeconomics](#)
- [Gender, Economics, and Unpaid Work](#)

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## Gender and the Economic Theory of the Firm

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### Synonyms

Business; Corporations; Economics; Feminine; Feminism; Feminist; Masculinity; Profit maximization; Sexism; Shareholder value maximization

### Definition/Introduction

According to the mainstream economic theory of the firm, the sole purpose of a business is to maximize profits or shareholder wealth. Research pointing the gendered nature of this ideology offers alternative approaches that have significant implications for the field of business ethics and for the professional ethics of economists.

### Masculinist Bias in the Theory of the Firm

The theory of the firm propounded by mainstream (neoclassical) economic theory has been increasingly adopted by management educators, the business media, and policymakers, as well as by academics who take a critical stance towards business. In that theory, the essence of the firm is assumed to be profit maximization. Against the backdrop of this increasingly popular belief, an explicit concern with ethics (beyond, perhaps, a minimal concern with legality) is often considered to be at best a weak add-on to, or at worst a distraction from, the underlying “principles” of capitalism and business.

Beginning in the 1990s, scholars began to notice the masculine-biased nature of these suppositions. Feminist economists pointed out that neoclassical economic theory is centered around

notions of reason, self-interest, competition, and mechanism – all culturally associated with masculinity. Meanwhile, the theory radically downplays the roles played in economic life by emotion, a concern for ethics and for the well-being of others, cooperation, and sociality (Ferber and Nelson 1993).

### Developments in Gender and Business Ethics

A first exploration into the implications of this recognition of gender bias for the field of business ethics was taken by contributors to Larson and Freeman (1997). Emphasis was particularly placed on the roles played by relationality and cooperation in business behavior and business management, which had been overlooked in the neoclassical account.

Some of the subsequent analyses within the field of business ethics, however, have associated relationality and cooperation only with women. Remaining within a gender binary, they have adopted sharply delineated notions of “masculine” and “feminine” characteristics and assumed a tight association between these and embodied men and women. In particular, the notion that women are naturally more caring, while men are naturally more interested in efficiency and finance – or, at most, in ethics centered around notions of impartial justice – has become widely popular. Some have proposed a “feminine” firm as an alternative to the sort of firm posited by masculinist neoclassical theory. Many have hypothesized that firms led by larger numbers of women would act in more ethical and caring ways.

Others, however, point out that such an approach is neither empirically grounded nor feminist. Noting that the hypothesized tight association of women with care ethics does not hold empirically, they have called such binary thinking into question. They point out that the field of feminist ethics is more liberatory than, and should not be identified merely with, care ethics alone (e.g., Borgerson 2007).

## Developments in Feminist Economics

Meanwhile, analysis by feminist economists has demonstrated that the mechanical theory of the firm arose – not from the study of actual firms or the study of law – but from an ambition of the economics profession to emulate the “hard” sciences, such as physics, and avoid denigrated (and feminine-associated) “softness” and messiness. Yet characteristics long neglected by the received economic dogma – including a concern with ethics – are in fact essential to long-term success of firms, and a more encompassing theory of the firm better meets standards of scholarly rigor (Nelson 2003, 2016).

Inherent in the mainstream economics model of the firm are a number of contradictions. On the one hand, the firm is regarded as purely autonomous – as a unitary, rational, decision-maker independent from its social and physical environments. This echoes stereotypes of masculine activity and power. Yet is it also, in the core theory built around the image of perfectly competitive markets, assumed to be purely market-driven, having no choice but to profit-maximize. This reflects stereotypes of feminine passivity and weakness. Similarly, within the firm, individuals are sometimes pictured as *homo economicus*, that is, as independent actors who make rational, self-interested choices. Yet, when treating the firm as unitary decision-maker, those inside it are treated as mindless direction-followers, willing to single-mindedly serve the shareholders in return for a paycheck (Nelson 2003).

An alternative model of firms as “individuals-in-relation” avoids the contradictions inherent in relying on old, gendered, dualistic notions of either complete independence or complete dependence. This alternative model incorporates a recognition of the interdependence of organizations and individuals, and it allows a recognition of individuals as human beings with complex motivations and an ability to manage complicated responsibilities within social settings (Nelson 2003). It opens a space for discussing meaningful (including ethical) choices.

The feminist critique also offers a potentially more useful alternative to current practices than do many “critical” or left-leaning academic

theories that, like neoclassical economics, theorize capitalism in terms borrowed from physics (e.g., “laws,” “drives,” and “forces”). Such mechanical metaphors reflect masculinist biases, while convincing many scholars on the left that a direct concern with ethics is impossible within capitalism. This widens rifts in spheres of academia and advocacy, and cuts off what might otherwise be useful discussions about the appropriate scope of business responsibilities (Nelson 2016).

The rising influence of the economic theory of shareholder value maximization – and its accompanying outgrowths including principal-agent theory – has played an important role in troubling developments since the 1980s. Businesses have become increasingly financialized and commodified, with many being bought, sold, or taken over with no attention given to any concerns beyond short-term financial performance. The widening gap between the incomes of the top 1% of earners and the rest of the population in some countries can be at least in part traced to economic theories about the need to properly “incentivize” executives in order to get them to serve shareholders. The feminist critique of the shareholder value maximization project thus raises serious questions about the professional ethics of practicing economists, given the harm done by the promulgation of this ideology (Nelson 2016).

## Conclusion

Feminist theory, by questioning the gender-biased neoclassical economic theory of the firm, suggests that business ethics should be brought out of the margin of management scholarship and into its core and that the professional responsibilities of economists are in need of serious review.

## Cross-References

- [Business and Society](#)
- [Business Case for Business Ethics](#)
- [Corporations as Moral Entities](#)
- [Feminist Ethics](#)
- [Social License to Operate](#)

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## Gender Gap in College Enrollment

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## Synonyms

Gender disparities; Gender inequality

## Introduction

The gender gap is the difference between women and men as reflected in social, political, intellectual, cultural, or economic attainments or attitudes (World Economic Forum). The old gender gap favoring men in college enrollment in the United States, which persisted for over 300 years, has reversed course in the past four decades. Before the 1970s, men outnumbered women in higher education. In the early 1980s, women outpaced men in college enrollment and completion for the first time. Today, approximately 57% of US college students are women (Aud et al. 2012). The new gender gap is the fact that female enrollment in post-secondary education is greater than that of males.

## The Old Gender Gap

Until the early 1990s, public concern focused on female disadvantages in education. The American Association of University Women (AAUW) reports that schooling environments that do not consider girls' special issues, including those associated with their physical and mental development, put girls at a disadvantage in the race to college. In the classroom, girls received less attention from teachers than boys did. Teachers gave more esteem-building encouragement to boys while girls received fewer and lower-quality comments from teachers. Teachers also chose classroom activities that appealed more to boys' interests. Teaching methods emphasized competition, which is in boys' favor. Curriculum did not address central issues in female students' lives such as teen pregnancy, eating disorders, depression, and self-esteem drop. A partial explanation for these problems is the lack of women in the leadership of public education. Less than 30% of principals are female and less than 5% of superintendents are female. Furthermore, out of the ten books most frequently assigned in public high schools, only one was written by a woman.

Social expectations for women create huge obstacles for girls. Traditional gender role beliefs support women's role as the caretaker at home and in the family (Dicke et al. 2019). The AAUW reports that 37% of girls, compared to 5% of boys, drop out when families have difficulties. Traditional gender roles expect the female to help. Women who do enroll in college are less likely to enter the labor force when married because of the traditional expectation that they will stay at home as caretakers. The low economic return in female education thus further discourages female college enrollment. Furthermore, it is a common belief that women are less competent than men in the workplace. The belief leads to less investment in education for girls. Labor market discrimination against girls, such as lower female participation and lower wages for females, also partially explains lower investment in education for girls. Pregnancy is another reason for girls to drop out of school. Unfortunately, sexual harassment of girls by boys in school is increasing.

## The New Gender Gap

The new gender gap, depicted as a “stunning reversal,” has received increasing attention (Conlin 2003). Today, young women are more likely to enroll in, and graduate from, college than young men. The new gender gap exists across most socioeconomic groups. Low-income and minority groups even have wider gaps. The number of females and males entering high school is equal. However, more girls are graduating than boys; more women enroll and graduate from college than men.

Social reinforcement theory holds that individuals do more of what they like or are rewarded for, and less of what they do not like or are punished for. Public efforts to correct the old gender gap resulted in changes that made girls more competitive in primary and secondary schools so as to increase female enrollment in higher education (Adebayo 2008). These changes often disregard the needs of boys. Boys report more negative experiences and more behavioral problems in schools. Curriculum favors female learning preferences but has unintentional negative effects on men. In addition, the increasing number of girls in school with better achievement leads to bias stigma that doing well in school is a “girly” thing. Female students are well-prepared for college with both cognitive and noncognitive skills. They have better GPAs, standardized test scores, career aspirations, and career plans. College admission policies focused on top grade point averages, a strong curriculum, high class rank, and high-test scores skew toward female students.

Human capital theory suggests that education or training can raise the productivity of workers by providing useful knowledge and/or skills, therefore raising workers’ income by improving their lifetime earnings. College earnings differentials rose faster for women than men in the eighties. For this reason, it is likely that women value college education more than men. Beyond economic return, women also believe that higher education provides a higher probability of marriage, a higher standard of living, and insurance against poverty (Buchmann and DiPrete 2006). Furthermore, the blue-collar jobs that pay best are male-dominated. Those skilled blue-collar

labor markets do not welcome females. Not only it is difficult to enter, but also there is a low chance of promotion to highly paid positions.

The women’s movement has changed gender role expectations. The movement focused on expanding opportunities for girls and women. The introduction of birth control and its effect on delaying marriage and childbearing encouraged more women to enter college. Popular culture and social norms promote an image of masculinity that glorifies athletics, celebrity, risky behavior, and wealth while demeaning hard work and academic achievement. Thus, boys aspire to “dream careers” that do not require college degrees but promise high earnings such as professional sports, music, or the video game industry (Kleinfeld 2009). Although the number of blue-collar jobs that have high earnings has decreased, boys still find male seniors around them hold high-earning jobs without college degrees. This has a negative impact on male enrollment in college.

## Discussion

Gender equality is a human right. Globally, the gender gap is favoring men. Women have less opportunity in economic participation, less access education, and greater health and safety risks. Policies to fix the old gender gap in college enrollment, however, create the new gender gap. Regardless the advantages in higher education, women still face inferior social and economic status. Thus, research and policies to address the boy’s issues need to be done in a systematic way to avoid the return of the old gender gap.

## Cross-References

► [Equality of Opportunity](#)

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## Gender Policies on the Board of Directors and Firms Financial Performance

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### Synonyms

Gender diversity; Leadership; Women directors

### Introduction

Gender equality in all fields, and, of course, in Economics, is a primary aim at the international level. In this sense, the fifth goal of the United Nations' 2030 Agenda establishes that it is a fundamental human right and whose implementation is essential in pursuit of a peaceful, prosperous, and sustainable world.

In developed countries, it remains a real, but no legal, gender gap. The different traditional roles attributed to men and women are still deeply

rooted in their cultures. The gender gap is even more severe in managerial positions than in staff workers, where men use to hold an overwhelming majority. Intending to promote gender equality in the decision-making processes, the European Commission recommended that member states developed governance initiatives and legal rules to increase the percentage of women on board of directors. The issue is that not all countries have enacted laws to establish gender quotas.

Moreover, this legislation is not always mandatory and, in many cases, there are no sanctions for noncompliance. Therefore, the effect of such as regulations is still not as it should be expected. Furthermore, the laws usually involve public and listed companies, so the female presence on corporate boards is even lower in small and medium-sized firms.

The mandatory laws have provoked some controversial opinions. People allege that firms must hire employees by their abilities, academic background, and experience and not because of their sex. Otherwise, a company might suffer a loss in its profitability. This argument is valid, but it is also true that there are women with enough capability to belong to corporate boards. Women usually have to exhibit superior curricula that their male counterparts; however, they are excluded due to their gender. The scarce traditional presence of women on corporate boards is due to the so-called *glass ceiling*. This invisible cultural barrier restrains well educated and trained women from holding responsibilities in organizational positions. Lately, it is also known as the *concrete ceiling*, which indicates the difficulty to break it.

The systematic exclusion of women in managerial positions damages companies since women, numerically speaking, make half of society, which leads to suboptimal boards of directors. Women have distinctive characteristics that differentiate them from men. The heterogeneous groups are more efficient and obtain synergies that benefit companies, as outlined below.

From an ethical point of view, gender equality is an uncontested goal. However, companies need economic reasons to increase the number of women on their boards, and policymakers would



be less questionable if they had strong reasons to impose gender quotas.

In the last decades, there has been a stream of empirical research on the beneficial female presence in upper management scales, which provides solid arguments to support legal initiatives and to convince shareholders of the interest of contracting a higher percentage of women as directors. Much of these analyses state that the increasing presence on corporate boards involves a better financial performance in the companies. Next, the basis of this argument will be set out.

### **Gender Diversity on Board of Directors and Company Financial Performance**

The primary decision-making and representation body of a company is the board of directors. It institutes the tasks, goals, policies, and strategies that will lead the corporation's activities. Besides, it monitors the CEO and department managers. Thus, the specific features of company board members, such as education, experience, any background, nationality, age, or gender, could determine financial performance.

Our focus of interest, that is, gender diversity, represents a controversial issue. It supposes some pitfalls, but also entails substantive benefits. On the one hand, when groups are homogeneous, the dialogue used to be more frequent and fluid, the opinions are less divergent, which involves limited conflicts, so the decision-making process will reveal more effective since it will be less time-consuming. Furthermore, when females occupy a relevant position on the board because of their sex, men could consider them as *tokens*, ignoring their opinions on the board, which would lead to interpersonal confrontations and a substantive delay in decision-making. Therefore, the effectiveness of the board as a whole could decrease, and, consequently, the financial performance might diminish. On the other hand, the different qualification and experience of the heterogeneous group result in different perspectives, involving a more understanding exploration of events, which reduces premature decisions, through the

contemplation of alternative, creative, and innovative solutions for challenging problems.

Literature shows that women are different from men because of their nature and personal nurture. At the purely biological level, men and women's brains do not function equally in the situation of risk in decision-making processes. Hormonally, testosterone makes men more prone to risk, while oxytocin makes women more stable in times of uncertainty. In competitive conditions, a man's testosterone levels rise, increasing his muscle capacity, which increases his oxygen level and makes man increase his risk appetite. However, the steroids have an inverted U-shaped curve and when testosterone peaks and slides to the other side, men begin to misbehave and increase impulsiveness, which impairs decision-making. Conversely, women are affected by the stability of oxytocin, which is emotional stability that floods their brain in more significant quantities than men. Thus, women can be considered more stable in terms of uncertainty and stress levels, and consequently, less susceptible to take a risk (Van Staveren 2014).

Moreover, literature ponders that women are more sensitive to social and environmental problems, increasing the company's corporate social responsibility (Valls Martínez et al. 2019, 2020). Additionally, women have a more participative and democratic leadership style, higher ethical judgment, and philanthropy. They exhibit a better understanding of the markets since their relationship with customers, suppliers, and organizations is smoother. Women tend to exhibit more moral than men. Their presence reinforces the independence of boards, fosters internal and external auditing duties, and reduces earnings-management practices and controversies. They attend the claims of different stakeholders more effectively due to their higher level of empathy (Francoeur et al. 2019).

Furthermore, the female presence in the board of directors improves the external legitimacy and reputation of the company since it is a distinctive sign of equality, positively assessed by investors.

There are many empirical studies concerning the influence of a higher percentage of women on board of directors on the company's financial

performance. Most of them conclude that there exists a positive link between the two variables, but some analysis found a negative or null relationship (Post and Byron 2015). Indeed, when the study is recent, and the sample corresponds to a developed country, the result is usually positive. In these cases, the percentage of women is relevant, and women can exert influence. Furthermore, years ago, it was difficult for women to access managerial positions. Likewise, in developing countries, there are a limited number of female directors. Consequently, if the number of women is almost residual, their influence cannot be significant.

## Theoretical Framework

The explanation of why women's presence on boards of directors increases the company's financial performance can be argued according to several management theories, which are explained below.

The best known is the *agency theory*, which establishes that there are two groups with conflicting interest: principals and agents. The shareholders (principals) are the owners of the company and aim to maximize its value. The managers (agents) make the decisions, but they could act on their benefit and against the general interest of the shareholders (Fama and Jensen 1983). To prevent such as adverse decisions, principals should order internal and external audits or could incentivize managers by sharing ownership of the company. This control would imply costs, which are called agency costs. The role played by the company board in this context is substantial to control and monitor managerial actions. A diverse board can exert a more effective control since the skills, background, and knowledge of their member are broader than if the board is homogeneous. Besides, the more independent is the board of directors, the more improve the control tasks. It is essential to highlight that women are mostly independent members on boards of directors, with weaker links to the managers than their insider counterparts. Therefore, women bring more independence to the company board and

enable more reliable monitoring, which reduces agency costs and, consequently, increases the company's performance.

*Stakeholder theory* considers that not only are the shareholders concerned about the company but other stakeholders, such as customers, suppliers, investors, governments, and the general society, are also interested in the company's activities and its consequences. Gender diverse boards are more willing to attend the stakeholders' claims faster and effectively, which in turn is beneficial for the company since it reduces conflicts and increases its social acceptance (Hillman and Keim 2001).

A reputable theory to explain the positive relationship between the ratio of women on corporate boards and the company's financial performance is the *resource dependence theory*. The board itself is a fundamental resource for the firm. Board members are closely related to the environment. They afford information, create channels of communication with relevant stakeholders, and lastly, legitimize the company (Lückerath-Rovers 2013). All of this could involve a sustainable competitive advantage, not imitable by competitors.

Moreover, women might supply new resources to the company, through their in-deep knowledge of the market and access to diverse credit sources. Consequently, the company performance could increase by their presence and the labor they made. Furthermore, the presence of female directors is evidencing to society that corporation accomplishes with gender equality, which fosters the external legitimacy of the entity that brings higher performance (e.g., customers have a better acceptance of the products or the shares are more desirable for investors).

A high number of companies have commercial relations with the governments in all countries. When laws promoting gender equality exist, a specific percentage of female directors must be in a priority position for government contracts. The company is penalized if it does not accomplish the legal quota of women. Therefore, women directors positively influence on the firm's financial performance.

Finally, the *resource-based view* states that gender diversity is a source of competitive advantage. The human team is not perfectly imitable and, therefore, not strategically replaceable. This circumstance indicates that the ratio of women/men on the company board is a singular source of value for the company (Shrader et al. 2020).

## Conclusions

Gender policies in all areas, and especially those relating to the composition of company boards, involve an inherent debate between those who are in favor of legislating to achieve real equality between men and women, and those who openly reject them, arguing that companies should be free to recruit whoever they consider appropriate. Indeed, companies are not responsible for social change and so, they must generate benefits with such policies. Researches are conscious and perform empirical analyses to find financial advantages derived from legal impositions (Valls Martínez and Cruz Rambaud 2019).

Hitherto, the results are mixed, but most of them establish a positive relationship between the higher percentage of women on board of directors and firm financial performance. Nevertheless, it is essential to define what financial performance could be identified with both accounting measures of profitability and the company's market valuation. When accounting measures are taken into account, it is more frequent a lack of relationship. However, when Tobin's Q, or other market valuation measures, are considered, the influence of women is evident.

Why this disparity? From a theoretical point of view, women reveal different moral reasoning and skills than men, and two sexes are complementary, which brings added value to the companies. The presence of women in senior management may not always bring the desired economic increase, valued in monetary units, but the market does value it positively. Indeed, investors prefer those companies with greater legitimacy. Profitability is an unquestioned condition, but it is no longer sufficient. Nowadays, investment rewards companies that help keep human evolution going

and are ethical because ethics is the most ecological good that humanity has, protecting people and his environment. Currently, the investment aims social and environmental awareness, which requires gender parity in companies.

Policymakers should promote the presence of women in top managerial positions since it involves both financial and nonfinancial interests. Even if female participation in management positions were not to affect financial performance, as long as the higher percentage of women does not produce a detrimental effect on firm performance, laws should impose an increase in the presence of women for ethical reasons.

Nevertheless, legal rules are not enough. There are also necessary educational policies, which are fundamental to progress. Parity between men and women will only be achieved if it starts from the bottom line, when children are in time to be educated, enhancing their capacity to be leaders working as an equal. Indeed, the change of mentality will take time because it is a process that requires a complete generational change. That is why, until that time arrives, institutional support measures are urgently needed. In developed countries, women have the appropriate educational level, but they need legal support to enhance their training. It is necessary to mention that, at the managerial level, women are usually assigned to roles related to corporate social responsibility areas, as well as human resources, marketing or audit committees, but they are relegated to financial positions. That implies clear and unjustifiable discrimination against women. Women are prevented from accessing specific works, which blocks their well-deserved access to the board of directors.

Moreover, to ensure that equality becomes possible, legal initiatives must be taken to balance work and family life. Why Norway is the country with a long tradition in gender equality? The answer is simple: because reconciliation measures have long been more advanced than in most other countries.

Investment is beginning to be guided by the practice of real equality policies in companies. In the same way that investment in nonpolluting companies or which deny abusive practices such

as the employment of children in manufacturing companies are under the scope of the contemporary investors, the attention of markets is increasingly focused on gender equality. For this evident reason, the financial markets, as a whole, take a very positive view of companies with more women on board of directors.

## Cross-References

- ▶ (Managing) Diversity
- ▶ CEO Leadership and Gender
- ▶ Gender and Macroeconomics
- ▶ Gender and the Economic Theory of the Firm
- ▶ Human Rights
- ▶ Identity Politics and Ethics
- ▶ Social Responsibility and Business: The Milton Friedman Position
- ▶ Women on Corporate Boards and Sustainable Development

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## Gender, Economics, and Unpaid Work

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## Synonyms

Domestic labor and care; Household production; Non-market work

## Introduction

To understand work from a gender perspective, it is essential to acknowledge and value both paid employment and unpaid work. Paid employment garners wages; unpaid work is the production of goods or services that are consumed by those within or outside a household, but not for sale in the market (OECD 2016). Unpaid work includes housework, home maintenance, gardening, crop growing, and caring for children, elders, and those who are sick or are living with a disability. It is productive activity that contributes to the wealth of nations and the economic welfare and well-being of households, but is not remunerated. Because the distribution of labor reflects and creates financial disparity, how market and non-market work is divided by gender is a critical social issue.

## **Paid Work and Unpaid Work Are Both Productive**

Unpaid work activities fulfill many important functions that directly affect the well-being, economic security, and quality of people's lives. Yet because it is conducted outside the market, unpaid work is marginalized in most methods of measuring economic activity and is largely invisible to conventional economic accounting. The economic sidelining of unpaid work is long-standing. During industrialization, paid and unpaid labor became spatially differentiated and gender differences accentuated. Men worked for money outside the home; women's domestic production and mothering roles largely remained in the home. Work came to be defined as only those activities which resulted in the production of goods and services that were sold. Because unpaid work was not exchanged for money, it was not widely recognized as being "real" work (Folbre 2001), despite the crucial role it plays in underpinning the economy and perpetuating the society. Domestic labor and family care are not simply family or personal matters. They have benefits that extend to the whole of society because to function successfully, societies depend not only on the market economy but also on an adequate supply of unpaid work and family care (Fineman 2004).

Paid and unpaid work were seen as the province of men and women, respectively, so the gendered division of labor underpinned the economic vulnerability of women. In money-based economies, there are substantial personal costs to undertaking labor outside of monetary exchange. Performing domestic work and care constrains the ability to do other activities, including work for pay, and entrenches disadvantage. This continues even in the face of higher female workforce participation. Growing rewards in the labor market raise the opportunity cost of withdrawing from the workforce to care for family members; fewer people are able to do it, and, as a result, both the supply of unpaid care and the well-being and financial security of those who still provide it are jeopardized. For example, people who withdraw from paid work to care for children or others may

lose income not only in the short term but also suffer cumulative material disadvantage over the lifetime through lost access to promotion opportunities, retirement income, and health funds. Conversely, if carers do not withdraw from the workforce, they may be subject to overwork and time strain. Currently, even as more women take on paid employment, they continue to perform the bulk of unpaid domestic labor, so are under more time pressure, at detriment to their health and well-being.

Thus, being disproportionately responsible for unpaid work is a life-course risk, and it is important to make it visible alongside paid work and quantify its social and economic worth. Knowing how much is done, who does it, and the consequences for those who do it, is prerequisite to understanding contemporary gender equality and barriers to it.

## **Making Unpaid Work Visible**

The primary data sources for measuring unpaid domestic work are time-use surveys. To give a fuller picture of the size of national economies, the United Nations advocates using time-use surveys to calculate the quantum of nonmarket work and compile satellite accounts to supplement calculations of gross domestic product (GDP). Satellite accounts refer to measures of the size of economic sectors that are not defined as industries in national accounts (e.g., unpaid work, tourism, the environment). Time-use surveys collect diary records of all the activities respondents do throughout the day. They provide the most accurate current estimates of all unpaid work and family care that takes place in society and give an otherwise unavailable statistical picture of unpaid domestic labor in the home. Empirical analysis of the time-diary surveys can show the magnitude of the time inputs to this work and, if a value is ascribed, its worth in money.

There is some debate over how to precisely define unpaid work. One definition is that work is any activity that creates a benefit for someone else. Another yardstick is the third-party criterion.

This defines work as any activity you could, in principle, pay someone else to do for you without losing the benefit of it. For example, you could pay someone to cook a meal for you, but not to eat it for you. Therefore, cooking is work but eating is not. Unpaid care work, which includes childcare, eldercare, and care of the sick and disabled, does not precisely meet this criterion, as a personal relationship is to some extent intrinsic to the task. It involves close personal and emotional interaction with others. Neoclassical economics is based upon a set of underlying assumptions about human behavior, including the idea that people act rationally in their own interests and choose to participate in activities they prefer. This framing obscures care provision even more than other domestic labor because it is regarded as done by choice, for the individual benefits it brings to those who perform it. For example, neoclassical economics conceptualizes raising children as a leisure activity undertaken for the personal pleasure it gives the parent; it is a form of consumption (Becker 1991). This view sidelines issues of constraint, feelings of obligation, and differences in power, which underpin gender gaps in the division of paid and unpaid work. Feminist economists contend that work should be defined as activities that generate benefits for others extra to any intrinsic pleasure derived, and note that care, including child-raising, creates such transferable benefits (Folbre 2001).

A practical question is what value to ascribe to unpaid domestic work. The two main approaches are the input method and the output method. The output method gives a value equivalent to what would be paid for a product or service commercially. For example, it can be set at the amount a homemade dress or meal would cost to buy in a shop or restaurant. This method is only possible when there are material products of unpaid work, however. The input method values time spent in a given activity at an imputed wage rate. Tasks such as looking after children, housework, gardening, chauffeuring, and shopping can be valued at the price someone could be paid to do it. The amount could be set at the usual rate paid for each activity, the average national wage, or the person's own market wage.

Whichever method is chosen to supplement conventional economic accounting, research shows that the unpaid economy is very large. Across Western nations, there is a broad parity of paid and unpaid work time. That is, as many hours are spent in unpaid as in paid work. The ratio of unpaid to paid work is higher in developing nations. Cross-national estimates of what it would cost to pay replacement wages for unpaid work range between 40 and 70% of GDP (OECD 2016). Depending on the wage attributed, the replacement value of family care in the United States has been estimated at \$140 billion, \$257 billion, or \$389 billion a year, and in the United Kingdom estimates have been put at £87 billion a year.

## Unpaid Work and Gender Equity

Costing unpaid work and care in monetary terms is very important, but this approach on its own does not go far enough to understand the gender implications. The social, economic, and personal significance of unpaid work is not only what it is worth in financial terms but also the time involved, and impacts that undertaking this work has on other activities and outcomes. Cross-national comparisons show that time spent in unpaid work and care amount to many hours per day. Gender time gaps are universal. For example, a six-country study compared average minutes per day spent in domestic work (i.e., cooking, cleaning, clothes care, shopping, and childcare) by women and men in Canada (275 vs 140), the United Kingdom (287 vs 146), the United States (281 vs 146), Denmark (232 vs 132), Finland (239 vs 137), and Sweden (288 vs 172) (Gershuny and Sullivan 2003). The study also compared women and men's average minutes per day in paid work time in Canada (331 vs 374), the United Kingdom (316 vs 373), the United States (312 vs 393), Denmark (283 vs 364), Finland (271 vs 343), and Sweden (274 vs 354) (Gershuny and Sullivan 2003). Thus, although national averages varied, in all cases men's average paid work time was higher than women's, and women's average unpaid work



time was higher than men's. Recent data shows this pattern is still ubiquitous and occurs in countries as diverse as Turkey, Japan, and Korea (where men do about a fifth of the unpaid work that women do) and New Zealand and Poland (where men do about half the unpaid work that women do). Gender time gaps are also more pronounced in the global south (OECD 2016).

Such statistics reveal the constraints domestic labor places upon women. It shapes how much time they have available for leisure, for sleep, and for market work. Their circumscribed market opportunities can in turn lower their status and bargaining power within the home. Although in many countries the tradition of women working full time in the home has changed, even in dual full-time earner households, women still average significantly more housework than men. The unequal gender division of labor contributes to gender pay gaps, and in countries in which people save over their (paid) working lifetime for their own retirement income, women are much more likely to be poor in old age than are men. So although women may do more total (paid plus unpaid) work than men, on average they have less money, less wealth, and less economic control and influence. For these reasons, the United Nations Development Programme (UNDP) now includes the balance of paid and unpaid domestic work time between men and women as one of its key development indicators.

## Conclusion

Unpaid work is a productive activity that contributes to the wealth of nations and the economic welfare and well-being of households, but is not remunerated. The magnitude of women's unpaid labor and its invisibility to standard economic accounting and to policy makers are key factors shaping gender inequality. Unpaid work imposes a substantial time impost upon women, which, throughout their life cycle, transfers hidden subsidies to other members of their households, and to markets and governments. Conventional economics obscures the financial and social value of unpaid work, and the time and energy devoted to

it, with highly gendered implications for well-being, and social and economic participation.

## Cross-References

- ▶ [Economic Man](#)
- ▶ [Gender and Household Economics](#)
- ▶ [Gender and Macroeconomics](#)
- ▶ [Work-Family Conflict and Policies](#)
- ▶ [Work-Life Balance](#)

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## Gender-Based Violence Against Women and Girls

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## Synonyms

Domestic violence; Family violence; Femicide; Gender-based violence; Interpersonal violence; Intimate partner abuse; Intimate partner violence; Sexual violence; Spousal violence; Violence against women

## Definition

This entry focuses on gender-based violence committed against women and girls by men, as this

tends to be the more pervasive form of gendered abuse throughout the world. Although it is a complex issue, women and girls often experience violence and suffer its consequences differently than men. Gender-based violence and abuse can take many forms, and all serve to deprive women of their basic human rights via physical force or threatening or intimidating behaviors. Examples of gender-based violence and abuse include: emotional and psychological abuse; physical assault; rape, including in marriage or common-law relationships; verbal harassment or uttering threats; and economic abuse when an abuser prevents a victim from having a paid job or access to financial resources. Gender-based violence can occur at the family or community level, and it is frequently perpetrated by the agents of the state (e.g., border patrols). While most of the international community regards these abuses as human rights violations, states often fail to enact legally enforceable legislation that provides formal protection for women and girls.

There are some commonalities in how women and girls experience gender-based violence in different societies across the world. For instance, women and girls throughout the world have fallen prey to sex traffickers, and their involuntary participation in the sex trade has made them extremely vulnerable to high levels of violence. On the contrary, there are many cross-cultural differences in how women's rights are violated, and different forms of violence are associated with different countries. In democratic societies, in which there are generally high levels of gender equality, the popularity of the Internet as a means of communication has more recently intensified forms of cyberbullying, such as stalking and harassment, through various forms of social media (Facebook, Twitter, text messaging, and other forms of social media).

On the other hand, in some developing countries where gender equality is comparatively nonexistent, millions of girls are killed through infanticide and others are harmed through female genital mutilation. In these countries, gender-based violence often appears to be legitimized as there are few legal consequences for dowry or honor killings, or forcing girls to contribute to

their family's economic survival through prostitution, pornography, or being forced into childhood marriages. Sexual violence may result in reproductive health issues, which include, but are not limited to, sexually transmitted infections (STIs), HIV, unwanted pregnancies, forced abortions or sterilization, lower access to medical care, and nutritional deficiencies during pregnancy. Consequently, the issue of gender-based violence has very often been debated through a public health lens.

Irrespective of the societal or cultural context, the root causes of violence and abuse are thought to be the manifestation of unequal power structures that favor men over women, which are deepened by many other complex social, economic, ethnic, racial, and religious inequities found in patriarchal cultures and political systems. Put differently, gender-based violence is part of an oppressive structure that is used to reinforce women's inferior social status and to ensure their continued subordination to men.

### **Groups Disproportionately Affected by Gender-Based Violence**

Gender-based violence transcends national boundaries, affecting women and girls of all cultures, ages, ethnicities, and socio-economic circumstances around the globe. The World Health Organization (WHO) has estimated that more than one in three women will be subjected to gender-based violence during her lifetime. Women and girls from vulnerable and/or unequal social groups are at a higher risk of violence and abuse, for example, Indigenous women, the elderly, women with disabilities, impoverished women, and immigrant or refugee women who often face isolation due to the language and cultural barriers associated with living in a new country. Likewise, experiences of gender-based violence are equally prevalent among other socially vulnerable groups, such as the LGBTQ2S (lesbian, gay, bisexual, transgendered, queer, and 2-spirited) community whose members are often the victims of verbal abuse or sexual attacks.

In wealthy, democratic countries, gender-based violence is disproportionately high among women and girls from the most disadvantaged social groups. For example, in Canada, Indigenous (First Nation, Métis, and Inuit) women and girls continue to suffer great harm from the intergenerational legacy of state-sponsored residential schools. Dating back to the mid-1800s, residential schools were a colonial experiment that attempted to integrate Indigenous children into the Euro-Canadian culture and education system; during this period, the state forcibly removed many children from their families and communities to place them in these schools. Although the last school closed in the 1990s, the residential school program is responsible for producing irreversible historic trauma, racism, oppression, addictions, loss of identity and way of life, as well as a host of other contemporary issues in Indigenous communities – all root causes of family violence. The harsh reality is that the path to family and community healing from this historical experience is a long one, as many Indigenous women continue to suffer violence and abuse within their households and communities. Added to this national tragedy is the fact that Canada is currently facing a crisis of hundreds of missing and murdered Indigenous women and girls whose demise is likely the result of violent acts against them. However, a further tragedy is how long it has taken the state to take action to address the issue.

While the Canadian example offers a context-specific example of gender-based violence, its defining features are consistent on a broader scale: women from groups with few legal and political rights and limited access to economic resources often experience higher levels of gender-based violence. One contemporary example of institutionally sanctioned violence can be seen in some Middle Eastern and African countries, where women continue to be punished through stoning (i.e., stones are hurled at them until they die) if they are convicted of engaging in extra-marital sex – even if it was the result of a rape.

## **The Legal and Policy Framework Around the Globe**

The legal and policy frameworks of national governments and international agencies, including the United Nations, can play a major role in reducing and ultimately eliminating gender-based violence in any society. In more democratic nations, laws protecting women and the concurrent proliferation of community social services have been relatively recent phenomena; unfortunately, both remain glaringly deficient in much of the developing world. Numerous international gatherings have resulted in declarations, resolutions, and legal and policy frameworks regarding women's rights and the duty of states to provide greater legal protections and services to women and girls. One landmark advancement toward the elimination of gender-based violence came in 1992 at the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) wherein gender-based violence was officially articulated by Recommendation 19 as: "...violence that is directed against a woman because she is a woman or that affects women disproportionately."

In 1993, the United Nations Declaration on the Elimination of Violence against Women (DEVAW) expanded the definition of gender-based violence to include any act of violence that "results in, or is likely to result in, physical, sexual or psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or in private life." This declaration was especially significant because it placed individual rights above cultural rights, thus denouncing cultural practices such as female genital mutilation. Since then, the DEVAW's definition has been expanded upon by the 1995 Beijing Platform for Action that was adopted by the Fourth World Conference on Women, and between 2000 and 2013 the United Nations Security Council adopted seven resolutions to form an international Women, Peace, and Security policy framework to protect women in conflict and post-conflict situations. These resolutions specifically addressed the urgent issue of the alarmingly high

occurrence of rape and other forms of sexual violence in conflict regions, most often at the hands of police, border patrols, or refugee camp guards – all of whom are supposed to be agents of the state. Since then, there have been many resolutions and human rights instruments oriented towards dealing with gender-based violence at the regional level; however, the implementation of these resolutions and instruments poses a challenge as no single international institution has the legal authority to compel a nation to honor its international commitment to strengthening its legal framework vis-à-vis gender-based violence. The international community's only recourse is to either try to persuade noncompliant countries with moral arguments or to use shaming tactics.

Thus, there has been much international pressure on governments to acknowledge the rights of women and to take a lead in developing and implementing legislation that addresses gender-based violence and provide preventative measures. In the wealthier and democratic parts of the world, legal discrimination persists (e.g., a lack of enforcement of child maintenance laws) because the formal protections of women and girls are embedded in an imperfect system. Likewise, social services in the form of emergency women's shelters, housing strategies, food security, family counseling, and mediation services still need to be brought to appropriate levels to meet the demand for these services. Although these issues persist, there have been important strides in other areas. For example, there has been an important shift toward innovative programs that engage men and boys in family violence prevention programs, as well as other initiatives that support human rights, such as healthy teen relationships and dating violence programs promoting gender equality.

However, the experience is entirely different for women in more oppressive societies where much violence against women and girls still goes unpunished despite the United Nations' declarations, or the efforts of civil society groups, NGOs (nongovernmental organizations), and women's rights activists to lobby for more protective laws. In many developing countries, gender-based violence tends to be more of a hidden social problem, and cultural attitudes that excuse the perpetrator

from personal responsibility usually result in weak legal sanctions and a lack of safety nets for women and girls experiencing violence. Furthermore, the lack of appropriate services, including preventive programs, is an issue of scale: while NGOs do provide some services, they cannot provide enough of these services to satisfy the demand of those who need them, and those services that they do offer need to be more comprehensive if they are to eliminate violence against women and girls. Nevertheless, gender-based violence is an issue that continues to draw much community-based activism among women worldwide, including the sharing of strategies in best practices in programming, for example, engaging men, empowering women and girls, and strengthening local capacities to provide services.

### **The Economic and Labor Market Consequences of Gender-Based Violence**

Not only is gender-based violence a human rights violation, it also has devastating social, public health, and economic consequences for millions of people living in many different societies. The costs of gender-based violence, which include family violence, provide a compelling argument for state-led policies to address this issue. Some recent studies have examined the costs associated with healthcare services, the criminal and civil justice sectors, social welfare, and personal costs, among others. For example, in Canada, the total economic impact of spousal violence in 2009 was estimated at \$7.4 billion (in Canadian dollars) (Zhang et al. 2012), a sum which is approximately 4% of Canada's total healthcare budget (Canadian Institute for Health Information 2013). In the United Kingdom, the estimated costs of gender-based violence against women in 2012 totaled EUR 28.4 billion, a sum which is almost one-fifth of its healthcare budget (U.K. Office for National Statistics 2015). When these estimates were extrapolated to the other 27 European Union Member states, the costs added up to EUR 225.8 billion (Walby and Olive 2014). In addition, there are likely to be substantial tangible and intangible

costs incurred as a result of the devastating impacts on children witnessing domestic violence, as well as the negative intergenerational effects of family trauma. Another significant economic cost is the lost lifetime productivity when gender-based violence progresses toward murder in an intimate relationship. The WHO has estimated that almost 40% of murdered women globally died at the hands of an intimate partner ((WHO) World Health Organization 2013). The above figures demonstrate that gender-based violence is no longer an issue that only concerns the quality of life of women and girls, but it also has broader economic implications for a given society. Depriving women and girls of their rights not only lowers their economic productivity, but it also denies them the opportunity to fully contribute to their communities and political systems.

Moreover, gender-based violence in both the public (workforce) and private spheres (domestic) has resulted in millions of lost workdays. This is illustrated by a 2003 study, which reported that almost 8 million days of paid work in the United States could be directly or indirectly related to intimate partner violence (Gerberding et al. 2003). Thus, gender-based violence is a large enough problem that it actually exerts a negative effect on a country's gross domestic product (GDP) due to the significant public health problem it creates and the high costs to the healthcare system that result from it. Women who have been victims of gender-based violence often experience barriers to economic participation as a result of the physical effects of violence, which include chronic pain, joint and mobility problems, gastrointestinal conditions, and blood pressure/hypertension problems. Perhaps more debilitating are the devastating mental health effects that result from the accrued trauma of gender-based violence. Such mental health effects could include depression, anxiety, posttraumatic stress disorder, sleep disturbances, suicidal tendencies, and addictive behaviors.

Gender-based violence is not exclusive to the private realm of the family and/or community. Workplaces are also sites of discrimination against women, and this discrimination can

range from the disparity between men and women in positions of power – which helps perpetuate the gender pay gap and other power imbalances – to serious cases of abuse in the form of either sexual harassment or physical violence in the workplace. As a high proportion of working age women have begun to participate in the labor forces of democratic societies, governments have also had to assume a critical role in developing solutions to these complex workplace issues, including protective legislation aimed at eliminating sexual harassment, male aggressions, and violence in employment situations.

Furthermore, not all employment situations improve women's economic status, as women in most economies of the world are frequently over-represented among workers earning poverty-level wages. This empirical observation was termed the "feminization of poverty" by Diana Pearce in the 1970s and is viewed as another social mechanism that is used to subjugate women to men, consequently exacerbating the problem of gender-based violence. A labor market structure that confines women to low-paying peripheral jobs or as non-participants in the labor force renders them financially vulnerable and economically dependent on a partner, and this lack of viable economic options makes them susceptible to repeated episodes of violence because they lack the resources to leave an abusive relationship. Commonly, abusive male partners in family violence situations will use tactics of control to actively interfere with their partner's ability to pursue an education or gainful employment, which constitutes a form of depriving a woman of her economic rights and entitlements. In other instances where a woman is employed, her abuser may deny her access to money, which could include her own earnings or other family assets.

One method of reducing women's exposure to such abuses is to develop preventive measures that provide young women with opportunities for economic self-sufficiency through education and living wage employment. The problem of the continual undermining of girls by state-led policies that deny them an education in a safe and healthy public school environment is especially

prevalent in low income regions throughout the world, and this problem represents yet another form of female discrimination that ultimately increases these girls' susceptibility to violence. In these societies, more resources need to be allocated to educating girls and promoting their participation in high tier employment in the formal workforce. In the developing world, the International Labour Organization, trade unions, and other workers' groups are also taking action to pressure employers to develop policies and standards that protect workers from gender-based abuses in the workplace.

## Concluding Remarks

In sum, gender-based abuses permeate all aspects of life in all societal contexts; they can be observed in the US President Donald Trump's misogynistic comments about women, the chilling issue of Missing and Murdered Indigenous Women and Girls (MMIW) in Canada, and the human trafficking and sexual exploitation of women and girls in many countries, both rich and poor, throughout the global community. Although improvements to the available supports for women and girls are being made as global culture becomes less tolerant of violence against women, progress remains slow in ensuring that all women have a right to a life that is devoid of violence.

## Cross-References

► [Harassment in the Workplace](#)

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## Gender-Responsive Budgeting

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### Synonyms

Budgeting, Feminist analysis

### Introduction

Gender-responsive budgeting is a mainstreaming strategy to integrate gender equality objectives into fiscal policy and administration. It allows fiscal authorities to structure tax and spending policies to eliminate gender gaps and promote equality. It is not a separate budget for women, or specific spending on women's programs, but rather an analysis of the whole budget to assess its impact on women and men. It does this by applying a gender analysis to government policies, plans, and programs to improve the allocation of resources to gender-specific objectives.

Gender-responsive budgeting emerged out of feminist analysis of macroeconomics in the

1980s with Australia pioneering the first-ever Women's Budget Program in 1984. It grew in popularity following the Fourth World Conference on Women in Beijing in 1995. The outcome of this landmark conference, the *Beijing Declaration and Platform for Action*, called on governments to "[integrate] a gender perspective in budgetary decisions on policies and programs, as well as [ensure] the adequate financing of specific programmes for securing equality between women and men" (UN 1995). This sparked international interest with many countries adopting gender-responsive budgeting as a concrete way to link gender policy objectives to resources.

These early initiatives were supported by several international organizations including the Commonwealth Secretariat, the United Nations Development Fund for Women (UNIFEM), and the Organization for Economic Co-operation and Development (OECD). In 1995, the Commonwealth Secretariat launched its Gender Budget Initiative with pilot programs in Barbados, Fiji, South Africa, and Australia (Budlender and Hewitt 2003). In 2001, the United Nations Development Fund for Women (UNIFEM) launched a gender-responsive budget program in 20 countries.<sup>1</sup> These initiatives played an important role in building knowledge, developing capacity of budget actors, supporting policy dialogue with governments and civil society actors, and strengthening systems and budgeting processes. They also laid the ground for a more systematic uptake of gender-responsive budgeting across the world.

Today more than 100 countries have implemented some form of gender-responsive budgeting. These experiences may be found in both developed and developing economies and span a wide range of goals including, among others, increasing women's access to health, education, and employment, ending violence against women, and advancing economic empowerment.

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<sup>1</sup>Peru, Ecuador, Bolivia, Brazil, Chile, Belize, Mexico, Nigeria, Senegal, Mozambique, Tanzania, Uganda, Kenya, Philippines, Sri Lanka, India, Nepal, Afghanistan, Morocco, Egypt

This entry draws on select country experiences and highlights the salient features of gender-responsive budgeting, identifies gaps in knowledge, and highlights areas for further scholarly investigation, analysis, and advocacy. It concludes that gender-responsive budgeting can only be effective if embedded in a feminist macroeconomic framework.

## Why the Budget?

As key policy instruments, budgets are important because they determine how governments mobilize and spend public resources (Heyzer 2002). They also have effects on the economy and can narrow or widen gender gaps through impacts on employment, inflation, and growth (Elson 2006). Budgets are often considered gender neutral, yet the choices governments make on how to mobilize and allocate resources impact women and men differently due to their roles and responsibilities in households, communities, and societies. Budgets also reflect the social and economic priorities of a country and can therefore reinforce, maintain, or reduce gender inequality (Elson 2011). For example, a government may choose to spend on national defense rather than early childhood care which would impact women more than men as they provide most of the unpaid care work.

Gender-responsive budgeting also makes visible the “blind spots” of mainstream macroeconomic policy by drawing attention to issues of care work and women’s role within the productive and reproductive economy (Budlender et al. 1998). It sheds light on deficiencies in public spending and introduces deliberate measures in budgeting systems to ensure a more equitable distribution of resources. By redirecting resources, governments can make strategic investments, toward women’s health or education, training and skills building or providing greater access to high-quality public services to advance gender equality goals. Well-designed gender budgets can enhance women’s security and rights and have positive impacts on society and the economy. Conversely, budget cuts often have a disproportionate impact on women as

they are more reliant on state provided public services than men.

Governments often claim that there are insufficient resources, or lack fiscal space, to make the required investments for gender equality. However, feminist economists have challenged this notion. Seguino (2017), for example, makes a case for viewing gender expenditure as an “investment” rather than an “expense” because it builds social and human capital that contributes to long-term and sustainable economic growth. Citing evidence from Tanzania, Fontana and Natali 2008 in Seguino S (2017) argue that targeted investments in infrastructure reduced the time women spent on care work and raised women’s income by 17.7%, relative to economy-wide average incomes. Feminists have also used human rights instruments to make the case for increased resources for gender equality. Under the *International Covenant on Economic, Social and Cultural Rights (ICESCR)*, states must “devote the maximum available resources to fulfil their obligations, ensure the progressive realization of rights and must avoid deliberately regressive measures” (Elson 2006). This means that governments are obliged to create fiscal space to generate resources to address women’s needs and achieve their gender equality goals.

## How Does Gender-Responsive Budgeting Work?

Implementation of gender-responsive budgeting varies in nature and scope owing to its evolution over time and depending on the political context, entry points for engagement, and the level of capacity in country (Sharp and Elson, 2007). While there is no single, universal model, all countries typically follow a four-phase budget cycle<sup>2</sup> allowing for the use of common tools and approaches. Over the past two decades, international organizations and feminist economists have

<sup>2</sup>These include (1) budget preparation, (2) approval, (3) execution, and (4) evaluation and audit.

developed a multitude of tools<sup>3</sup> that provide entry points across the preparation, execution, audit, and evaluation stages of the budget, while governments have adapted these tools to their national contexts.

Some countries, like Morocco and Mozambique, have integrated gender-responsive budgeting into their finance laws, so it is part of the legislative framework governing the budget. Others, like Ecuador and Nepal, have developed markers to classify gender-related expenditure, while others, like Korea and Austria, have developed tracking systems to monitor allocations across the budget cycle. Many countries have achieved significant results across all these domains. These experiences have identified some features of gender-responsive budgeting worth exploring. These include the need for strong legal requirements and guidelines; ongoing capacity strengthening of budget actors; availability of high-quality sex-disaggregated data; and the active participation of stakeholders, inside and outside of government.

### Laws and Guidelines

Integrating gender objectives into budget laws and guidelines supports political uptake of gender-responsive budgeting. In Albania, the Ministry of Finance and Economy integrated gender into its budget law and included gender-responsive budgeting in the Public Finance Management Strategy. The Ministry issued specific guidelines to sectors on mainstreaming gender into program budgets, including a directive to include at least one gender-related objective in their medium-term budget program. During the fiscal year 2015–2016, there was an increase in total gender budget allocations from USD\$37 million to

USD\$63.4 million, representing 1.73% of the total budget. Several countries in Latin America and the Caribbean have included gender-responsive budgeting in secondary laws mandating ministries to bring gender analysis into planning, budgeting, and allocations (Toledo 2013). In 2006, Bolivia added an article to the Ministry of Finance regulations requiring that municipal governments allocate public funds to improve gender equality. Over 4 years, the budget allocations for gender equality, made by 36 local governments, increased from USD\$384,885 to USD\$23,879,989 (Coello and Wretblad 2012). Similarly, Mexico City mandated the earmarking of public funds for 40 institutional activities aimed to improve gender equality; resource allocations increased by 9.4% from USD95m in 2008 to USD104m in 2010 (Ministry of Finance 2013). The existence of laws and guideline mandates ministries to make concrete adjustments in budget systems to ensure compliance. Several OECD countries, like Austria, Iceland, Spain, and Korea, have legal foundations for gender budgeting (OECD 2017). These are important to insulate gender-responsive budgeting efforts from economic and political change.

### Capacity Strengthening

Strengthening the capacity of budget actors, through skills and knowledge transfer, is critical. A key component of effective capacity strengthening is ensuring that budget actors can undertake good gender analysis and have the tools and knowledge to design and implement program interventions. Several countries like Morocco, Uganda, Rwanda, and Nepal have engaged in long-term capacity development through the establishment of learning centers, the development of tools and training materials, and partnerships with academic institutions. Morocco established a center of excellence on gender budgeting, within the Ministry of Economy and Finance, in 2013 with a focus on research and innovation, training, and South-South exchange among countries in the region. The Russian Academy of Public Administration established a regional gender-responsive budgeting center of excellence in 2012 to build capacity of civil servants at all levels of state governance through

<sup>3</sup> See Diane Elson's 7 tools: (1) gender-aware policy appraisal, (2) gender-disaggregated beneficiary assessment, (3) gender-disaggregated public expenditure incidence analysis, (4) gender-disaggregated analysis of the impact of the budget on time use, (5) gender-aware medium-term economic policy frameworks, (6) gender-aware budget statements, and (7) disaggregated tax incidence analysis; Rhonda Sharp's 3-way categorization of gender expenditure; Debbie Budlender, 5 steps of gender budgeting; and OECD's 10 tools.

programs and courses on gender-responsive fiscal policy and budgeting. In Mozambique, the Centre for Gender Studies and Coordination at the Eduardo Mondlane University hosts a center of excellence with a well-developed curriculum which includes courses on gender and public policies, gender and the economy, and gender-responsive planning and budgeting. The Higher Institute of Public Administration conducts the specialized course for staff in the Ministry of Finance, Economy and Planning, and civil servants are expected to take the training at least once in their public service careers.

Another important capacity development strategy is the deployment of technical experts to ministries of finance. This approach ensures rapid and tailored technical guidance throughout the annual budget cycle. Some countries have established interactive help desks to support staff with tools and guidance. International organizations like UN Women, the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), and the OECD have also contributed to capacity development through the provision of high-quality training products and programs. A key challenge to institutionalizing capacity within government ministries however is the attitudes and perception of public servants who are sometimes resistant to gender equality. For capacity to transform into applied knowledge and skill, it must have the highest level of political support and incentives for change.

### Data

Good planning and budgeting requires good data. From a budgeting perspective, the absence of high-quality sex-disaggregated data significantly hampers the effectiveness of gender-responsive budgeting. Such data is critical to identify gender gaps, design policies and programs, and assess the impact of these. Ministries and national statistical offices often lack the knowledge, skills, and know-how to generate and use sex-disaggregated data. However, there is significant investment in building national capacities to generate and use high-quality data. In Mexico, the National Institute of Statistics and Geography (INEGI) has a

database of comprehensive sex-disaggregated data, including at the household level, to support planning and budgeting. INEGI has positioned itself as a center of excellence on gender data. In addition, countries like Albania, Ecuador, and Mexico provide detailed breakdowns of their gender allocations and make budget data publicly available. In Ecuador, the Ministry of Finance developed a public online budget execution tracking system that aims to provide the most comprehensive inventory of gender projects and budget allocations. The Global Initiative for Fiscal Transparency (GIFT) recently developed an Open Budget Data Package, which facilitates analysis of the national budget by making all data available in an open format and allows users to view and create corresponding visualizations on sector-specific spending.<sup>4</sup> The availability of open and transparent data is a feature of good public finance management.

### Multi-stakeholder Engagement

Some of the most successful examples of gender-responsive budgeting are those that involve multiple actors. Multi-stakeholder mechanisms, such as gender budgeting committees or gender working groups, are critical for strengthening coordination across ministries and can facilitate the engagement of civil society, including parliamentarians. In Rwanda, the Gender Monitoring Office, mandated to oversee implementation of the national gender policy, collaborates with all stakeholders to assess implementation of gender-responsive budgeting across sectors. In Nepal, a gender-responsive budgeting committee, including the Ministry of Finance and sector ministries, coordinates actions across government ministries. In Serbia, a coalition of government, parliament, and women's organizations collaborated to advance gender-responsive budgeting resulting in the inclusion of gender equality in the budget objectives and programs of 47 government institutions.

<sup>4</sup> Global Initiative for Fiscal Transparency (GIFT) website: <http://www.fiscaltransparency.net/blog/>

Civil society actors are critical drivers of gender budgeting. Many initiatives worldwide have been spearheaded by civil society organizations. These organizations often have direct insight into the challenges women experience and are key interlocutors between government and citizens. In addition to strengthening the demand side for gender budgeting, these organizations also provide technical support and capacity building to ministries of finance. The Tanzania Gender Networking Programme has a long history of engagement with the Ministry of Finance and Economy. This inside/outside strategy has been effective in pushing ministries forward and opening space for greater national and grassroots civil society dialogue and influence. This is particularly important to ensure that local policies and budgets are designed and implemented in ways that respond to women's priorities. In Honduras, UN Women supported training of a regional network of women and municipal representatives on gender equality social audits of municipal budgets and on integrating gender into local plans. These efforts led to the creation of a local committee that conducted social audits and used the results to advocate for more gender-responsive planning and budgeting with their local governments. Gender-responsive budgeting must be supported by institutions such as parliament and audit bodies. These provide oversight and ensure that resources are allocated and spent in line with agreed commitments. Sometimes a lack of capacity among civil society actors, lack of transparency on public finances, and soft audit mechanisms can weaken gender budgeting efforts.

### Gaps in Knowledge and Practice

There is some indication that gender-responsive budgeting contributes to improved outcomes for women. In general, countries with gender budgeting have made more progress on the Gender Development Index, a measure of overall gender equality, than those without. In Morocco, gender-responsive budgeting is associated with an 18% increase in female primary school enrolment in rural areas over 10 years (IMF 2016). In India, states with gender budgeting were found to

have higher girl primary school enrolment rates compared to states without (Stotsky et al. 2016). Data from Rwanda indicates that the country outperformed its peers in reducing maternal mortality rates from 1990 to 2013 after an increase in health expenditure as a share of GDP (Kadama et al. 2018). Despite these positive examples, there is still a lack of quantitative analysis to establish the links between gender-responsive budgeting and improved gender outcomes. Research is needed to assess how investments in areas like education, infrastructure, health, and unpaid care work result in improvements in gender equality. Using household data and econometrics modeling, UN Women and the International Monetary Fund (IMF) are embarking on a research project to fill this gap in knowledge. Further academic research, including longitudinal studies that track incremental changes in budget allocations over time, is warranted.

While gender-responsive budgets may have well-defined goals and processes, they may still fail in execution. Analyzing planned allocations against actual expenditures can provide insight into why gender equality is not improving in countries even with strong gender-responsive budgeting systems. UN Women's research (2017) identified a lack of coordination between ministries and lack of capacity to design and implement programs to address women's needs across their lifecycles. It identified the need to develop good indicators, guided by a national gender plan, to track progress toward outcomes. To address this gap, UN Women, UNDP, and the OECD developed an international standard on gender-responsive budgeting which measures the proportion of countries with systems to track and make public allocations for gender equality and women's empowerment. The indicator measures three important components of a gender-responsive public finance system: (1) intent of a government to address gender equality by identifying whether policies, programs, and resources are in place, (2) existence of system to track resource allocations toward these policy goals, and (3) existence of mechanisms to make data on resource allocations available to the public. By tracking resource allocations, governments will be able to monitor progress toward



achieving their gender policy objectives such as eliminating gender-based violence or increasing women's employment. By making this information public, governments commit to higher levels of transparency and accountability in budget decision-making. Much more qualitative research is needed to assess whether there are other factors that limit progress toward gender equality including social norms and stereotypes that budget systems will not be able to capture.

## Conclusion

This entry provides insights into gender-responsive budgeting based on two decades of technical work. It showcases examples of good practice and highlights areas for further investigation and research. Gender-responsive budgeting emerged out of feminist activisms and pedagogy and has taken root in government systems with the development of laws, systematized knowledge, and capacity. In this way, it strengthens governance by bringing issues of inequality into the heart of the budget process. Yet for gender budgeting to be truly transformative, it must be embedded in its feminist roots and understand that the budget is both a technical and political process. Gender-responsive budgeting will only deliver for women if it is supported by a progressive, and feminist, macroeconomic policy framework. In the context of austerity and shrinking budgets, gender-responsive budgeting provides governments with tools to target resources more effectively and spend more efficiently to advance national gender equality goals. These efforts should be buttressed by the active engagement of women and women's organizations in budget processes. This is a feature of good, transparent, and open governments essential for gender-responsive budgeting to thrive.

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► [Gender and Macroeconomics](#)

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## Genomics and Related Sciences: Values and Ethics

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### Synonyms

Bioethics; Responsible Research and Innovation; Science and society; Technology assessment

### Definition

Questions around values and ethics with respect to the life sciences in general and genomics in particular are some of the most controversial of our time. With the “God-like” ability to understand and manipulate the code of life itself, normative dimensions of new and emerging technologies provoke debates around the appropriateness of certain technological applications, their potential for misuse, privacy issues, and the potential for the resurgence in eugenics. The ethical, environmental, economic, legal, and social aspects of genomics and related life sciences and technologies is known as ELSI (Environmental, Legal, and Social *Implications*) and ELSA (Environmental, Legal and Social *Aspects*) in the United States and Europe, respectively, and as GE<sup>3</sup>LS in Canada (Genomics: ethical, environmental, economic, legal and social implications).

### Overview

The origin of ELSI, ELSA, and GE<sup>3</sup>LS research dates to 1988 in the beginning of the Human Genome Project (HGP) in USA when the first director of the project, James Watson, announced that part of the project’s budget should be devoted to examining societal implications (Zwart and Nelis 2009, 540). This resulted in a growth of interest from around the world across disciplines embedded within genomics research projects related to the HGP and its spinoffs (Kosseim and Chapman 2011). Implications of genomics for the plant and animal kingdoms have also become matters of interest, particularly given controversies surrounding genetic modification, particularly of food (Smyth et al. 2014). ELSI and related approaches have also expanded to the broader life sciences, and other fields (ref). For example, the Zvi Meitar Institute for Legal Implications of Emerging Technologies, opened in Israel in November 2014, uses the ELSI approach to study a broad range of scientific and technological issues:

Current and future areas of focus include but are not limited to artificial intelligence, next-generation genomic sequencing, autonomous vehicles and smart transportation systems, emerging assisted reproductive technologies, renewable energy sources, the ‘quantified-self’ movement, mobile medical applications, synthetic biology, personalized medicine, 3D printing, telemedicine, epigenetics, citizen science, personal genomics, cloud computing, human enhancement, cryptocurrencies, the Internet of Things, virtual reality, precision farming and genetically modified organisms. (Greenbaum 2015, 425–426)

However, in terms of “classic” ELSI/A approaches to the study of genomics, whether focused on diagnostic tools and/or engineering/modification, Zwart and Nelis (2009) identify four distinguishing features: proximity to the science and technology, early anticipation of possible issues, interaction across sectors (private, public, not-for-profit, as well as academic), and interdisciplinarity. Furthermore, as the impact of the way early investments in genomics were structured around the world, GE<sup>3</sup>LS research has typically been integrated within large-scale research

projects dominated by scientists and engineers conducting the research or developing the technology at the level of various laboratories. Hence, the question of the pros and cons of such an integrated approach have been examined by many scholars (Kosseim and Chapman 2011). For example, a frequent concern is that ELSA genomics has become the “handmaiden” of genomics (Zwart and Nelis 2009, 543) and can lose that critical distance to raise important issues and concerns resulting in a “public relations” exercise. Others have suggested that bioethics in general tends to be weak on the underlying science, reinforcing already entrenched misunderstandings or, conversely, that those in the ELSI field tend to be scientists with little or no background in social science (Greenbaum 2015, 425). As Kosseim and Chapman observe:

Social science and humanities (SSH) research projects, which have traditionally been funded through separate streams and viewed as necessarily external and distant critics of science, are becoming increasingly integrated into large-scale science projects and/or programs. While these are fields of scholarly research in their own right, they tend, in their integrated form, to be more specific in their examination of new technologies, their practical applications, and their implications for society. (Kosseim and Chapman 2011, 197.)

Greenbaum (2015, 426) remarks that fiction and film (and perhaps video games as well) play a double-edged role, in that they sometimes create misunderstandings about science and technology while also inspiring young people to take an interest in these topics.

Finally, in addition to going beyond genomics to inform approaches to critically studying science and technology in general, the experiences gained through ELSA/I scholarship have been related to the broader question of Responsible Research and Innovation (RRI). This is in many ways due to the commitment to RRI within large-scale European Union framework program investments, the most recent being Horizon 2020 (Forsberg 2015). The billions of Euros involved are sure to have a broad influence not only on ELSI/A but also on larger questions of the social responsibility of the research enterprise itself.

## Values and Ethics Debates Within Genomics and Life Sciences

Over the past 40 years, the rapidity with which DNA can be sequenced and the lowering of costs associated with the development of related technologies has resulted in an explosion of mapping of genes for plants, animals, fungi, and yeasts, as well as humans. Furthermore, the ability to edit and manipulate the genome of various species has also grown exponentially, commonly known as genetic engineering.

Issues of ethics and values – not to mention how they play out legally, socially, and economically – map out in various ways in this rapidly evolving field. In terms of genome sequencing itself, the information gleaned can influence the breeding of plants and animals, influence the prediction and management of certain diseases, and be used for various research and community purposes such as archeological and genealogical projects. However, when it comes to the human genome, concerns have been raised about privacy, who owns the intellectual property and for what various purposes the information can and might be used. The concern regarding eugenics and “designer babies” by many, including minorities and people with disabilities, (Suter 2007) brings to the fore a host of ethical and regulatory issues, though some scholars see this as unnecessarily alarmist and not based on available evidence (Caulfield et al. 2013).

In terms of genetic engineering, sometimes resulting in the creation of genetically modified organisms (GMOs), it is important to keep in mind that human beings domesticated and therefore began to exercise control over the breeding of plants and animals more than 10,000 years and – through conventional methods – have already altered the genome of many species. However, genetic engineering allows for faster more aggressive modifications using various new techniques. Genetically modified corn, soybeans, salmon, and apples are some of the most well-known examples of GMOs. Controversies have emerged regarding possible impacts on other – including wild – species, labeling, and consumer’s rights to know and

intellectual property (though conventionally bred plants and animals are also frequently patented). Genetic engineering can accelerate what can be done through conventional breeding but it can also result in “transgenic” gene combinations that would never be possible without newly emerged biotechnologies. Examples include the introduction of spider genes in goats resulting in high strength fibers that can be extracted from the doe’s milk or fish genes in tomatoes, which have been described as the unofficial emblem of the anti-GMO movement though they never made it to market. The Cartagena Protocol on Biosafety developed in 2003 was intended to mitigate related risks associated with GMOs.

## Conclusion

The life sciences in general and genomics in particular are fields that are moving quickly and having impacts on all aspects of our lives. While science and industry tend to resist regulatory interventions, it is incumbent on society at large to reflect on the ramifications of such emerging technologies now and in the future without unduly stifling scientific enquiry and commerce. Science and technology are never value-free and both scholarly and lay attention to ethical and related social, legal, and economic considerations are essential. While being evidence-based is a *sine qua non*, it is important to also question what kind of and whose evidence is referenced, what the conflicts of interest are or might be, and bear in mind the precautionary principle.

## Cross-References

- [Animal Ethics](#)
- [Bioethics](#)
- [Food Advertising](#)
- [GMOs](#)
- [Seed Banks](#)
- [Social License to Operate](#)
- [Values-Based Consumption](#)

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## Getting by Tensions in Responsible Investment

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## Synonyms

Paradoxes; Practice; Socially responsible investment; Tensions

## Introduction

Socially responsible investment (hereafter SRI) can be defined as the integration of environmental, social, and governance issues into investment decisions (Sparkes 2002; Waddock 2003). Although SRI goes by many names and forms, it is characterized by three common features: a long-term perspective, attention to stakeholders, and consideration of nonfinancial factors. For SRI

investors, market signals alone cannot address many of the intangible values that are important for sustainable societies.

SRI attempts to blur the boundaries between financial and nonfinancial values. It can therefore be described as a hybrid activity, which brings together “multiple and inconsistent goals, norms, and values, creating contradictory prescriptions of actions” (Besharov and Smith 2014). The practice of SRI is a fertile ground for paradoxes resulting from competing demands, leading to tensions and ethical dilemmas.

As a result, its practice can be difficult. Bringing together the short and long term; measuring nonfinancial criteria; including or excluding a company; engaging with companies and stakeholders; defining criteria; and all the while producing competitive returns for investors are complex tasks for which there are no simple answers.

In this chapter, we focus on the tensions asset managers (or any other actors of the SRI field) may face because of the complex nature of SRI and how to get by them. We first present the different practices of SRI and then consider the tensions managers face each time illustrated with concrete cases, to finally discuss ways of dealing with those tensions.

The Practice of SRI

SRI covers a variety of practices (Louche and Lydenberg 2011). Company screening and

engagement are the two main approaches, often combined.

Screening refers to the use of criteria to evaluate a company’s performance on environmental, social, and governance issues or/and its involvement in certain activities and behaviors regarded as irresponsible. We can distinguish three ways screens are used: negative or exclusionary screens, positive or inclusionary screens, and best-in-class or relative screens.

Negative screens are avoidance strategies, shunning investments in companies engaged in businesses or practices regarded as unacceptable or generally harmful to society. The most widely used negative screens are tobacco, alcohol, landmines, and violation of human rights.

Positive screens aim at encouraging corporations to enter sustainable lines of business or to develop strong stakeholder relations. With this strategy, investors select companies engaged in business areas or practices they view as exceptionally beneficial to society or stakeholders. Examples of positive screens are renewable energy, pollution control, or public transportation.

Best-in-class screens select sector leaders on environmental, social, and governance criteria. They usually employ a substantial number of ESG criteria to score companies, rank them, and then select the best-performing one (e.g., top 10%) in each industry. The number of ESG criteria used varies greatly (from as few as one or two per industry to more than 200), with some widely used ESG criteria for best-in-class screening, shown in Table 1. ESG criteria tend to evolve

Getting by Tensions in Responsible Investment, Table 1 Examples of environmental, social, and governance issues (extracted from Louche and Lydenberg (2011))

| Environmental (E)                | Social (S)                  | Governance (G)                 |
|----------------------------------|-----------------------------|--------------------------------|
| Emissions                        | Stakeholder relations       | Board structure                |
| Environmental policies           | Working conditions          | Independent directors          |
| Environmental management systems | Respect for human rights    | Independent leadership         |
| Toxic chemicals                  | Diversity                   | Separation of chairman and CEO |
| Genetic engineering              | Workplace health and safety | Remuneration                   |
| Pollution                        | HIV/AIDS                    | Shareholder rights             |
| Water                            | Product safety              | Accounting quality             |
| Energy efficiency                | Treatment of customers      | Audit quality                  |
| Hazardous and solid waste        | Labor relations             | Board skills                   |

over time as new challenges, such as stranded assets or obesity, emerge.

The second approach, company engagement, is motivated by a desire to change corporate behavior toward sustainable practices. By engaging, investors voice their concerns on social, environmental, and governance issues. The three primary modes of SRI engagement are proxy voting, the filing of shareholder resolutions, and direct dialogue with corporations.

## The Paradoxical Tensions of SRI

SRI confronts asset managers with complex issues and tensions. It confronts them with situations in which they need to simultaneously address multiple desirable but conflicting outcomes, such as financial return and societal impact, that operate at different time frames – long term versus short term – and follow different logics. Those paradoxes should not be neglected. Although difficult to get by, they are also the distinctiveness of SRI.

We present below four major paradoxes embedded in the practice of SRI. This list is not meant to be exhaustive but illustrative. However, we first need to specify two notions, dilemma and paradox, which are commonly used as synonyms in everyday language but which involve different actions.

A *dilemma* refers to a situation in which a choice has to be made between two or more alternatives. Resolving a dilemma requires an either/or trade-off involving weighing pros and cons and addressing the contradictory elements separately (Luscher and Lewis 2008).

A *paradox* refers to “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith and Lewis 2011). In paradox thinking contrary to dilemma thinking, the contradictory elements are not separate but interwoven. As a result, no choice can resolve the tension because opposing solutions are needed. In this perspective, reflexive questioning (Tomm 1987) becomes essential to examine deeper implications and their consequences and

therefore leads to a higher level of abstraction. This enables double-loop learning (Argyris 1993) as actors not only question their current understanding but also their way of thinking. In other words, the paradoxical way of thinking – viewing tensions as complementary and interwoven – encourages managers to develop new, creative alternatives to the challenges they encounter.

## Acceptable Versus Unacceptable

How can SRI investors, whether asset managers or asset owners, define what is an acceptable or unacceptable activity, business, or behavior? Although SRI is a financial product that has to follow certain procedures and criteria to objectivize decisions, the ethical dimension cannot be and should not be excluded. The most recent developments of SRI, through the process of mainstreaming, tend to neglect or ignore this question. The change of name from ethical finance to ESG investing characterizes this shift.

The fact that “ethics” tends to disappear from the vocabulary does not make it irrelevant. We would even argue that it is even more important. Accepting the ethical dimension is also recognizing that the paradoxical tensions cannot be addressed with a cost-benefit analysis. The notion of ethics is central as it raises the question of what SRI is about. The exclusion of ethics emphasizes a unidimensional activity, disconnected from societal debates, while the inclusion of ethics reflects the interconnection between SRI and society/people and the multidimensionality and dynamic interests of SRI that is taking responsibility for a greater common good (Louche and Hebb 2014).

### You are a SRI asset manager. . .

**What to exclude and on what “ethical” grounds?** . . . So far you have only used the best-in-class approach. Your CEO sends you a memo asking to consider divesting from manufacturers of landmines and weapons of mass destruction including nuclear weapons because it is an ‘unacceptable business.’ On what grounds is it ‘unacceptable’? Should you also exclude uranium mining companies, nuclear power companies, and tobacco companies as well? (Adapted from Louche and Lydenberg 2011)

### Can ESG criteria refer to universal values?

. . . Your CEO has asked you to develop a new SRI



product that can be rolled out by your banking divisions around the world. After presenting the product in a meeting with colleagues from different regions of the world, your Middle East colleagues tell you that they could never sell the product unless all financial services companies are eliminated because the Qur'an forbids usury; your Asian colleagues say that the fund's requirement that women be represented on boards would result in excluding all Japanese companies; and your colleagues from South Africa point out that job creation and black empowerment are two issues that mattered greatly, both politically and financially, and need to be included. How will you manage to build a standardized product? (Adapted from Louche and Lydenberg 2011)

### Assessing Companies

A challenge for many investors considering SRI is how to assess the ESG performance of companies. ESG reporting is improving but still incomplete and far from standardized. Different frameworks exist, proposing lists of indicators per sector for a fundamental analysis of companies. While these lists of indicators are helpful, they contain some of the paradoxes of SRI: ESG data is selectively available in a subjective way, so investors combine subjective judgment and objective measures of ESG performance. ESG performance data is less available than ESG exposure data (reported as the existence of a health and safety policy or being a signatory of an ESG initiative), which are proxies that investors will often use to assess the ESG performance of companies.

#### **You are an ESG analyst. . .**

**How to assess companies in case of lack of publicly available information?** . . . You must review the ESG records of 20 European companies in the food industry. Ten of them are large and well-known companies, with well-developed CSR reports. Activities and controversies related to those companies are well covered in the press. The other ten are smaller companies with no CSR information available, and the companies did not appear in your press search. After contacting directly those last ten companies, you learn that some of them do have CSR programs but do not report publicly about them. Moreover, you know from informal sources that one of these companies has taken a very innovative CSR approach recently. How can you compare the 20 companies? (Adapted from Louche and Lydenberg 2011)

### Conflicting Logics

Two issues are related to this third paradox: the measure of societal returns and the different time perspectives between financial and societal returns.

SRI investors need not only account for the financial returns of their investments but also for the social and environmental benefits that their investments have provided. This is a difficult task. If sophisticated tools for reporting financial impacts exist, little has been done on the ESG impacts. It is far more difficult to quantify, measure, and report ESG value created by SRI. One complication comes from the fact that ESG returns take into account the interest of multiple stakeholders – employees, customers, suppliers, communities – in addition to investors. It is not immediately obvious how to calculate it; still it is important to do it.

The second aspect is related to time perspective. There is a persistent tension in SRI between the aspiration to adopt a long-term sustainable view and the business reality of investors and companies who need to meet quarterly results and provide annual returns. This tension appears when SRI investors want to estimate future growth, as time is relative, and framed differently in each sector: how far in the future is “long term” for the technology industry, and how does this compare to “long term” in the utility industry?

Some may wonder if there is a trade-off to be done between financial and societal value. Many studies have investigated this link (Margolis et al. 2009) concluding that there is no proof that SRI funds underperform conventional funds.

#### **You are a SRI asset manager. . .**

**Is there a dichotomy between financial and societal returns?** . . . You work at a major bank. Some of the board members are concerned about environmental issues. They want you to divest from airlines to railways because it is a more energy-efficient mode of transportation. But financial returns from railways are lower than from airlines. After explaining to the board that divesting from airlines may hurt the portfolio's short-term financial performance, they ask you whether there is an equivalent ‘societal’ return from investing in railways to compensate for the poorer financial performance. How are you going to answer this question about societal returns? What is most important for



the competitiveness of the bank? (Adapted from Louche and Lydenberg 2011)

**You are an ESG analyst. . .**

**How far in the future is “long-term”?** You are an ESG analyst specialized in the technology sector. You plan to apply a best-in-class screen in favor of renewable energy. Your company rightly points out that renewable energy is not financially interesting today. However, you consider that the positive externalities of renewable energy have value as well, and you defend your choice as positioning for future growth in this industry. This will make sense depending on the profile of your fund’s clients whose investment horizon will be short-term or long-term. But how long-term should their long-term be to benefit from this investment?

### Engaging with Companies: Between Voice and Exit

One of the keys to engagement is communication as a means of influencing corporate behavior. When talking about engagement, we often refer to the use of dialogue which can be private (behind closed doors) or public, through meeting with the management or by filing a shareholder resolution. Through dialogue, investors express their concerns to the company and develop a shared discourse frame with the company, which facilitates successful engagement. This dialogue form of engagement refers to what Hirschman (1970) calls “voice.” But following Hirschman’s theory, investors actually have another option to raise their concerns: “exit.” It is often referred to as the ‘Wall Street Walk’ and means the sale of shares. If ‘voice’ is ‘messy’ and implies the articulation of one’s critical opinions, ‘exit’ is more straightforward, impersonal, and indirect. Should SRI investors use the ‘voice’ or ‘exit’ approach to exert pressure on the company to change? Actually, it is not an either/or question. It is best to consider the dynamic between both strategies, as shown by Goodman et al. (Goodman et al. 2014). One may start with engaging in a private dialogue with a company, but in cases where there is a lack of responsiveness or inappropriate level of change, the exit approach might be envisaged.

A second aspect of engagement is whether to do it individually or collectively. Building trust between investors and companies on ESG issues

can be difficult and long. Using collective engagement means involving other stakeholders including not just other investors but also NGOs, which may put this trust at risk. But acting collectively can be, in certain cases, much more powerful and impactful. Here again comes the question: when to act individually or collectively, both can be complementary.

**You are a SRI asset manager. . .**

**When to keep the dialogue private and when to become confrontational through public engagement?** . . . You have a private discussion

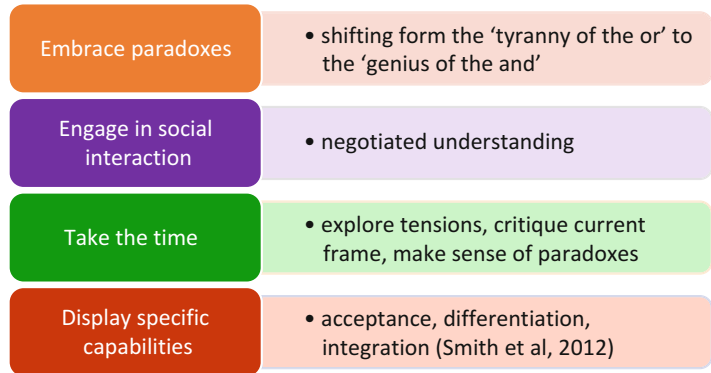
with a large garment company with operations in China about its labor standards for its subcontractors. Discussions have been friendly and open but have not lead to much progress. You are approached by other investors to join a public campaign. You are tempted to join because you believe the company should be moving faster. However, by doing that, you will most probably lose the company’s trust and the possibility to have confidential talks with the company. Will harsh public criticism relayed by the press be more effective than behind-the-scenes discussion? What can be gained and lost by joining the public campaign? (Adapted from Louche and Lydenberg 2011)

### How to Deal with Paradoxes

As illustrated in the previous section, SRI is full of paradoxes. What does it mean for SRI asset managers or analysts? They have to get by them, working through the paradoxes, and embrace them rather than eliminating or resolving them since they are part of SRI’s nature. To do so, they have to manage a constant back and forth between the different logics present in SRI, thinking paradoxically in terms of “or/and.” They have to engage in social interaction, collaborating with other investors or with frameworks of ESG factors. All of this requires time, to make sense of the paradoxes and determine an appropriate course of action, etc., and taking the time is not something that fast-paced finance is accustomed to. Is also requires specific capabilities, which SRI teams might look for in their recruits, including acceptance of tensions and paradoxical thinking. Fig. 1 summarizes the four competencies we have just highlighted to deal with paradoxes in SRI.

# Getting by Tensions in Responsible Investment,

**Fig. 1** Competencies to deal with paradoxes in SRI



## Conclusion

To conclude, practicing SRI requires combining multiple dimensions: financial returns, ethical considerations, and sustainability principles. Since 2010, SRI has entered into a mainstreaming era with the inclusion of ESG criteria in institutional investor's decision process (Dumas and Louche 2016). If SRI was once a niche activity, it has become a widespread practice among mainstream asset managers. In this wave of mainstreaming, the design of new tools to address contradictory requirements has become essential and vital. These tools need to be more systematic so that SRI does not come as an afterthought; they may rely on ESG ratings; they might adjust cash flows or discount rate in valuation models, to give more weight to the long term. Whatever the type of solution thought up, it is essential that it embraces the tensions of SRI by addressing these multiple logics. Indeed, if the financial logic dominates, all other dimensions or if mainstreaming means fitting ESG into conventional evaluation instruments, SRI will lose its essence and its specificity.

## Cross-References

- [Emerging Trends in Socially Responsible Investment](#)
- [Ethical Dilemmas](#)
- [Investor Response to the Climate Change Challenge](#)

- [Socially Responsible Investment and Corporate Engagement](#)
- [SRI's Normative and Ethics-Based Rationales](#)

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## Ghost, Guest, and Gift Authorship

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### Synonyms

Co-authorship; Ghostwriting; Gratuitous author; Honorary author; Unacknowledged authorship; Unearned authorship

### Definition

The COPE discussion document on authorship states, “At a minimum, authors should guarantee that they have done the work as presented and that they have not violated any other author’s legal rights (e.g., copyright) in the process” (COPE Council 2014). Ghost, guest, and gift authorships violate that basic tenet. Ghost authors are individuals who have actually made substantial contributions to the writing of a manuscript, but they are not listed as an author. Professional writers hired to write an article for another individual or group but are not listed as authors or contributors are called ghost authors. People who write essays for hire for student purchase are also ghost writers. Guest authors are added to papers, with or without their knowledge, by another author in an attempt to attach greater prestige or importance to the work or to flatter a senior author. A guest author has no connection to the work underlying the paper. The gift author is someone peripherally related to the work, such as a department head or student supervisor, but who does not actually meet the criteria for authorship. Gift authorship may be an expectation of supervisors

in some environments. Taking credit for authorship without doing the work or assuming responsibility for authorship is considered fraudulent and unethical behavior.

### What Are the Issues?

Multiple studies have described the prevalence of ghost, guest, and gift authorship in the medical literature from 5% to as high as 60%, varying with type of article (research or review) and journal guidelines. Based on authorship criteria established by the International Council of Medical Journal Editors (ICMJE 2018), to be considered an author, one must meet these four criteria: (1) make substantial contributions to the conception or design of the work or the acquisition, analysis, or interpretation of the work; (2) draft or critically revise the work for important intellectual content; (3) give final approval for the work submitted; and (4) agree to be accountable for all aspects of the work. Criterion number four is frequently criticized as being unrealistic, but accountability for the entirety of the work is essential to ensure that questions about the integrity of the work are investigated and resolved. Criterion four also excludes professional medical writers from legitimately claiming authorship on medical research and may contribute to high rates of gift or guest authors in some cases. Students and academics often face ethical dilemmas with requests for gift or guest authorship. Co-authorship and collaborations among multiple disciplines presents even greater challenges when collaborators are highly specialized in certain fields, for example, statistics. Unearned authorship credit contributes to a degradation of ethical norms among those who abuse it as well as reputational damage that may not be forgotten or overlooked.

*Ghost authors.* Ghostwriting for celebrity books is a thriving business as evidenced by a quick Google search. Prices vary based on whether the ghostwriter’s name is on the cover (“with” or “as told to”) along with the putative author. Advertisements offer free and easy consultation, but little transparency as to whether a ghost writer would write a scholarly publication

for submission to a journal. To get help writing a scholarly article, researchers and companies hire professional medical writers through a medical communications company. Professional medical writers have been active for many years in developing a code of conduct under which they will work (AMWA-EMWA-ISMP 2017). A key requirement for authors working with professional medical writers is to provide intellectual content and assure access to all the relevant study data and protocols. It is the responsibility of the professional writer to help organize and format the content to the appropriate journal guidelines and to assure all the relevant information is included and conveyed in a fair and ethical manner. Professional writers should be included as an author if they meet the criteria for authorship, or they should be acknowledged, along with any outside funding sources, for full transparency. Ghost writing for student essays and term papers is also a lucrative writing prospect with many online companies offering steady income for good writers.

*Guest authors.* The fact that adding a well-know person to a manuscript prior to submission is not likely to increase the chance of acceptance does not decrease the practice. There may be several reasons for that. Junior authors and students eager to enhance their academic progress or job prospects may be willing to believe there is a secret to success of high-profile careers. Anxiety or lack of confidence in their untested abilities could also contribute. Yet another factor can be an intention to flatter a senior person who could provide a reference or mentoring for future job advancement. A guest author who has no knowledge of the paper would not be able to guarantee the validity of the paper should questions be raised. If misconduct is discovered on a paper, guest authors can suffer reputational harm. Several cases have been brought to the COPE Forum (<https://publicationethics.org/cases>) when authors who were listed on a published manuscript at the time misconduct was discovered requested to have their names removed because they did not actually qualify as authors.

*Gift authors.* The issue of gift or honorary authors is more complex. It may be that some individuals who make essential contributions to

the project do not qualify as authors under the strict guidelines of the ICMJE authorship criteria. One initiative that tries to account for a variety of author and contributor roles is CRediT (<https://casrai.org/credit/>), the Contributor and Researcher Taxonomy. An example of one of the CRediT roles is the category of software. A case could be made for an individual who wrote highly specialized code for research that was grounded in the underlying theory driving the research to be considered an author, especially if that code were a part of the manuscript. The CRediT initiative encourages all roles be captured and listed on the final manuscript, facilitating complete transparency about the research endeavor. It is also difficult to determine the degree of influence of a supervisor or mentor on the development of a paper, and the decision to include that individual should be made jointly with the primary author. What should not occur is a mandate that all papers out of a laboratory or a department include the name of the chair or head regardless of input. Each case must be considered on its own merits.

## Cross-References

- ▶ [Criteria for Ethical Authorship and Contributorship](#)
- ▶ [Correcting the Published Literature](#)
- ▶ [Duplicate Publication and Salami Slicing](#)
- ▶ [Publication Ethics](#)
- ▶ [Research Integrity and Research Misconduct](#)

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## Gift-Giving and Foundation-Owned Business

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### Synonyms

Company philanthropy; Industrial foundations; Philanthropic industries

### Introduction

Current literature, discussions, and theoretical analyses of gift-giving practices owe a deep debt to the French anthropologist Marcel Mauss. Gift-giving is defined through the relationship between a giver, a gift, and a receiver based on the essential rules that regulate gift-giving; a gift has to be given, received, and reciprocated (Mauss 1990). These practices create social bonds and debts, which hold such relations together. Mauss emphasized that gift-giving is a total social entity (Mauss 1990, p. 7) – in other words, a phenomenon whose specific design plays a central part in defining and organizing society at large (Mauss 1990, p. 5).

### Gift-Giving and Reciprocity

Mauss' definition of gift-giving and the gift is unique in that it acknowledges the complexity and apparent contradictions of the practice; the gift is free and voluntary, but it calls for reciprocity at the same time. Emphasizing the principle of reciprocity, the phenomenon suggests that not only altruism but also power, definitions, and potential destruction are in play when a gift is given, received, and returned – potentially causing frustration, resentment, and insult (Bourdieu 1987; Silber 2012). Consequently, the Maussian gift-giving concept transgresses the unnecessary

dichotomy between the functionalistic and the utilitarian perspective by characterizing the gift-giving relation as voluntary and obligatory *and* disinterested and interested at the same time (Egholm 2020).

Highlighting the principles of reciprocity in gift-giving has opened up critical questions: What are the characteristics of gift-giving? Moreover, linked to this, what are the consequences of gift-giving reciprocity? Such questions are relevant when studying philanthropic gift-giving and its role vis-à-vis state, market, and civil society. Studying philanthropy and mainly the role played by foundation-owned businesses provides an exemplary entry to identify the reciprocal relations between state, market, and civil society and enables us to trace the processes that organize and legitimize the mutually constitutive relationship between citizenship, democracy, and solidarity in the specific communities (Egholm 2021).

In the field of gift-giving and philanthropic endeavors, social rights are often at the center of battles over who should receive the gifts. This battlefield includes municipalities, state legislation, religious movements, state provision, philanthropic and voluntary organizations, and the recipients of poor relief – all intertwined, which impacts state legalization and its consequences for inclusion and exclusion of groups of citizens (Egholm 2020).

### Philanthropic Gift-Giving and Foundation-Owned Businesses

Foundation-owned companies are created by the founder of the company with the intention to both secure the companies prosperity by avoiding dividing the company between potential heirs, the wish to engage in society by contributing to “the common good” (Egholm 2021), and as a branding exercise. Foundation-owned businesses are often strong multinational companies, combining for-profit production with founder-defined philanthropy and nonprofit ownership. They are particularly interesting as philanthropic enterprises, as they distribute self-generated wealth.

Their revenue and, thus, donation capacity tend to grow over time, and aside from tax laws (which seldom change), they are only subject to the foundation's charter and the company's success. Foundation-owned companies were common in the USA before they were effectively prohibited by the Tax Reform Act of 1969, which was not reversed before 2018. They are common in Northern Europe (e.g., Bertelsmann, Heineken, Ikea, and Robert Bosch) and particularly numerous in Denmark where they include prominent international companies (e.g., Møller-Maersk; Carlsberg, Novo Nordisk and William Demant) (Hansmann and Thomsen 2021).

### Philanthropic Practices and Welfare Societies

Although philanthropic organizations traditionally are placed within civil society in the sector model (Cohen and Arato 1992), the philanthropy of foundation-owned businesses naturally cross-cut the traditional divide between state, market, and civil society. Consequently (especially if the foundations have been in operation for a while and/or have a significant donation record), they can be expected to have a remarkable impact on society's organizing and legitimizing principles, pointing to future avenues for the common good.

Typically, philanthropic and voluntary associations are believed to amend poorly or badly functioning welfare states and safeguard the common good. A strong welfare state, then, would not need philanthropic associations. However, in the Nordic welfare societies, philanthropic gift-giving has been an active player in developing the welfare state since the outset. It has even seen significant progress in recent years, both as a growing financial contribution to society and a partnership with the welfare state. Foundation-owned business' practices of philanthropic investment have had and still have an essential effect on defining what is "common" and what is "good" in changing historical settings (Lichterhan and Eliasoph 2014). The definition of the "common good" in society is carefully interwoven with the current moral order of a society. It regulates which

categories of groups are included in or excluded from society, and by which terms of behaviors (Clemens 2010) and values (Alexander 2006). The reciprocal relationships between citizenship, democracy, solidarity, and the common good have thus always been a significant political battlefield. Throughout time, philanthropic practices and, thus, Foundation-owned businesses have played an essential part in this battle.

### Conclusion

Emphasizing the philanthropic gift-giving practices of especially foundation-owned business is of essence to understand the intertwined relationship between state, market, and civil society, especially in defining the "common good" of a society over time. Foundation-owned businesses have played a significant role in the continuous development of both US governmental practices and the Nordic welfare states. The legislation in place has both provided space for and restricted the growth of how foundation-owned businesses contribute to the definition of society "common good" and thus influence the processes that organize and legitimize the mutually constitutive relationship between citizenship, democracy, and solidarity in society.

### Cross-References

- [Corporate Social Responsibility](#)
- [Ethical Citizenship and Business Ethics](#)
- [Ethics and Corporate Social Responsibility](#)
- [Gifting and Influence in the Private Sector](#)
- [Gifting and Influence in the Public Sector](#)
- [Officer-Fiduciary Duties](#)
- [Social Norms](#)

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## Gifting and Influence in the Private Sector

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### Synonyms

Conflict of interest; Influence peddling; Private-to-private corruption; Questionable payments

### Introduction

The offer of gifts is a common practice among individuals and corporations, due to its many benefits. Human beings give things to one another to express love, gratitude, appreciation, understanding, sympathy, friendship, and so on. There are welcome gifts, farewell gifts, “thank you” gifts, anniversary gifts, corporate gifts, etc. A gift ordinarily brings happiness to both giver and recipient

and creates a closer bond between them. Chong and Ahmad (2015) speak about this bonding value of a gift. Even when a recipient does not like the gift, there is the consolation of the intention to please. Thus, while not necessarily being enough to create a relationship on its own, a gift may help to foster or strengthen relationships. Some gift items or gift occasions may have a special significance in different cultural traditions.

In the private sector, gift giving to those with whom one does business is at times standard industry practice. Gifts are used to build trust and friendship with current and potential business partners. It may serve as an expression of appreciation for clients’ business (Schultz 2007). At other times, small branded items usually referred to as “corporate gifts” can be aimed at bringing the giving company to the mind of the recipient as an option to do business with, thus helping to develop and maintain longer-term relationships (Fan 2006). Gifts can take various forms – cash, vouchers or tickets, items, discounts, sponsorships and endorsements, accommodation, etc. Some gifts are thus more tangible than others. Since the receiver of a gift could be influenced to do something for the giver out of gratitude for the gift, it is no surprise that certain gifts in certain circumstances may come under suspicion as being designed to unduly influence or to put pressure on the recipient so as to obtain a reciprocal favor.

Incidentally, the use of influence to get favors is a natural facet of human life. If Alan needs to borrow money from Bob and knows that Bob is more likely to agree to lend the money if a mutual friend, Carlos, does the asking, Alan may ask Carlos to appeal to Bob. Almost everyone has someone whose word weighs more than that of others. At times, the source of influence is not mere friendship: it could be that Carlos occupies a formal advisory role with regard to Bob, has access to reach Bob, or has power to act for Bob.

Gifting and influence involving the public sector are dealt with in another entry; hence, this entry concentrates on gifting and influence within the private sector, between one private company and another.

## Gifting and Influence Under Suspicion

If one classifies all human actions as good, neutral, and bad, then most people would probably agree that gifting in itself is a good, or at the very least neutral, human action. The same might apply to the use of influence. This is one of the conditions for an act to be judged good – that it should be an act that is good in itself or at least neutral. In order to conclude about the goodness of the act, however, two more conditions need to be examined: the purpose of the act and its circumstances. Flaws in purpose and circumstances can turn either gifting or the use of influence from good or neutral to bad actions. Thus, for example, in the case where Bob works in a bank and bends the lending rules in order to please Carlos, who is his brother's friend or has given him a gift or the promise of a gift, the transaction could be queried, and one would have to examine the other two conditions for an action to be good. In Bob's case, problems could come up in connection with the intention behind the giving or receiving of the gift and the circumstances of the act of gifting. Circumstances to be examined include the identities of both giver and receiver and their positions of trust in their respective companies, especially with regard to the receiver's power to decide or allocate his or her company's resources, the nature and size of the gift (e.g., the market value), and the timing of the gift. The whole situation has to be considered as a whole. Timing may become irrelevant if the giver and receiver had a previous (explicit or implicit) understanding that something would be given after the transaction or if the gift, though being after a current transaction, would influence the receiver in foreseeable future dealings with the giver. At times, the gift is received by proxy but has the same effect. Consider, for example, an expensive wristwatch given to the receiver's wife or son as a birthday gift or a bus donated to the receiver's favorite charity or religious affiliation. Insight into Bob's and Carlos's intentions and the circumstances of their actions can help to see the rightness or wrongness of what they have done.

Essentially, what this means is that something that is generally construed to be a harmless

business practice has the potential to be identified as a harmful one (such as bribery). Gifts are by definition free, with no expectation of a reward. In contrast, bribes are usually gifts (cash and non-cash) or favors given or promised in expectation of reciprocal gifts or favors, with the purpose of influencing the receiver's judgment or conduct to favor oneself rather than another person or entity to which the receiver is responsible. In such a case, the "gift" becomes a bribe. For example, a procurement officer from company A might only buy from suppliers who exhibit "gratitude" to him by giving him gifts in cash or kind. Rather than using criteria that determine the best supplier for the company in making his decision, he might instead use criteria that determine which supplier caters to his personal interest. Similarly, a recruitment officer or other human resource professional might process the applications of candidates who give him or her something, again thereby prioritizing self-interest over the company's interest. Staff in a human resource department might process applications and requests of colleagues who give them gifts over those of the ones who do not, without caring how this affects the company's operations.

In the above examples, the company's employee is engaged in suspicious receiving. They could also be engaged in suspicious giving, very often to win contracts, as would be the case when a supplier company's staff offers a bribe to the decision-making person in the buyer company so that his or her company's product will be chosen without competition being given a fair chance. Even if the supplier company does not intend to influence decisions of the client/buyer's staff in its own favor, this may happen nonetheless, either because the employee of the supplier company intends to do it or because the client/buyer's staff is influenced anyway. One possible motivation for the supplier company's employee to seek to unduly influence could be if he or she would get more sales commissions or a promotion or the reputation for making those sales. In either case, the employee in Company A may choose to give business to the supplier company even when there is a more profitable deal for his company in an alternative partnership, just because of the

personal interest in the gift. Employees might also make gifts in order to ensure favorable press or to avoid unfavorable press.

Stolen gifts constitute a different species of gifts that are suspect. For example, an employee in a hairdressing salon uses his or her employer's products during working hours to attend to the hair of a friend. In this case, the friend receives a gift that is not the giver's: it has been stolen from the employer. The employee does the giving out of a personal interest in giving, and perhaps for the gratitude of the receiver, and in doing so acts against the interest of the employer. The situation would be different if he or she had used personal time and materials. Then it would really be a gift.

### **Peddling Influence**

At times, rather than an outright exchange of gifts and favors, what is traded is influence. Influence peddling is highly associated with corruption and scandal (Winters and Weitz-Shapiro 2013). For example, a manager in the supplier company might use his or her influence to give a job to the son of the procurement manager of Company A, in exchange for obtaining the contract from Company A. It is a sort of bribe, albeit intangible. Or a manager in Company A may use his or her influence among colleagues in the HR department to ensure that his or her son is employed to fill a vacancy. In both cases, something has interfered with the ordinary fair recruitment process in order to favor one of the candidates. Eventually, it may be that the candidate employed is not the best one, so this hiring is not in the interest of the company. Even if the two interests appear to coincide, as would, for example, be the case if the best candidate also happens to be the son of the manager, going ahead with the employment of this candidate could also give rise to other problems in the company. One possible problem could be the appearance of the candidate having been favored even if he or she was the best. This could lead in turn to others in the company feeling justified, within their various roles, to also put their personal interest above that of the company. If, despite this danger, the company's representatives

wish to go ahead with the recruitment of the best candidate, a greater transparency in the process could ameliorate this effect. Another possible problem could be the future interactions with the candidate: the appraisal and promotion processes could become difficult for the candidate's supervisor, since he or she might either be too soft, in order to not offend the candidate's real or perceived patrons, or too hard, in reaction to the candidate's perceived unfair advantage over others. Yet another problem could be if the candidate puts in less effort to perform well on the job because he or she has experienced a real or perceived favoritism over others and expects it to continue. For example, a new employee who thinks he was employed because of his relationship to his boss rather than due to merit may treat his responsibilities in a lax manner because he does not fear discipline or censure from his boss. In all cases, the way the conflict of personal interest with the company's interest has been handled has the potential to harm the organization.

### **Conflicts of Interest**

When gifts and influence go wrong, the underlying problem is often a conflict of interest situation where the agent (the person experiencing the conflict) faces tension between choosing self-interest and choosing the interest of the organization and chooses self-interest (Dana and Loewenstein 2003). The earlier example of the hairdresser also illustrates the self-interest considerations that could lead someone to go to the extent of gifting what does not belong to him or her, for personal gain. Interestingly though, self-interest does not always entail a financial motivation, as in a situation where the agent values being considered generous over the best interests of the company. Despite the foregoing, it is important to keep in mind that not everyone chooses self-interest when they experience conflict of interest. Otherwise, it would be very difficult for business to operate. For society to function, there is a need to entrust people with power and resources in many different roles and interactions (e.g., company directors, management team, fund trustees, drivers,

gatemmen, school teachers, hospital doctors, babysitters, committee members, development NGOs, union representatives, and countless others) where they could do great harm by disregarding the interest of the source of such power and resources but they do not. Usually, there are particularly strict rules against gifting and influence in the public sector, since public officials are by definition the repositories of public trust and have power over resources held for the common good. Whether private-to-private or private-to-public, the misuse of gifts and influence by the private sector contributes greatly to the spread of corruption wherever it becomes a common practice.

Since it is not possible to avoid all occasions where conflict of interest might occur, companies usually try to have only people they trust in positions where the company could be harmed if the agent chooses self-interest. Agents' roles are therefore, at times, referred to as positions of fiduciary responsibility. In such positions, the agent has power over the resources of the company and can make decisions on its behalf. If the agent betrays the company's trust over and over again, this can have serious consequences for the future of the company. When the company as a whole systematically supports the giving and receiving of gifts that are actually bribes, further damage is done to the whole society as the level of trust drops so that there is little room left for fair competition. Within the company itself, other types of unethical behavior by employees are easily rationalized, and quality of its products or services may also be compromised, because the contracts are obtained either by bribing with gifts or by peddling influence. Hence, there is no real push to perform, as there is no moral ground to demand a high standard of delivery.

## Cultural Nuances

It has been argued that some cultures consider gifts and influence as neutral and even positive aspects of life and that, in these places, they cannot be considered as corrupt practices or as occasions for corruption. In these cultures, they are simply part of the accepted norms. Hence,

companies operating outside their home country should be sensitive to the gift practices of other cultures. This is true to the extent that, in such cases, gifts and influence do not lead people to betray the trust placed in them, precisely because they do not influence the agent to act against the interest of those who engaged him or her in that position. Also, in those cultures where gifts and influence are accepted practices, there is usually a distinction between gifts that are simply gifts and gifts that lead people to make unethical or unfair decisions. Among the Yoruba people in Africa, for example, gift is expressed as *ebun*, while a gift given to influence a decision is called *abetele*. The latter is frowned upon, as it literally means that something has been used to plead beforehand, outside of the fair consideration owed to both parties.

## Solutions

Companies that provide precise and unambiguous gift policies tend to be less susceptible to situations of conflict of interest related to gifts. Clear policies help to protect employees' integrity and encourage ethical business conduct. They are usually contained in or linked to the company's code of ethics or code of conduct and give guidance as to what is allowed and what is prohibited with regard to gifting and to anything similar to it (e.g., facilitation or lobbying). Some companies also have further guidelines for specific functions like procurement and recruitment. The clarity of a company's policies also enhances transparency, so that other employees have no reason to distrust those that have power over resources based on suspicions that they are acting in personal interest. Thus, to a large extent, both the incidences and the appearances of conflict between an employee's duty to safeguard the company's interest and personal interest are reduced.

Depending on the nature of the company and its operations, the policy should be crafted to achieve its aim of reducing the conflict of interest situations that could arise. A zero-tolerance policy, currently adopted by many multinationals, is a good option. However, it is not always the most

practical approach as it can place employees in an awkward situation, especially in countries where gift giving is an important part of the culture and is a customary way to build relationships. In such cases, training the employees on various ways to say no to gifts (in either giving or receiving them) helps to avoid relationship damage. A simple explanation that *my company does not allow it although I really appreciate your gesture* can be more cordial than an unequivocal *no* that may be taken as an accusation of bribery and therefore an insult (whether or not this is the giver's intent).

Other experiences with the zero-tolerance policy have led some companies to introduce exceptions into their gift policies – exceptions such as modest hospitality, gifts on retirement, small items that are common industry practice, small promotional branded items, articles of limited value (with a limit also to the frequency), and similar instances where it is felt that the gift would not create a conflict of interest situation. Others prescribe that gifts can be received but are always to go to the company rather than to the agent, letting the giver know this, so that there is low likelihood of the agent being influenced in favor of the giver since he or she does not benefit from the gift. Some companies donate to charity the gifts received by their employees, while others put them in a pool for all the employees to share. Again, these steps minimize the possibility of the agent being influenced by the gift to act based on personal interest.

In order to promote fair competition for businesses, some governments have sought to limit corruption in the private sector by providing legislation on these matters. For example, in South Africa, the Prevention and Combating of Corrupt Activities Act 12 (2004) forbids offering, giving, or requesting gratification as an inducement to award or withdraw tenders for supplying goods and services. This law is also against rewards given for these reasons.

## Conclusion

Research and common experience show that gifts tend to strongly influence the receiver's behavior

in favor of the giver because they easily make the receiver feel an obligation to reciprocate, independently of the intentions of the giver (Katz et al. 2003; Marcoux 2009). Whenever receivers are moved to reciprocate using power and resources that have been entrusted to them for the interest of their company rather than for their personal interest, something has gone wrong: the gift has taken on the shape of a bribe. In the same way, when a person with fiduciary responsibility uses influence for his or her personal interest rather than the interest of the company he or she represents, something has gone wrong. Hence, while it is not possible and, in some cases, not even desirable, to altogether avoid gifting and the use of influence in human interactions, it is important to be mindful of the possibility of creating conflict of interest situations that can ultimately jeopardize the interest of the company. When a company puts in place clear policies on gifting and influence peddling, it minimizes the occurrence of conflict of interest situations and thus reduces the potential for unethical behavior and corruption within and outside the company.

## Cross-References

- Bribery
- Gifting and Influence in the Public Sector
- Organizational Culture and Corruption

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## Gifting and Influence in the Public Sector

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### Synonyms

Bribery; Corruption; Facilitation payments; Questionable payments

### Introduction

“Public sector” is the term used to describe the services provided and funded by the government as well as the enterprises owned by the government. They comprise a body of people and institutions entrusted with ensuring the well-being of everyone in society, usually employing various tiers in order to be effective. They act as guardians of common resources and promoters of the common good. For example, they cater to the community’s basic needs and supply essential infrastructure (Németh et al. 2018). The phrase “public sector” is commonly used to denote the activities of these people and of the organizations in which they work, in contrast to the private sector, where people are in business for private profit. People who are active in this sector include those working to make and enforce laws for the country; those assisting the judicial processes of the country; and those making decisions about the allocation and use of the country’s resources. Very

often, they act on behalf of the whole country. At other times, they act on behalf of smaller jurisdictions within the country, i.e., regions, states, local governments, towns, villages, districts, quarters, and wards. In some countries, the public sector, or part of it, is called the civil service. Since these people act on behalf of their fellow citizens, they are in an agency relationship to the latter and they have a unique responsibility to be fair and impartial in doing what is best for the country. This is usually referred to as a fiduciary responsibility, meaning that agents are trusted to act in good faith on behalf of their principals. To highlight the high moral standards expected of professionals in the public sector, this entry looks at the practices of gift-giving and influence peddling as they relate to public officials.

### Why Discuss Gifts?

Gifting or gift-giving is a practice that dates back to prehistoric times. It usually demonstrates good will and benevolence and fosters an amiable relationship between the parties, usually a giver and a receiver. In themselves, therefore, giving and receiving gifts are good or at least harmless practices. However, giving and accepting gifts can be misused and abused when public employees are involved, when the purpose of the gift is to gain special favor or an unfair advantage over others or to influence the decision-making process of lawmakers and regulators. In such situations, the gift becomes a bribe.

According to the Merriam Webster dictionary, a gift is “something voluntarily transferred by one person to another without compensation”<sup>1</sup>. A bribe on the other hand is “money or favor given or promised in order to influence the judgment or conduct of a person in a position of trust”<sup>2</sup>. Since there is a delicate balance between what constitutes a gift or a bribe, it is always advisable that there are clear guidelines to govern the acceptance of gifts. For this reason, many

<sup>1</sup> <https://www.merriam-webster.com/dictionary/gift>

<sup>2</sup> <https://www.merriam-webster.com/dictionary/bribe>



public service codes incorporate official policies in this regard.

## Policies on Gifting in Some Countries

Policies concerning gifts vary in different countries. Some countries enforce a zero-tolerance gift policy for public officials while others have a list of criteria that have to be met for the gift to be accepted. Some governments, for example, Canada, leave it to the discretion of the public employee's superiors to make the decision whether or not to accept the gift. In addition to this, "despite the general prohibition found in the Treasury Board's Model Code, a gift, hospitality, or other benefit is acceptable if it satisfies all of the following criteria:

- It is infrequent.
- It is of a minimal value.
- It is within normal standards of courtesy or protocol.
- It arises out of activities or events related to the official duties of the public servant.
- It does not compromise or appear to compromise the integrity of the public servant or of his or her organization." (McGurran 2013)

With the United States in mind, Richter and Burke (2007) state that gift giving to public sector staff, especially by lobbyists, is viewed with disfavor and can even be classified as a crime (i.e., bribery). Nigeria is closer to a zero-tolerance policy in this regard. The Nigerian Constitution (1999), Fifth schedule, part 1, states:

"6. (1) A public officer shall not ask for or accept property or benefits of any kind for himself or any other person on account of anything done or omitted to be done by him in the discharge of his duties. (2) for the purposes of sub-paragraph (1) of this paragraph, the receipt by a public officer of any gifts or benefits from commercial firms, business enterprises or persons who have contracts with the government shall be presumed to have been received in contravention of the said sub-paragraph unless the contrary is proved. (3) A public officer shall only accept personal gifts or benefits from relatives or personal friends to such extent and on such occasions as are recognized by custom:

Provided that any gift or donation to a public officer on any public or ceremonial occasion shall be treated as a gift to the appropriate institution represented by the public officer, and accordingly, the mere acceptance or receipt of any such gift shall not be treated as a contravention of this provision."

Sections 11, 12, and 13 of the Code of Conduct Bureau and Tribunal Act also restrict loans, gifts or benefits to certain Nigerian public officers to avoid bribery and abuse of powers.

Laws and policies are essential in providing guidelines for appropriate behavior regarding gifts, as differences in the perception of gifts in different cultures suggest that "gift giving is a highly contentious and subjective issue... [I]f clear guidelines are unavailable to employees as to the correct and ethical conduct in these circumstances, it may instigate or result in corrupt behavior or the perception thereof" (Jones and Bezuidenhout 2014: 76). Using South Africa as a case study, Jones further suggests that allowing gifts classified as traditional or cultural hospitality or as cultural gifts could still cause problems when these terms are not clearly defined. Hospitality could at times end up constituting a very expensive gift (for example, a cruise) that can sway a corrupt official (Jones and Bezuidenhout 2014).

## What, If Anything, Is Really Wrong with Public Sector Gifting?

An illustration can help to explain the problem with the kind of ambiguity described above. In a certain town, Deen is in charge of settling land disputes. His daughter is getting married in 2 weeks and he is worried about the expenses. As he sits in his office, a messenger arrives from Chief Barkis who has a case pending for Deen's decision. The messenger says that he has brought with him a lorry-load of farm products as a gift from the chief to celebrate the wedding of Deen's daughter – he only stopped by to know where to deliver the items. Deen figures that it is traditional or cultural to accept congratulatory gifts on this type of occasion. However, he knows that, after this, it would be difficult for him to award the land in dispute to the other claimant, Elder Kors, no

matter who actually has the right to the land. Yet, traditional and cultural gifts are allowed by his departmental policy on gifting. So, he would not have technically done anything wrong; it is not as though Chief Barkis had offered him a wad of cash or a Rolex wrist watch.

Deen is experiencing a conflict of interest. In the interest of the people he represents, the public, he should be objective in doing his job. However, his personal interest is to make Chief Barkis happy, out of gratitude that Chief Barkis has solved his problem. He is in a position of trust, where he should put the interest of the public before his own, even if the policy does not specify it. Codes cannot specify everything; hence, individual integrity is always important. For example, referring back to the Canadian code, the gift from Chief Barkis is a one-off gift and therefore fits under the heading of “infrequent.” However, it is not of minimal value, and whether it is within normal standards of courtesy or protocol may be debatable. What is really more important is that Deen is not led to act against the trust placed in him as a public official.

It is normal to experience conflict of interest situations. At times, it is not foreseeable and there is no way the public official could have avoided the conflict. However, what shows integrity or lack of it lies in what the person does in the moment of conflict. If trust is betrayed, unfair decisions may be made and these would affect the country negatively. Even if Chief Barkis has the right to the land, and so Deen would make the right decision by awarding it to him, there is still a danger: people around Deen may believe, in this case falsely, that Deen only awarded the land to Chief Barkis because of the magnificent gift bestowed on him. A few of these people may ask Deen about it and have the option of believing what he says. Many others will not ask; they will simply draw their own conclusions. Some of the latter will interpret this as a sign that it is acceptable to put their interests above the common good of the country in their own roles. Others may not find it acceptable and, as a result, may not work hard or happily in a place where they have perceived injustice to be condoned. Others may take it as an excuse to disregard other portions of the policies. If, instead of a land dispute, the issue

were a contract bid and Chief Barkis ended up obtaining the contract because of his influence on Deen, it may become difficult to enforce the contract or insist on it being done at a high quality. Deen, having benefited from Chief Barkis’s largesse, may be unable to put pressure on him to fulfil the contract terms. Chief Barkis, having expended a lot of money on the gift(s) that helped him to secure the contract, in trying to recover these costs from the same project may skimp on the quality of delivery. If it is a road contract, it may mean that the road is badly constructed and therefore people suffer car problems and accidents. Thus, the public ultimately bears the cost of what Deen has enjoyed. Consequently, there are good reasons to avoid situations of conflict of interest, including those provoked by gifting. It is one of the ways to reduce both real and perceived corruption in the public sector and in society at large.

Where there are high levels of perceived corruption, it generates a widespread distrust of public institutions, which can have more devastating effects than corruption itself. It may also foster a culture of careless gifting, which in turn may raise the levels of real corruption (Melgar et al. 2010). It is therefore important to reduce real and perceived corruption due to gifts being offered to and accepted by public officials. Such reduction can be achieved in part by ensuring that laws and policies regarding gifting are transparent, unambiguous, and clearly stated. In the process, it should always be kept in mind that the problem is not necessarily the gifting in itself; it is also the potential conflicts of interest and potential abuse of trust that derive from putting personal interest above the common good. Having such an understanding could help to guide public officials so that, even when there is a lack of clarity or there is a gap in policy, they are likely to act with integrity.

## Regarding Influence

Apart from gifting, another cause of conflict of interest for professionals in the public sector is the use of influence (Altun et al. 2013). Influence peddling by a public official is the use of his or her position or political influence or connections

with others in authority on someone's behalf in exchange for money or favors, in order to obtain favors or preferential treatment for that person. It is perceived differently in different environments, perhaps to the extent that it is considered as something that can precipitate conflicts of interest. Influence peddling has been proscribed as an offence and an illegal act in some jurisdictions, while some other jurisdictions do not consider influence peddling as illegal but rather as a species of lobbying. In jurisdictions where influence peddling is considered an offence, the terms normally associated with it are abuse of power, unfair advantage, opaque decision-making process, unethical acts, and protection of the interests of a select few.

Some features to look out for in trying to determine whether influence has been peddled are:

- (a) The material action carried out or its outcome
- (b) An intentional or conscious use of influence contrary to law and/or equity
- (c) Favor(s) obtained from a decision-making authority

As with real and perceived corruption, influence peddling can be either real or presumed. In both cases, harm can be done, as explained above when discussing the topic of conflict of interest. Hence, there are good reasons to avoid influence peddling, including in order to forestall conflict of interest situations. A business arriving in a country to set up operations should first find out about its laws and guidelines on influence peddling. Most European countries consider influence peddling as an offence, with France being one of the first civil law countries to introduce it into criminal law.

The United Nations Convention against Bribery and Corruption (UNCAC) and the Council of Europe Criminal Law Convention on Corruption contain provisions against trading in influence or influence peddling (Article 18 and, respectively, Article 12). However, in its Recommendation 9, Principle 8, OECD appears to consider influence peddling as lobbying, and therefore it has no provisions against it. Also, the United States Supreme Court granted influence peddling First Amendment protection in June 2016.

## Some Instances of Influence Peddling

In Costa Rica, a big influence peddling scandal involved businessmen and senior executives in 2017. Some government officials had been pressured into releasing \$30 million in unsecured loans from the national bank, Banco de Costa Rica, to import cement. Several members of government were implicated in the ensuing probe, including the President, Luis Guillermo Solís. The president's popularity waned as the scandal unfolded, and he later lost the presidential first round vote partly due to this scandal.

In South Africa, the president and his "friends," the Gupta brothers, were investigated in a judicial enquiry into allegations of influence peddling.

In South Korea, the Samsung heir apparent was jailed for corruption in connection with a national influence peddling scandal which involved a longtime friend of the president, Park Geun-hye. The scandal led to the president's impeachment. The accused was alleged to have paid money to influence for a merger of affiliates and for his succession to control of the conglomerate.

## Final Considerations

In conclusion, both gifting and influence peddling are worth watching with vigilance, especially where the public sector is concerned. Employees in the public sector have a special relationship to the rest of society in that they are custodians of resources that are common to all. They therefore need to act with an awareness of this responsibility as they carry out their work, and to prove worthy of the trust placed in them. When public officials craft policies for their organizations and strive to build their institutional culture, areas of concern include how to reduce the occurrence of situations that place them under the pressure of conflicts of interest; how to train them in ethical decision-making and integrity of character so that they do not sacrifice public interest to their personal interest; and how to minimize the perception, where it exists, that they are likely to put

personal interests above their responsibility to the public.

## Cross-References

- Bribery
- Gifting and Influence in the Private Sector
- Organizational Culture and Corruption

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## Global Corruption

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## Introduction

Professor Laura S. Underkuffler has noted that: “Corruption is an explicitly moral notion; corruption describes, in general parlance, a powerful all-

consuming evil.” She goes on to say that this idea, although often unarticulated, permeates both popular and technical discussions of the subject. Furthermore, because of the power of this idea, any approach to corruption that fails to reckon with its moral aspect will be both descriptively and programmatically inadequate.”<sup>1</sup>

Ensuring that an understanding of corruption needs to include a moral dimension takes the issue of corruption beyond the confines of the many laws that relate to the subject. Legal definitions often fail to capture the full dimensions of corruption. This is also the case when using the word bribery which is frequently treated as a synonym for corruption. Transparency International (TI), a global, nongovernmental, anti-corruption organization, defines corruption broadly as “the abuse of entrusted power for private gain.”

TI emphasizes the importance of differentiating between small-scale, or petty corruption, and large-scale, or grand corruption. Petty corruption involves the bribery of public officials by ordinary citizens to obtain services that to which they are entitled, a form of corruption that is akin to extortion to which the poor are particularly vulnerable. In 2016, after international consultations with legal experts, TI defined grand corruption as occurring “when a public official or other person (such as an associate or a business person who conspires with a public official) deprives a particular social group or substantial part of the population of a State of a fundamental right or causes the State or any of its people a loss greater than 100 times the annual minimum subsistence income of its people.”

The most effective means of measuring corruption are surveys of perceptions of corruption, such as TI’s annual *Corruption Perceptions Index*, and ones using detailed questionnaires that ask various categories of citizens about the bribes they pay, notably the TI *Global Barometer*. Further insights into the scale of corruption are provided by research into the difficulties that business people

<sup>1</sup> Laura Underkuffler, J. DuPratt White Professor of Law, Cornell University Law School – chapter 2 in *Corruption, Global Security, and World Order* (2009, Brookings), edited by Robert I Rotberg.

have in a country when seeking official permits and licenses, as it is frequently the case that red tape is a pretext for officials to seek bribe and the World Bank's *Doing Business: Measuring Regulatory Quality and Efficiency* provides valuable information of this kind. Detailed investigations of public sector projects and programs at community or municipal levels are also an effective means of measuring corruption and its impact.

Today, petty corruption affects many aspects of life in many countries and can include payments: to the police to avoid being charged for real or imagined crimes, to enroll children in schools, for access to doctors and health clinics, and to secure all manner of official permits and licenses. In its 2013 *Global Barometer* survey of 114,000 respondents in 107 countries, TI found that more than one out of four respondents had paid a bribe during the last year. TI concluded that: "every day, all over the world, ordinary people bear the cost of corruption. In many countries, corruption affects people from birth until death."

The late Michael Elliott started a cover story in November 1994 for *Newsweek International* with these words: "You're driving in Accra, capital of Ghana, minding your own business, when a traffic cop decides you've made an 'illegal' left turn. The spot fine? Fifty bucks, and no receipt. Your company needs telephone repairs in Beijing. The price? A fishing trip for everyone in the local telephone and telegraph office. You spend a day at the Venezuelan port of La Guaira, filling in forms so you can export mangoes. At the last minute, an official spots a typo. So sorry, all the paperwork has to be redone: that, or pay a 'special fee.' Or watch your mangoes rot. *Baksheesh* in Egypt, *dash* in Kenya, *mordida* in Mexico – corruption is everywhere, and ancient. Mercury probably ran a crooked messenger service on Mount Olympus. Anti-corruption laws are just as old: 'Neither shalt thou take bribes,' God told Moses, 'which blind the wise and pervert the words of the just.'"<sup>2</sup>

<sup>2</sup>Newsweek International, November 14, 1994, *Money Talks* cover story by Michael Elliott, as quoted in *Waging War on Corruption – Inside the Movement Fighting the Abuse of Power*, by Frank Vogel, Rowman & Littlefield, updated, 2016.

This personal perspective is complemented by the thousands of stories and complaints brought by citizens in 50 countries over the last decade to Advocacy and Legal Advisory Centers (ALACs) managed by TI. These stories from the victims of corruption, together with media reporting in many countries as well as investigations by government authorities, provide a picture of bribery and extortion and conspiracies to benefit officials at the expense of those they should be serving, from healthcare to agriculture, sanitation, housing, forestry, water, finance, the arms trade, and infrastructure construction.

Corruption is an age-old phenomenon. Today, testimony by business leaders before public bodies and testimony resulting from public prosecutions and surveys in such industries as defense, pharmaceuticals, agriculture, information technology, aerospace, finance, and telecommunications indicates that grand corruption is common in many areas of public contracting, sometimes involving conspiracies between organized crime networks and public officials<sup>3</sup> and/or between major multinational corporations and senior government officials. Frequently, power over national judicial institutions and the media protects public officials from prosecution. The proceeds that they accumulate are frequently laundered through the international financial system, including offshore tax havens, enabling them to invest in assets across the world.

Grand corruption often goes hand-in-hand with organized crime. The activities of international criminal networks are facilitated by public officials who are bribed to manipulate customs and police officials and/or to rig public contracts. Vast criminal networks engaged in narcotics, human trafficking, the sale of counterfeit pharmaceuticals, counterfeit pesticides, fake manufactured goods, the illicit sale of arms, and the killing of elephants for the illegal ivory trade all need to bribe customs officials and their superiors in many countries in order to succeed. And they all need to find ways to launder their ill-gotten gains so that they can invest them

<sup>3</sup>*Dirty Entanglements: Corruption, Crime, and Terrorism*, by professor Louise Shelley (2014 Cambridge University Press)

productively. These activities undermine world trade, destabilize the financial system, and add frequently to critical issues of security at the national, regional, and international levels.

Corruption also undermines both individual and global strategic security. Countries with the highest levels of corruption typically also have the highest levels of violence. Corruption is always present on a large scale where there are wars and frequently involves international organized criminal networks and terrorist networks who exploit corruption, including money laundering,<sup>4</sup> to finance their endeavors.

## Reform

While efforts to counter corruption have been made in many countries over the centuries, landmark actions in recent decades emerged from the “Watergate” investigations in the United States, which revealed bribe-paying at home and abroad by some of America’s largest enterprises. The result was the Foreign Corrupt Practices Act (FCPA) of 1977 which made it a criminal offense for a US company to bribe a foreign government official. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA were also made to apply to foreign firms and persons for corruption that takes place or is facilitated within the territory of the United States.

Pressure from the US government and business community and Transparency International, by then an influential international NGO, led in 1997 to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention, which by 2016 had 41 signatories. For the most part, the OECD Convention mirrors the FCPA. In the intervening years, the number of cases prosecuted in signatory countries,

particularly the United States, has grown significantly as have the penalties imposed.

The 1990s were to see other landmark developments to counter corruption. It had long been evident to experts in economic development that corruption was an impediment to economic and social progress in many developing countries, yet until the mid-1990s, there was no institutional support at either bilateral aid agency or multilateral levels for action. There was silence at the United Nations and the World Bank, for example, on the topic of corruption. Part of the explanation related to the Cold War and the willingness of the major powers to use foreign aid for strategic purposes as they sought to influence diplomatic relationships while turning a blind eye to the corruption in the aid-receiving governments. For example, US government concerns in the 1960s of mounting Russian influence in Congo led to the US government providing substantial foreign aid and military support to Congo’s President Mobuto, who was widely seen as among the most corrupt leaders in Africa at the time.

It is also the case that until the ending of the Cold War, there was not a single international nongovernmental organization (NGO) dedicated to anti-corruption. While many of the worst human rights abuses in poor countries directly relate to the use of authoritarian power by corrupt politicians and their henchmen, none of the human rights NGOs or those explicitly involved in antipoverty programs in the Third World attempted to draw significant public attention to corruption. The leading international media reported on corruption scandals as and when they happened, but their reports did not result in major calls and sustained campaigns by citizens for legislative reforms.

Transparency International (TI), officially launched in May 1993, was the first global nongovernmental organization to be exclusively concerned with the fight against corruption. It has influenced public awareness and public attitudes, promoted countless campaigns in dozens of countries, and contributed to shaping landmark legislation and important public statements by governments and official international institutions. Today (2017), TI has about 140 staff at its

<sup>4</sup>*National Money Laundering Risk Assessment 2015*, United States Department of the Treasury. <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20%E2%80%932006-12-2015.pdf> (Accessed 9 January 2017).



global secretariat in Berlin, Germany, and approximately 100 national chapters.

There are now also dozens of anti-corruption civil society organizations engaged in promoting democracy, protecting human rights, and advocating for judicial reforms. At the same time, the international media is shining an unprecedented spotlight on corruption and a number of specialized media organizations notably Global Witness, ProPublica, and the International Consortium of Investigative Journalists, which, with its *Panama Papers* disclosures, has raised and strengthened global public awareness of the reach and the damaging impact of corruption. In many countries, courageous investigative journalists expose corruption at the highest levels of government and business and stimulate public demands to end impunity.

The scale of academic interest in many aspects of the topic has also expanded enormously as has the number and range of authors researching and writing on diverse aspects of corruption. All of these developments have stimulated extensive discussions within major business organizations, such as the World Economic Forum and the International Chamber of Commerce, which in turn have promoted international efforts to curb corruption.

In the spring of 1997, the leaders of the group of seven major economic powers, meeting in Washington, agreed that curbing corruption required the active involvement of international financial institutions like the World Bank and the International Monetary Fund both of which responded with anti-corruption strategies and guidelines. In the following months, the regional development banks of Asia and Latin America followed by introducing anti-corruption policies based on those established by the World Bank. Importantly, the United Nations recognized that it too needed to campaign to secure an anti-corruption agreement embracing the great majority of its members. As UN Secretary General Kofi A. Annan was to stress in the Foreword to the United Nations Convention Against Corruption (UNCAC), which was formally ratified in 2005: “Corruption is an insidious plague that has a wide range of corrosive effects on societies. It

undermines democracy and the rule of law, leads to violations of human rights, distorts markets, erodes the quality of life and allows organized crime, terrorism and other threats to human security to flourish.”

UNCAC states that: “(t)he purposes of this Convention are: (a) To promote and strengthen measures to prevent and combat corruption more efficiently and effectively; (b) To promote, facilitate and support international cooperation and technical assistance in the prevention of and fight against corruption, including in asset recovery; and, (c) To promote integrity, accountability and proper management of public affairs and public property.”

In recent years, world leaders meeting under the auspices of the group of 20 have agreed on a series of plans to counter corruption and to encourage full enforcement by governments of international anti-corruption conventions. Building on these agreements, far-reaching pledges to counter graft were announced in May 2012 at an “Anti-Corruption Summit” in London hosted by then UK Prime Minister David Cameron. The participants in this latter event stressed in their final official statement: “Corruption is at the heart of so many of the world’s problems. We must overcome it, if our efforts to end poverty, promote prosperity and defeat terrorism and extremism are to succeed.”

## Citizen Engagement

In spite of legislative reform and the proliferation of international conventions, the lack of progress in curbing corruption worldwide has fueled growing public demands for reform. Examples include massive public demonstrations in Tunisia, Egypt, and elsewhere in the Middle East in 2011 and Ukraine in 2014 and public protests on a vast scale in Iran, Iraq Guatemala, South Africa India, Brazil, and Malaysia. There has also been unprecedented international cooperation among investigative agencies including investigations of the alleged diversion of over \$3.5 billion from a Malaysian development fund to relatives and associates of Malaysia’s president involving

the FBI in the US and its counterparts in Switzerland and Singapore, as well as some officials at the Malaysian Anti-Corruption Commission; the US Justice Department's FCPA prosecution of Alstom, a major French engineering company, which would not have been possible without cooperation from the police in Indonesia; the prosecution of the Odebrecht construction company of Brazil, which saw a US Justice Department record fine of over \$3 billion, resulted from intense cooperation between Swiss, Brazilian, and US authorities; and the prosecution of leaders of world soccer's (FIFA) governing association, which required the cooperation of US and Swiss authorities in the first instance and a number of other governments as the cases developed.

At a less dramatic but important level, NGOs have gradually been convincing bilateral and multilateral aid agencies to strengthen citizen engagement in the implementation and monitoring of a range of development projects. In many cases, the engagement of citizens in economic development projects can reduce the risks of corruption while strengthening local delivery of public services.

Curbing corruption demands not only international agreements and legal conventions, but it also requires the patience and long-term resilience to sustain public support for the building and/or strengthening of transparent and accountable institutions of government. These institutions must be answerable to all citizens and not just to an elite few. The forging of what Professor Michael Johnston has called "deep democratization"<sup>5</sup> to establish the institutional capacities in countries to guard against corruption is a vast, yet vital, challenge.

## Cross-References

► [Financial Secrecy Index](#)

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## Global Forum on Transparency and Exchange of Information for Tax Purposes

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## Synonyms

Financial Action Task Force (FATF); Financial secrecy; Financial transparency; Government action on financial information; International efforts to control tax evasion; International efforts to eliminate bank secrecy; Tax evasion; Tax losses

## Introduction

This entry describes a major initiative of the Organization for Economic Co-operation and Development (OECD) to eliminate secrecy and increase transparency in financial transactions concerning taxes involving diverse countries.

## Description

According to Meinzer (2012, p. 11), in 1989, the OECD established a Financial Action Task Force to begin "work on standards to counter money laundering." In the following year, the Task Force published a set of 40 recommendations specifying standards and procedures to encourage compliance among its members. "Encourage" is the operative word because there was no enforcement mechanism available, only "naming and shaming" political jurisdictions that failed to

<sup>5</sup> Johnston (2014).

comply. Political jurisdictions are mostly countries but they include protected territories (e.g., British Virgin Islands), special administrative regions (e.g., Hong Kong), or crown dependencies (e.g., Guernsey).

Standards, procedures, and aims of the Task Force changed over time. In 2000/2001, the OECD invited six tax havens “to create an international standard for tax information exchange”. This small group enlisted the help of all member countries of the OECD plus 11 other fairly well-known tax havens. As a result, according to Meinzer (2012, p. 6), “the overall balance in the group working on the standards was tipped overwhelmingly in favour of secrecy jurisdictions.” “Secrecy jurisdictions” is the descriptive name used to designate jurisdictions that offer companies and individuals some level of secrecy from total to partial in financial transactions, most notably transactions involving taxation and money laundering.

In 2002, the group produced its “Model TIEA” (tax information exchange agreements) “which was and remains the basis for all of the OECD’s future work to counter tax havens and offshore tax evasion.” Tax information exchange agreements have become the main vehicles for addressing the problems concerning some jurisdictions effectively legalizing non-residents’ violation of tax laws of other jurisdictions. There are two standards, a relatively weak one requiring the exchange of information on request (IR) and a stronger one requiring the automatic exchange of information (IA). In both cases, the delivery of relevant information depends on a willing and able private or public office or agent, and different jurisdictions have different kinds of agents operating with different social/cultural assumptions and practices, laws and regulations, economic and political realities, specific and general aims. The IR standard is weaker because it offers greater freedom for agents to craft their practices more suitable to local interests than to the general interests of all jurisdictions.

In 2009, the working group, now the Global Forum, undertook a new initiative with “leaders of the G20 countries” boldly declaring “that the era of banking secrecy is over” (OECD 2016, p. 32).

The bold declaration was plainly at best aspirational because, after all, the era is still far from over. What had begun, however, was the initiation of a peer review process designed to assess the relative compliance of participating jurisdictions with IR exchange. The more demanding, efficient, and effective IA standard was not yet on the table.

The peer review process implemented in 2010 had two phases. In the first phase, a jurisdiction’s “legal and regulatory framework for transparency and the exchange of information for tax purposes” was assessed, and in the second phase “the implementation of the [IR] standard in practice” was assessed. By 2016, there had been 253 peer review reports prepared, “comprising 98 Phase 1 reviews, 86 Phase 2 reviews, 27 Combined Phase 1 and Phase 2 reviews and 42 Supplementary reviews. . . Overall ratings [were]. . . assigned to a total of 116 jurisdictions after completion of the Phase 2 reviews. . . [resulting in] 22 jurisdictions. . . rated ‘Compliant’, 77 jurisdictions ‘Largely Compliant’, 12 jurisdictions ‘Partially Compliant’, and 5 jurisdictions ‘Non-Compliant’” (OECD 2016, pp. 14–15). So, only about 4% of those completing Phase 2 reviews were totally non-compliant with the IR standard.

While the 4% figure sounds impressive, Meinzer (2012) reviewed several reasons for challenging the usefulness of peer reviews assessing compliance with the relatively weak IR standard. Here is a sample. (1) IR does not address the question that the Chair of the Global Forum regards as “absolutely critical to achieving financial transparency,” namely, “the question of beneficial ownership – identifying the natural persons behind the companies and trusts and other arrangements” (OECD 2016, p. 5). Legal owners can be shell companies with a single employee resident in a foreign jurisdiction serving only to allow the real or “beneficial owner” to claim for tax purposes that payments of one sort or another are going to non-residents of that beneficial owner’s jurisdiction. (2) The Global Forum’s secretariat is located within the OECD and its peer reviews must satisfy the interests of members of that organization. (3) Information may be provided on request under very restrictive conditions, e.g., long timelines for delivery, very high prices,

or high demands for specific information up front. More precisely, a requesting agent might “have to provide the identity of a particular person, to make a statement on the information sought, to describe the particular tax purpose, to state the grounds for believing that the information is in the possession of requested state, and to provide the name and address of a person in possession of the information.” (4) There are no sanctions for non-compliance with the IR standard. (5) If information is privately held, governments can avoid responsibility for non-compliance.

One can get a better idea of the limitations of pre-2015 peer reviews assessing compliance with the IR standard by studying the strengthened review procedures introduced in October 2015. To begin with, “both the legal framework and the practical implementation” features will be assessed at the same time. Then there is a requirement “that beneficial ownership information be available” and there is some assessment of the “quality” of exchanges meeting the IR standard. More precise criteria of assessment are provided “taking into account the principles of effectiveness, fairness, transparency, objectivity, cost-efficiency, and co-ordination with other organizations.” “Guidance” will be provided concerning “the factors to be taken into account when evaluating a jurisdiction’s legal and practical frameworks,” and timing schedules for reviews of different jurisdictions will be provided “ensuring that a full period of 3 years since the last review has passed.” There will also be regional training programs for peer reviewers. Most importantly, in 2017, 50 jurisdictions will be assessed for compliance with the stronger IA standard, and another 50 in 2018. As well, there is a multilateral Convention on the Mutual Administrative Assistance in Tax Matters to which 106 jurisdictions have agreed to participate in, 83 of which are proceeding with peer reviews based on the IA standard (OECD 2016, pp. 19–24).

Summarizing the report, OECD (2016, p. 25) wrote: “Beginning in 2017 and accelerating again the year after, a flood of new information will start to be provided by financial institutions all over the world. It will include names, addresses, bank account balances, details of investments held in

certain entities among other types of information on a wide range of financial assets held by individuals and entities. This will make it increasingly difficult to hide money in financial accounts from now on.” If all this happens, then we will truly have entered a new era of banking transparency.

## Cross-References

- [Financial Secrecy Index](#)
- [Panama Papers](#)
- [Shell Companies](#)
- [Tax Havens](#)
- [Tax Justice Network](#)

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## GMOs

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## Synonyms

Food and agricultural biotechnology; Genetically engineered food; Genetically modified organisms; Transgenic crops and food animals

## Introduction

GMO (acronym for “genetically modified organism”) is a colloquialism applied to food and agricultural applications of advanced biotechnology, especially plants and animals containing transgenes (that is, gene sequences derived from

species other than the recipient organism). The expression is never applied to biomedical applications of gene transfer. GMOs have been the subject of controversy since the 1980s, when they first began to be discussed. This article includes a brief historical overview of the debate, focusing especially on the early years when opposing positions were initially established. It is questionable as to whether GMOs would present particularly significant case studies for business ethics were it not for the intensity of the surrounding controversy. However, given the hardened suspicions of opponents, key episodes in the development of GMOs have been viewed as instances of ethical failure, while for other episodes, philosophical questions are central to the points of controversy.

## A Short History

The most widely grown GMOs are non-food crops (e.g., cotton), though there is extensive cultivation of GMO varieties of maize and soya, as well as significant plantings of modified rice, papaya, and sugar beets. New applications of gene transfer appear on a regular basis, making a complete account impractical. Foods made using genetically engineered microorganisms may or may not be included in the category of GMOs. Most commodity cheese is now made with rennet produced by a modified bacterium. This dairy product is almost never included by people who discuss GMOs but milk from cows treated with rBST, an animal drug also produced by a modified bacterium, often is. Meats from cloned animals are often referred to as GMO, while meats derived from stem cells (still confined to the laboratory) have thus far escaped the moniker. At this writing, it is unclear how plants and animals with gene deletions will be viewed. The term itself has no regulatory significance, though plant and animal foods containing transgenes have been subject to labeling requirements in Europe for almost 20 years, and similar labeling requirements were adopted by the US Congress in 2015.

The first round of debate followed economic analyses predicting that the use of rBST would

be followed by a transition in the number and size of US dairies (see Hallberg 1992). This precipitated opposition in leading dairy states and among small-farm and labor advocates and led to a highly unusual 1-year Congressional moratorium on release of the drug introduced by Wisconsin Senator Russ Feingold (see Thompson 2007). rBST went on US markets in 1993 following a White House Office of Science and Technology report stating that repression of a technology on grounds of its economic impact was without precedent. As the rBST debate was peaking, a few environmental activists began to raise concerns about the impact of GMO crops, citing both concerns about gene-flow to wild relatives and the potential for development of “superweeds” (Rissler and Mellon 1996).

These early economic and environmental disputes were accompanied by a period of regulatory uncertainty. While Canada and Europe each created new authorizing legislation for governance of agricultural biotechnology, the USA developed an approach known as the Coordinated Framework in which no new regulatory statutes or bodies were introduced for oversight of food and agricultural biotechnology. Under the influence of US Vice President Dan Quayle’s anti-regulatory Competitiveness Council, a suite of laws including the Food and Drug Act of 1906 (administered by the Food and Drug Administration), the Federal Insecticide, Fungicide and Rodenticide Act (administered by the Environmental Protection Agency), and the Plant Protection Act (administered by the US Department of Agriculture). The Coordinated Framework offered no provision for labeling until 2015, and in fact even labels proclaiming “no GMO” were strongly discouraged well into the twenty-first century.

When the first agricultural crops containing transgenes appeared in 1997, resistance to GMOs took on an international dimension. This era of controversy is complex and it has generated an enormous literature with many competing theories vying to account for why these products became the focus of so much confusion and debate. A few themes are especially relevant to business ethics. First, the European Union was in the midst of harmonizing the regulatory

frameworks of member states, and as such the stage was set for political quarreling. A series of vulnerabilities ranging from the Chernobyl accident, which exposed Europeans to lethal risks from bad technical decisions made elsewhere, to a string of food safety snafus (with Mad Cow Disease at the forefront) made the European public ill-disposed to accept new food technologies readily (Gaskell and coauthors, 2004). On top of all this, American biotechnology companies initially insisted that European regulatory agencies should simply accept the judgment of US regulators, appearing to take an arrogant and high-handed approach to European concerns (Charles 2001). Then the United Kingdom grocery chain Sainsbury's experiment with clearly labeled store-brand GMO tomatoes turn sour when competitors began to advertise that their own store brands were GMO-free. In contrast, major US food manufacturers and grocers have never engaged in advertisements disparaging GMOs (Bruening and Lyons 2000).

These high-profile events were not the end of the story. The late 1990s through the mid-2000s saw a significant concentration in agricultural biotechnology, and by 2005 only three corporations were controlling over 98% of the GMO market. Intellectual property rights in GMO seed became a point of dispute with respect to the TRIPS agreement of the World Trade Organization (Thompson 2014). Decisions allowing the patenting of GMOs also led to significant shifts in the relationship between seed companies and farmers, who were prohibited from saving seed to replant. A series of lawsuits and aggressive enforcement of intellectual property rights reflected negatively on corporate handling of GMO products, and a complicated series of events among Mexican smallholders (who were legally prohibited from growing GMOs under Mexican law) generated significant adverse publicity among international small farm advocates. Several African nations refused to accept US GMO crops as food aid, creating yet another finger-pointing episode with some critics blaming African leaders for allowing their people to starve, and others blaming US officials for putting them in an awkward position (Zerbe 2004).

## Ethical Issues in Food Safety

While many of these clashes over GMOs remain open to interpretation both with respect to matters of fact and matters of ethics, there were instances of clear ethical failure, as well. Star-Link corn was a particular variety developed by the Aventis (later Syngenta) company that had a split registration under the US system. That is, it was approved for use as animal feed, but not for entry into the human food supply. Aventis's sale of the seed thus required segregation of Star-Link from supplies being channeled into the many processed foods containing corn. In 2000, traces of Star-Link corn were found in taco shells being marketed in US grocery stores, leading to a massive recall and a large fine levied against Syngenta (Beebe 2003). Less well publicized but perhaps more serious, a small Texas biotech company allowed corn engineered to produce a pharmaceutical product to remain in fields destined for production of food. Fines levied against Prodigene led to the company's bankruptcy (Fox 2003). In the only case to result in known fatalities, Showa Denko produced a genetically engineered dietary supplement that was linked to over 1500 illnesses and 38 deaths (Comstock 2000).

While these events have largely faded from the public's memory, a vague and pervasive sense of concern about the overall safety of GMOs gradually began to take their place. Coupled with the rising popularity of organic foods (which forbid the use of gene technology), suspicion and confusion over GMOs has carried into an age when the vast majority of large scale farms rely heavily on the use of GMO seed for cotton, corn, soybean, sugar beets, and, to a somewhat lesser extent, rice. An unbroken series of august scientific bodies have found that the techniques of biotechnology are not themselves sources for concern, yet public doubts persist. And as with debates over climate change, a small minority of scientists challenge the overwhelming consensus of the science community, fueling the expressions of distrust and conspiracy theories that have come to predominate in social media. The international climate of suspicion and doubt over GMOs has led some



developing countries to restrict their use in food crops (Herring 2015).

Like deniers of climate science, those who have opposed the utilization of GMOs to improve food crops in areas of the world where food needs remain critical have been subjected to sharp criticism on ethical grounds. Nobel laureate Norman Borlaug became a fierce advocate for agricultural biotechnology on the grounds that it could be used to address many of diseases that limit food production in less developed regions, as well as controlling weeds and insect pests that reduce the amount of food harvested from farmers' fields (Borlaug 2000). Robert Paarlberg has continued to advance Borlaug's position, noting that European opposition to GMOs has discouraged its use in Africa. Paarlberg argues that charitable NGOs operating in Africa have spread doubts about the technology, while African agricultural ministers have been reluctant to adopt varieties that are in wide use elsewhere because of the fear that even non-GMO crops would be rejected in commercially important European export markets (Paarlberg 2009).

## The Environmental Ethics of GMOs

Concern that gene transfer might pose a novel type of environmental threat was also a component of early debates over GMOs (see "► [Environmental Ethics and Sustainability](#)"). The sheer possibility of gene flow beyond the GMO was, at first, regarded as a potential hazard. In reaction, the Convention on Biodiversity (CBD) swiftly adopted precautionary language about the risks of "living modified organisms" (LMOs), instantiating genetically engineered organisms as inherently risky in the minds of many environmental activists (Baram 1996). This speculation led to the recognition that comparatively little was known about the movement of genes from agricultural crops to wild populations, irrespective of whether gene transfer had been used. A protracted debate over the possible spread of GMO maize into landrace varieties grown by small farmers in southern Mexico (where use of GMO maize was illegal)

included allegations of deceit, manipulation and fraud (Kinchy 2013).

Other environmental controversies had more focus on specific hazards. One early debate arose over the possibility that the US Environmental Protection Agency had overlooked hazards to the monarch butterfly in approving the initial registrations for crops containing genes to produce the Bt toxin for controlling lepidoptera (Shelton and Sears 2001). A second issue was that the first generation of GMOs had been developed using antibiotic resistant marker genes. Markers were needed to determine whether gene transfer had been successful and served no agronomic purpose, but there was concern that resistance to antibiotics could spread to other plants (Miki and McHugh 2004). Although these risks were often portrayed for public consumption as if they were unique to biotechnology, when viewed from the perspective of environmental ethics they illustrate a more general lacuna in the way we consider the environmental impacts of agriculture itself (Thompson 2007).

## Ethical Debates Over Labeling

European regulations for marketing food products derived from GMO crops or animals included a legal mandate for consumer labeling, but the question of whether consumers were entitled to know whether their food had been produced using biotechnology resulted in a protracted ethical and public policy debate in the United States. The position taken initially by the US Food and Drug Administration (FDA) reflected the viewpoint of the biotechnology industry: food labels that implied any sort of health claim were justifiable *only* when there is scientifically verified evidence of benefit or risk. Since early GMOs posed no scientifically verifiable benefit or risk, FDA not only saw no basis for *mandatory* labels, regulators actively discouraged even voluntary labels on the grounds that they had the potential to be ethically misleading to consumers (Thompson 2007).

This perspective was rejected by anti-biotechnology activists and was challenged philosophically by authors who stressed consumer's

right to be informed or to exit. These arguments drew upon democratic principles of citizen consent and the idea that many values beyond health benefits and risks could be relevant to an individual's decision about whether to choose GMO-derived foods or to avoid them (Thompson 2002; Streiffer and Rubel 2004). Responding to growing pressure from state regulatory actions, the US Congress passed a bill that will preempt many activist labeling campaigns in 2016, though implementation of the legislation is still undetermined at this writing (McFadden 2017). Weirich (2007) provides a convenient sampling of alternative philosophical perspectives on the ethics of product labels, in general, as well as many of the concerns that were crucial for the debate on GMOs (see also “► [Food Advertising](#)”).

## Ethical Impacts on Seed Saving

While the facts do not support doubts about risks to human health from GMOs, there is little doubt that the introduction of GMOs has significantly transformed the global seed industry. One impact is simply a massive concentration, as the three main biotechnology companies have acquired many seed companies both to ensure the opportunity to deliver GMOs to farmers and also to gain access to germplasm. Whether gene transfer is used or not, genomic tools avail new methods for companies to key agronomically valuable traits to specific genetic sequences (Howard 2017). However, it is farmer's ability to save and replant seeds that has attracted the most attention on ethical grounds. GMOs are typically sold to farmers under technology licenses that restrict farmers' ability to save and replant seeds, forcing them to return to the seed market on an annual basis (see “► [Indigenous Environmental Justice](#)”). While farmers who grow hybrid varieties of maize have long purchased seed on annual basis, some observers have argued that this commercial practice violates an implicit moral contract with farmers (Shiva 2016). Biotechnology companies have prosecuted a series of lawsuits against farmers who save seeds, engendering

significant public sympathy for farmers and hostility to the industry (Ziff 2005; Wiber 2009).

## Cross-References

- [Environmental Ethics and Sustainability](#)
- [Food Advertising](#)
- [Indigenous Environmental Justice](#)

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## Golden Mean

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## Introduction

The golden mean (or “doctrine of the mean”) refers to the moral prescription that one ought to act in an intermediate manner, avoiding two contrary extremes (that would constitute immoral behavior). Although it resembles ideas of adopting a “middle path” or “acting in moderation” that are suggested by various moral philosophies, the golden mean is Aristotelian, and it is his articulation that is described here.

In Aristotle’s *Nicomachean Ethics* (*NE*), the golden mean is presented primarily in Book II,

chapters six through nine, in which he describes the concept, how it can be applied to particular domains, and provides some practical guidance on how it can be implemented. The discussion is preceded by a consideration of how virtue (*arête*, sometimes translated as “excellence”) ought to be viewed as a state of character, rather than a passion or capacity. Virtue is then described (and distinguished from vices) as the state of character whereby something is brought into “good condition” and where its associated work is performed well – Aristotle provides the example of the excellence of a horse, which makes both the horse itself good and makes it good at activities such as running and carrying a rider. Achieving the mean describes how this state of character occurs, and its achievement is analogous to a good work of art, where either adding or removing anything would detract from its goodness (*NE*2.6, 1106b10).

## The Mean as Intermediate

Although described as an “intermediate,” Aristotle clearly distinguishes between intermediate in an objective sense (“according to arithmetical proportion” (*NE*2.6, 1106a34)), where six is the mean of ten and two, and a relative sense, in which the circumstances of each person is taken into account. Concerning both passions and actions, Aristotle observes the possibility for excess, deficiency, and the intermediate and so identifies two vices (associated with excess and deficiency) in relation to each virtue. However, he also notes that not all passions and actions have a mean, with some being bad in themselves, including spite, shamelessness, envy, adultery, theft, and murder (*NE*2.6, 1107a10–11).

Actually determining the mean and acting in accordance with virtue necessarily involves both choice and the application of practical wisdom (*phronesis*, one of Aristotle’s virtues of the intellect). Nevertheless, Aristotle identified a range of domains in which he articulated particular vices and the associated virtue as the intermediate (*NE*2.7, 1107b1–1108b5).

|                                                                 | Vice<br>(of deficiency)  | Virtue                   | Vice (of excess)                |
|-----------------------------------------------------------------|--------------------------|--------------------------|---------------------------------|
| Fear                                                            | Unnamed                  | Courage                  | Cowardice                       |
| Confidence                                                      | Cowardice                | Courage                  | Rashness                        |
| Pleasures<br>and pains                                          | Insensibility            | Temperance               | Self-indulgence                 |
| Giving and<br>taking<br>money<br>(small sums)                   | Meanness                 | Liberality               | Prodigality                     |
| Giving and<br>taking<br>money (large<br>sums)                   | Niggardliness            | Magnificence             | Tastelessness<br>and vulgarity  |
| Honor and<br>dishonor<br>(great<br>honors)                      | Undue<br>humility        | Proper pride             | Empty vanity                    |
| Honor and<br>dishonor<br>(small<br>honors)                      | Unambitious              | Unnamed                  | Ambitious                       |
| Anger                                                           | Unirascibility           | Good-temper              | Irascibility                    |
| Truth-telling<br>in social<br>situations                        | Mock modesty             | Truthfulness             | Boastfulness                    |
| Pleasantness<br>regarding<br>social<br>amusement                | Boorishness              | Ready wit                | Buffoonery                      |
| Pleasantness<br>regarding<br>social<br>situations in<br>general | Quarrelsome<br>and surly | Friendliness             | Obsequiousness<br>or flattering |
| Shame                                                           | Shamelessness            | Modesty                  | Bashfulness                     |
| Pleasure and<br>pain at<br>another's<br>fortune                 | Spite                    | Righteous<br>indignation | Envy                            |

Together with the virtue of Justice, which, Aristotle argues, has only one vice (that of acquisitiveness), the intermediates articulated in these domains represent the virtues of character. These are complemented by five virtues of the intellect, including practical wisdom (discussed in detail in *NE*, Book 6).

## Application

Aristotle also identifies a number of practical considerations related to these virtues and the intermediate state. He notes that each of the three states (the two extremes and the intermediate) are all

opposed to each other, such that from the position of one extreme, the intermediate itself appears to be an extreme (“the temperate man appears self-indulgent relatively to the insensible man, insensible relatively to the self-indulgent” (*NE*2.8, 1108b20–21)). Furthermore, while some virtues (such as temperance) are more opposed to the vice of excess, others (such as courage) are more opposed to the vice of deficiency.

Practically, achieving the intermediate is not easy, and Aristotle does not provide specific guidance for what actions to take or how to respond emotionally. Instead, he refers to displaying anger and giving money “to the right person, to the right extent, at the right time, with the right motive, and in the right way. . .” (*NE*2.9, 1109a27–29), a sentiment that illustrates how his doctrine is not equivalent to “all things in moderation.” He does, however, offer some general guidance. Firstly, as one of the extremes is worse than the other, and given the difficulty of achieving the intermediate, we ought to aim for the least bad alternative. Secondly, we ought to consider our own tendencies, paying attention to our own experiences of pleasure or pain, and achieve the intermediate by actually aiming for the opposite extreme (“as people do in straightening sticks that are bent” (*NE*2.9, 1109b6)). Thirdly, given the influence of pleasure in particular, we ought to put it aside, and guard against it influencing our choices. Finally, it is worth noting that it is the person who deviates the most from the intermediate who is most blameworthy, and most noticeable.

While Aristotle’s mean does not provide specific guidance that enables the correct moral action to be clearly identified (in contrast to utilitarian ethics for example), it arguably provides a more adequate conception of moral decision-making, in as far as it explicitly incorporates both the use of reason and one’s emotions. Nevertheless, some disagreements in interpretation remain, such as whether “excess” and “deficiency” is best interpreted quantitatively or metaphorically and whether there are necessarily two vices that correspond to each virtue (see Urmson 1973; Hursthouse 1980; Curzer 1996).

With regard to applicability in the business sphere, although there are many applications of Aristotle's virtue ethics to business, these tend to focus on the development of character, identifying particular virtues of character (often going beyond those identified by Aristotle), the nature of practical wisdom, and the importance of community (also drawing on Aristotle's *Politics*). Although the golden mean itself is not ignored (see Bragues 2006), further opportunities for detailed examination of how it can be applied in business settings remain.

## Cross-References

- [Aristotle](#)
- [Virtue Ethics](#)

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## Good Citizenship Education in the Context of a COVID-19 Reality

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## Synonyms

Ethical citizenship; Medical emergency;  
Pandemic

## Introduction

This entry highlights the citizenship crisis during the pandemic, which resulted in life-threatening/endangering behaviors of individuals across the globe. It also highlights the behaviors of the institutions (national and supranational) and states as members of the international community to argue that good citizenship not only lacks at the individuals but also at the level of states. To highlight the inadequacy of critical citizenship education, this entry takes the example of the response to the COVID-19 pandemic in Canada and the United States as the starting point. The need to rethink, reframe, and reimagine the concept of social responsibility in general and citizenship education in particular are discussed. The entry argues that the idea of relationality helps to take a pause, to step back and reconsider the way in which social responsibility or lack thereof is understood and defines, and the way solutions to address this issue are sought. The entry argues that to develop education for responsible citizenship, we first need to understand how we have come to understand and define the concept of social responsibility.

Here, the relational framework provides insights highlighting the complexities related to defining and educating about what constitutes socially responsible behaviors. Arguments in this entry are organized in the following way: First, a brief examination of the relational theory is undertaken. Basic premise of this theory and some of the takeaways from using the concept of relationality to understand social responsibility in current times are highlighted. Examples from the last 18 months of the global pandemic are used to illustrate some of the basic tenets of relational theory. Second, a critique of some dominant ways of understanding social responsibility and what constitutes socially responsible behavior is presented. Finally, the entry highlights the importance of the relational framework to develop a deeper understanding of what constitutes responsible citizenship – which in the opinion of the authors, should reflect the shared commitment to people-enablement by addressing all relational issues and co-constituted forms of oppressions.

## Relational Theory

The relational theory emphasizes that one can only understand reality relative to other objects. In other words, what is considered social responsibility in a given context can only be understood in a meaningful way by taking account of a host of other social factors, which include but are not limited to: how we understand the notion and dynamics of race, what are the dominant views about gender? What is the role of class in a given society? What kinds of policies are in place to protect the marginalized populations? What are the power struggles of marginalized groups, and what avenues of raising one's voice are available? Thus, the full meaning of a phenomenon can only be understood in relation to the economic, political, and social context in a given society.

In short, relational theory directs us to pay special attention to the wider relationships within socioeconomic and socio-political-cultural contexts. The relational approach challenges conventional sociological ideas about self, autonomy, independence, and competition, and emphasizes understanding the social, political, economic, and cultural contexts in which we live. Therefore when looking to describe and define social responsibility or socially responsible behaviors, we need to consider the broader sociopolitical and cultural societal context. In other words, any one behavior cannot be labelled as socially irresponsible and ignore other similar acts, relationships, and policies that may have similar effects. In doing so, there is the danger of watering down the whole concept of "social responsibility," thus making it a mundane, everyday occurrence, which can lead to the normalization of irresponsible behaviors and even widespread acceptance of such behaviors. To sum up, the relational theory framework directs attention away from isolated introspection of social responsibility towards exploring the dynamics of human relationships and their effects on what is considered social responsibility.

During the pandemic, policymaking relied heavily on a securitized, neoliberal, and so-called "scientific" approach instead of looking at a whole host of relational issues. Considering

relational issues can highlight why many of the policies related to the pandemic ended up dividing people and pitting them against each other rather than bringing them together in a socially responsible and consolidated effort to fight against the virus and different social ills.

## Social Responsibility and Good Citizenship

What is good socially responsible citizenship? This entry argues that good citizenship should not be confined to the level of the individual. To understand what good citizenship is (and is not), there is a need to look at the levels of institutions (both national and supranational) and states, in addition to the individual. At the institutional level, the pandemic has shown that most stakeholders, starting from the World Health Organization (WHO) to most governments and health institutions, failed to meet social responsibility standards. Looking at the top of the pyramid, WHO's handling of the situation, especially reluctance to declare COVID-19 a pandemic until March 11, 2020, defies any social responsibility concerns. The continuous conflicting messaging during the pandemic has led to a loss of faith in WHO's abilities – for example, the WHO spokesperson Maria Van Kerkhove during a press conference on June 8, 2020, issued a statement saying that the asymptomatic spread of COVID-19 was very rare. One day later, WHO had to retract and acknowledge that asymptomatic and pre-symptomatic cases were also important sources of the spread of the virus.

Similarly, the Center for Disease Control (CDC) in the United States encouraged people to wear homemade fabric or cloth masks. This advice, however, did not resonate with the country's history of systemic racism and marginalization of the non-white population. "With the racial profiling that led to the senseless murders of George Floyd and Ahmaud Arbery in mind, hiding one's face with a 'do it yourself' homemade fabric mask, going out and about 'business as usual,' and expecting to come back unharmed or alive is sadly not an option for many African



Americans in the United States” (Arshad-Ayaz and Naseem 2021). The fear of racial profiling led many to ignore the CDC guidelines intentionally. Asking people to cover their faces with homemade fabric/mask smacks extreme lack of empathy and extreme inconsideration on the part of national institutions such as the CDC. As Timmerman notes, “[P]olicymakers were unaware of even the most basic circumstances under which large groups of people within their jurisdiction live and work” (2020, p. 1). The CDC advice is an example of a one-size-fits-all mentality, and it does not work for all in all circumstances. Such policies or recommendations subscribe to a neoliberal understanding of the world, deliberately ignoring society’s diversity and related issues, focusing only on safeguarding economic interests.

COVID-19 has significantly impacted the political priorities and economic investments both at domestic and global levels. Its economic consequences include mass unemployment, expanded poverty, rapid inflation, and disrupted global supply chains. Though some countries such as New Zealand, Australia, Singapore, Hong Kong, and Israel responded efficiently, many other countries initially denied or downplayed the seriousness and severity of the pandemic (Great Britain, United States, Brazil, Russia). The former list of countries somehow contained the infection rates and deaths. Those in denial experienced massive human and financial losses. We term this as the “difference between leaders and managers” (Arshad-Ayaz and Naseem 2021). The leaders “took early decisive action and conveyed it to their publics through clear messaging, the managers delivered ambiguous (often contradictory) messages, politicized the response, and often ended up dividing the public rather than uniting it behind the cause of controlling the pandemic” (Arshad-Ayaz and Naseem 2021).

Any state’s successful response to a pandemic depends on a harmonious relationship between the state and the citizens. Both parties need to fulfill their respective responsibilities agreed upon in the social contract. The COVID-19 pandemic has highlighted the rupture in the state-

citizen social contract. Neoliberal policies have guided most states’ response to this pandemic with few exceptions. Economic interests were prioritized over health needs, especially in the early days of the pandemic. It endangered large sections of the population through the rapid spread of the virus and the health system’s inability to deal with it. Presented below is a briefly discussion of the relationship between state and citizens during the COVID-19 pandemic in the context of neoliberal policies. At the state level, the social responsibility of dealing with the pandemic was passed on to the individual via overnight stay-at-home and self-isolation procedures. While asking individuals to show socially responsible behaviors, such policies did not consider that self-isolation was a privilege many could not afford. As a matter of fact, in March 2020, working from home was possible for only 38.9% of Canadian workers. On the one hand, there has been the rhetoric of self-sacrifice on behalf of socially responsible citizens for staying home and maintaining social distance. On the other hand, there has been no acknowledgment that the heroic show of such socially responsible behavior by few was at the expense of others – mainly people of color, immigrants, and women in low-paying jobs who did not have the privilege to act in a socially responsible manner and had to continue their work as if a pandemic was not there. The majority of the population in Canada falling into the low income/flexible employment group did not have the luxury to act according to the state-defined socially responsible behavior.

The shallowness and hypocrisy of “thanking the essential workers” on evening TV were obvious when despite record profits, Loblaw’s, Metro, and other corporations announced that they would be ending a two dollars pandemic pay bump for their workers as soon as there was talk of reopening the economy. While workers in meat processing facilities, the agricultural sector, and other risky environments continue to work in under-compensated and dangerous environments, they also get labeled as vulnerable and risky populations. Such labeling has major consequences on how the rest of society views them. The neighborhoods where they live get marked as

“hot zones” for the spread of the disease, which justifies intensified surveillance of their communities and bodies. The highly securitized approach used by policymakers then divides the risky and irresponsible population from those presumed to be secure and socially responsible by limiting their civil freedoms and using other isolating mechanisms. Bryant et al. (2020) criticize Canada’s neoliberal response to the COVID-19 pandemic by highlighting the unequal, gendered, racialized, and class-oriented nature of Canadian social and health systems.

Finally, in this respect, the question that begs to be asked is, did the states act as good citizens in the community of states? The COVID-19 vaccine was pre-purchased by rich countries like Canada, the United States, the United Kingdom, Japan, and the European Union (Cioffi and Cioffi 2021). Canada even dipped in the COVAX pool of vaccines, which is mainly to supply vaccines to developing countries that cannot afford to produce or buy them. Though rich countries pre-purchased the vaccine to safeguard their own countries from the pandemic, they chose to ignore the relational aspect that they would not be safe from the virus until developing nations were vaccinated. WHO chief Ghebreyesus said, “vaccine nationalism would also lead to a prolonged pandemic as only a small number of countries would get most of the supply. Vaccine nationalism only helps the virus” (Lagman 2021). Tatar et al. (2021) also found that wealthy countries partnered with COVAX have substantive share and control over COVID-19 vaccine production and distribution. The citizens of rich countries who constitute 20% of the world population have access or control over 95% of the COVID-19 vaccine. In contrast, the rest of the 5% vaccine is for 80% of the population living in poor or developing countries. Countries such as the USA are now using its stockpile of surplus vaccines for diplomacy, mainly in its rivalry against China. Similarly, China and Russia have also used their vaccines stockpiles for wooing poorer nations to their camp. Such leadership implicitly conveys a message to their respective publics that they are

more important than others – me first and that it is alright to be selfish in the name of nationalism.

What constitutes good citizenship at the **individual level**? Is it following the government’s advice? For example, were people who initially wore masks in Canada being good citizens when the government advised them not to wear masks, and the national news televised doctors categorically telling people that there were higher chances of them getting sick if they wore masks. Were people who chose to wear a mask at that stage (a minority at that stage, a majority now) being socially responsible or socially irresponsible and unethical? Similar questions can be raised about those who followed the proclamations of former US President Trump and demanded the exercise of their right to choose – not to wear a mask, not get vaccinated, etc.? The recent protests by anti-vaxxers in front of hospitals and other health care institutions in Canada and the USA, which endanger the functioning and sometimes even the lives of health care professionals and fellow citizens, are yet another incident that begets the question of what is good citizenship? A related set of questions concerns the ability/inability of the public to clearly distinguish between rights/freedom and responsibilities. The entry contends that where the current pandemic brought forth the ruptures and deficiencies in the health systems, it has also highlighted the deficiencies in the education system that are evident in the “unsocial” and non-questioning behavior of citizens who not only deny the public health guidelines but also resist their implementation. “Just as the pandemic has shown the effects of years of neglect and underfunding of the health care system, it has also made visible the effects of underfunding and neglect of the educational system, especially of disciplines and subjects related to teaching and learning about responsible citizenship” (Arshad-Ayaz and Naseem 2021).

This neglect can, in better part, be attributed to the influence of neoliberal economic policies in the realm of education. Every aspect of citizens’ lives, including their educational abilities, is influenced by the neoliberal regime under which

the aim of education has “shifted from the social reform goals of broadening access to learning from the cradle to the grave, toward concentrating on employability and corporate identified needs” (Spencer and Lange 2013). As Peters (2020) notes, “neoliberalism, as an economic ideology... has depleted our public services, turned our education and healthcare into profit-driven businesses, hoarded profits at the expense of undervalued and underpaid workers, favoured profitability of a militarised world over human security and well-being, and aggravated inequalities between people and countries.” Five C’s of the neoliberal education – “competitiveness, conformity, conservatism, convention and commerce” (p. 1), are clearly reflected in the suboptimal behavior of the public (Sellars and Imig 2020, p. 1). These five Cs come at the cost of neglecting relationality which can help citizens connect the (social, economic, ethical, and cultural) dots. These five Cs have deeply impacted the values, epistemologies, and behavior of citizens (Arshad-Ayaz and Naseem 2021). States tend to reshape the citizens’ perceptions of rights and responsibilities towards themselves, fellow citizens, and the state with a focus on competition conformity and ultimate support for the economic market. A net result of the neoliberal restructuring of education is a preference for subjects that are market-oriented and related directly to “productivity.” As Smith and Upshur (2020) note, preference of science over social science has led to the neglect of education that can address issues related to responsible citizenship. The consequences of these policies are evident in the unethical and unsocial behaviors of the public during the COVID-19 pandemic. At the same time, the social contract between the public and the state also changes. On the one hand, “The emphasis on privatization, individualism, and autonomy has impacted the values, epistemologies, and behavior of citizens” (Arshad-Ayaz and Naseem 2021). On the other hand, the state expects individuals with inadequate citizenship education to keep calm, seek information, act responsibly, and survive a global health crisis without harming themselves and others while not expecting much from the state (Arshad-Ayaz and Naseem 2021).

## Conclusions

To conclude, the entry argues that a fragmented and isolated understanding of social responsibility is rooted in modernist neoliberal epistemologies and ontologies. The dominant mono-causal knowledge of what constitutes “socially and ethically responsible behavior” is based on neoliberal and consumerist ideas of freedom. Such individualist understanding inevitably constricts the scope of efforts and solutions needed to rethink, reframe, and reimagine the type of holistic-relational-critical understanding required for social and ethical responsibility necessary to save the planet and respond to the needs of the majority world.

The current version of social and ethical responsibility tends to focus on individual dimensions of people/issues/problems, thereby ignoring different relational aspects. To develop ethically just and socially responsible citizenship education, we need to pay particular attention to relationality and criticality. In other words, unethical and unjust attitudes and behaviors do not take place in a vacuum but are constituted by relations, within relations, from relations, and in particular contexts in which relationships take place. The entry also argues that authentic, socially responsible, and ethical models of (citizenship) education should reflect the shared commitment to people-enablement. A holistic-relational-critical, socially, and ethically responsible citizenship education model needs to address relational issues, including but not limited to, environment, sustainability, identity, migration, inequality, insecurity (including food insecurity), colonial impact, Black Indigenous and People of Color rights (BIPOC), social justice, and various forms of sustainability.

COVID-19 pandemic has made visible the inadequacy of neoliberal economies and the fault lines of health care, education systems, and good citizenship. However, it is not easy to get rid of the deep-rooted neoliberal neglect of sectors such as health care and especially education. It took decades to disinvest from human-centric subject areas that prepare citizens for critical citizenship, an education that helps citizens build resilient capacities amidst crises and think of solutions

outside the box. Multiple global crises during the last 2 years, hurricanes, floods, fires, ever-evolving pandemic, to name a few, have led many to question the paradigm of unbridled productivity. It is crucial for educators and policymakers to acknowledge the harmful impact of neoliberal policies in education. Education for good citizenship cannot be narrowly focused on economic outcomes alone. It needs an understanding of relational factors; such education should inculcate the citizens' ability to read the world along with their ability to read the word (Freire 1970). Good citizenship provides citizens with abilities to discern between the negative and positive use of freedoms, just as it empowers them to raise critical questions and ask for citizen-state reciprocity and accountability.

## Cross-References

- (Managing) Diversity
- At the Intersection of Diversity and Ethical Leadership
- Commodification of Care
- Humanitarian Ethics
- Individualism
- Trust and Institutions

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## Good Tax Governance

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## Synonyms

CSR/business ethics; Good governance; Moral responsibility; Taxation

## Introduction

Governments, international organizations, societies, and investors increasingly put pressure on multinational corporations to pay a fair share of tax. Corporations should abstain from minimizing their tax payments. Should corporate socially responsible firms that voluntarily go beyond compliance with the law also approach their tax obligations from this perspective? And what about public disclosure of a corporation's tax strategy and tax payments (public tax transparency)?

These issues should be addressed by companies engaging in good tax governance.

### **Moral and Societal Meaning of Tax**

Taxes are a contribution to society seen as a cooperative venture (in the famous wording of John Rawls). Taxes, although paid to the state, support society in many ways. The tax system is an expression of fundamental moral values, such as liberty, equality, and solidarity. Though taxes often seem to be a rather technical, be it an economic or legal affair, they also are a truly moral phenomenon. Of course, (corporate) taxpayers often see tax as a cost item, which can be reduced with intricate legal structures, and state use of the tax system to compete with other states – vying for foreign direct investment. Nonetheless, tax is ultimately about supporting society and distributing the benefits and burdens of this cooperative venture. Citizens' obligation to pay a fair share of taxes is therefore a moral obligation to society.

### **Letter or Spirit of the Law?**

The fair share of tax that (corporate) citizens have to pay is codified in law. Unfortunately, any (legal) codification of the moral obligation to pay a fair share of taxes will inevitably fall short because the legislature cannot foresee everything and law always leaves room for interpretation and grey areas. Due to this lack of perfection, taxpayers face a choice with regard to how they are going to comply with the law. This choice involves moral responsibility. All tax actors bear some responsibility for the fairness and integrity of the tax system.

In most jurisdictions, taxpayers enjoy the legal right to structure their affairs in a tax-efficient way. But many taxpayers exploit this right by arranging their corporate structures and intellectual property so as to incur the minimum amount of (corporate income) tax in jurisdictions where they actually do business.

Especially the international tax system is a far cry from a perfect, consistent set of rules –

different countries use different approaches and conceptions of taxable events and the like. Taxpayers therefore often engage in tax planning merely in order stay in control of their tax liabilities. Moreover, tax planning is often used to avoid double taxation. Taxpayers may also make legitimate use of tax incentives which are deliberately created by states in order to steer citizens' behavior to attain some economic, social, cultural, environmental or other goal; this is sometimes called tax mitigation. A taxpayer may reduce her tax in other ways. Living in a border region, she may engage in tax avoidance by crossing the border and buying lower taxed goods and services. However, the term "tax avoidance" is often used to indicate that more is involved than simply engaging in activities that reduce one's tax liability. Tax avoidance is legal, and it is not tax evasion or fraud, that is, the deliberate omission, concealment, or misrepresentation of information to reduce one's tax liability. Although staying within the letter of the law, tax avoidance may conflict with the spirit of the law. This behavior is legal but may invite criticism from a moral point of view. Some (corporate) taxpayers even go a step further and artificially create opportunities to minimize their tax obligation by engaging in aggressive tax planning.

Imperfect tax laws provide opportunities for creative tax planning. By strictly complying with the letter of the law, taxpayers stay within the boundaries of the law but they may well violate the spirit of the law. This kind of tax avoidance is legal, it is not tax evasion, but is it moral? In the recent past, media published reports about many multinational corporations engaging in minimalist compliance with the letter of the law by using aggressive tax planning techniques. Thus, they evidently do not pay their fair share of taxes.

It is often argued that paying a fair share involves complying with both the letter and the spirit of the law. Thus, the definition of the concept of fair share depends on concept of the spirit of the law. Even though the latter lacks a coherent definition, it seems that, in general, not following the spirit of the law could be understood as consciously avoiding the tax consequences of the law that were meant by the lawmaker.

## Taxation and CSR

Corporate Social Responsibility (CSR) regards the responsibility of enterprises for their impact on society and accounting for this impact. CSR corporations have voluntarily and explicitly accepted the bottom line of CSR, which expects corporations to go beyond pure compliance with the law. Taxation is an important building block of society, enabling the state to furnish society with all kind of public goods and services. Combining CSR and tax promotes the idea that certain members of society should not be earning unfair profits at the expense of (the rest of the) society. CSR should help to fill in for the shortcomings of public governance systems, including the international tax system, with regard to problems related to corporate moral responsibility toward society. This does not mean that corporations should forget their economic responsibilities; moral behavior does not require denying one's own personal needs and aspirations.

Carroll's famous CSR pyramid may be helpful to clarify this. CSR firms voluntarily accept moral responsibility on top of their legal and economic responsibilities. These companies should therefore also interpret their legal responsibilities in a morally responsible way. This also goes for their obligations codified in tax law. Again, taxpayers are free to plan and structure their affairs to achieve a favorable tax treatment. There is quite a bit of disagreement about the fundamental principles underlying international corporate income tax which therefore are hardly able to clearly express the ideal of a fair share. However, recently the G20, OECD, and EU have taken important steps to improve the international tax system. Moreover, there is no moral obligation for CSR companies to behave like ideal (corporate) citizens and behave better than the average citizen. Furthermore, what kind of behavior does this moral ideal entail? Ideals are the subject of much debate and the same goes for the means (strategy) to realize ideals: consensus is often hard to reach.

Given the diverging opinions about what is morally acceptable behavior, it is better to start with coming to terms with regard to behavior that is morally irresponsible – behavior that evidently

does not sufficiently take into account the interests of others – bringing (disproportionate) harm to them. In practice, it is also far easier to agree on evident instances of injustice than on what counts as justice. Thus, there is a threshold, a minimum standard that a company engaging in CSR should not be willing to cross. Going beyond compliance means beyond strict compliance with the letter of the law. CSR corporations should not opt for aggressive tax planning in order to minimize their (corporate income) tax liability. They should not engage in this kind of irresponsible and profoundly unfair tax planning. On the contrary, socially responsible corporations are expected to go beyond the bare minimum of (ir)responsibility.

It is sometimes argued that CSR firms that focus on after-tax profitability may be able to increase social welfare in other ways, such as investment in infrastructure, R&D, and job creation. In other words, aggressive tax planning should not be seen as irresponsible corporate behavior since a corporation fulfills its obligations to society in other ways. This boils down to corporate power sidestepping democratic decision-making procedures. The same goes for the argument that taxpayers minimize their legal obligation to pay tax in order to participate in charitable giving. This engaging in philanthropy seems also rather opportunistic juggling with different layers of CSR, that is, elastic ethics. CSR and taxes should not be seen as substitutes.

## Good Tax Governance

Multinationals presenting themselves as corporations that operate according to socially responsible values should also apply these values in their tax planning practices by engaging in good tax governance. Good tax governance can be seen as a tool that guarantees that corporations tax strategies, actual tax (planning) behavior, and tax payments are consistent with their CSR commitment (substantive element) and also to communicate them properly (procedural element). The substantive element of good tax governance requires ethical decision making and developing tax values. The procedural element means being open about



the tax values and strategies of a corporation. Good – socially responsible – tax governance entails both.

Multinationals are complex entities with multi-dimensional layers of decision-making processes that need to balance conflicting interests. Taxation poses various challenges for corporate decision making. On the one hand, taxes are considered a cost that should be kept low in order to keep some stakeholders, such as shareholders, satisfied. On the other hand, taxes are a crucial contribution to society and, by avoiding their tax liabilities, corporations fail to account for the other stakeholders, such as society at large. For corporations that have chosen to endorse CSR, the second perspective should prevail.

The substantive element of good tax governance focuses on the amount of tax that a company pays, and asks whether this is more than is demanded by mere compliance with the letter of the law. Morally irresponsible tax behavior should therefore be avoided and companies should strive to comply with the spirit of the law.

Before turning to the procedural element of good tax governance, however, we have to answer the question whether business law, more specifically, corporate governance, allows businesses to engage in good tax governance.

## **Corporate Governance and Good Tax Governance**

Tax governance is for businesses an element of corporate governance. Corporate governance (CG) refers to the way power is distributed within a corporation and to the decision-making process with regard to the use of this power and accounting thereof. It is a set of rules and principles for how a (large) company should be regulated and managed. Among corporate law scholars, there are two prevailing theories when addressing the essence of a corporation. These theories, which reflect upon to whom corporations should be responsible and accountable, are shareholder theory and stakeholder theory. The first theory advocates the importance of the primacy of the shareholder interest and the enhancement of the

shareholder value. According to the stakeholder theory, however, corporations exist to serve also the interests of other parties in addition to those of shareholders (who seen as are internal stakeholders). These stakeholders include employees, creditors, customers, suppliers, and local communities.

However, are multinationals that have committed themselves to ethical business making, for instance in the form of CSR, allowed to opt for good tax governance? Or is such engagement contrary to corporate governance rules?

It is the responsibility of corporate managers to ensure that corporate legal obligations are met. The responsibility to operate in the best interests of the shareholders sometimes even seems to override the interests of other stakeholders. However, corporate managers should foremost act in the best interests of the company. Choosing the right tax strategy is also a task of corporate management. Corporate management has to follow the applicable laws but, at the same time, they also have the freedom to opt for good tax governance. Furthermore, balancing between shareholder and stakeholder approaches, in practice, is not an exact science. Whatever their perspective on CG (shareholder vs stakeholder approach), corporate boards should foremost act in the long-term best interests of the company. Without doubt, financial performance is crucial for the best long-term interests of the company. Furthermore, a financially healthy corporation can add more value to a society than a corporation that performs poorly with regard to its economic responsibilities. Therefore, corporate boards should balance between being profitable and being socially responsible.

Corporate boards that act in the best interests of the company take into account the interests of various stakeholders and balance those with the interests of the company and shareholders. This is the discretion that corporate managers have in their decision making. Therefore, to a certain extent, corporate boards are free to decide how responsible or irresponsible the company will behave in relation to the societies in which they operate. Boards have discretion to decide upon whether they engage in CSR and how they embed this into their business strategies. They

therefore enjoy discretion to engage in good tax governance.

## Tax Transparency

Tax transparency is the procedural element of good tax governance. CSR firms which voluntarily go beyond strict compliance should also go beyond strict compliance with the letter of legal disclosure obligations. Companies have to comply with many mandatory disclosure obligations vis-à-vis the tax authorities, also with regard to aggressive tax planning. However, there is an increased need for public tax transparency. CSR corporations may then voluntarily go beyond compliance with legal reporting obligations.

Public tax transparency is an instrument to reduce information asymmetry and enhance tax knowledge of market participants, investors and consumers. Transparency, for example by way of country-by-country reporting on tax payments, enables risk assessment. Moreover, public transparency is a precondition for accountability and open public debate, which also is crucial for creating a better tax compliance environment. Stakeholder engagement and a public debate promote a better understanding of factors business take into account in their tax decisions and the moral acceptability of tax planning practices. A fruitful debate is indispensable for developing standards of substantive good tax governance. In this way, voluntarily going beyond mandatory disclosure obligations may have an educative function. It may promote the general public's understanding of the dynamics of the international tax system and its participants, enhancing tax literacy. Increased transparency will moreover force all stakeholders in a tax system to answer difficult moral and justification questions about how that system works and the foundations on which it is based. Question such as: can wages tax and sales tax payments, or other payments to the state, be seen as substitutes for corporate income tax payments? Of course, it will take time for businesses to understand the dynamics and boundaries of transparency and to develop the competency and skill required to manage stakeholders'

expectations and responses – in short to become literate about transparency.

Uniformity in international standards helps to avoid confusion that is caused by different standards. Global Reporting Initiative (GRI) provides an important standard for tax transparency: “GRI 207: Tax 2019.” It is the first independent (voluntary) sustainability reporting standard for public financial and nonfinancial tax reporting, drafted by a multi-stakeholder Technical Committee, and came into effect on 1 January 2021. Investors, civil society organizations, labor unions, companies, and individuals around the world have endorsed this new tax standard as it will help meet their growing demand for tax transparency.

## Conclusion

Tax is a moral phenomenon. Enterprises bear responsibility for the fairness and integrity of the international tax system. This responsibility cannot be reduced to strict rule following (applying black letter law). CSR and good tax governance entail voluntarily going beyond the mandatory tax obligations. The substantive element of good tax governance concerns the amount of tax that a company pays and companies should avoid morally irresponsible tax behavior and strive to comply with the spirit of the law. The procedural element of good tax governance concerns public tax transparency. Both should be an expression of an internal moral commitment, rather than a calculated response to external pressures.

## Cross-References

- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Shareholder Theory](#)

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wealth and income that humankind has experienced in the past 200 years or so. McCloskey estimates that the total income generated by humankind has increased by roughly 5000% (McCloskey 2006, 15–16). The Great Enrichment is not just about increased wealth; it also includes dramatic improvements in life expectancy, health, and literacy, plus decreases in infant and child mortality. Humans have even become taller. McCloskey attributes the Great Enrichment to capitalism, though not primarily to the accumulation of capital. The essential feature of capitalism that caused the Great Enrichment is for her the rise of a large bourgeoisie that embraces the bourgeois virtues. She has reasons for choosing these terms, but “a large middle class with middle-class attitudes” might indicate the gist of her view.

This entry does not attempt a critique of McCloskey, but rather considers the Great Enrichment as a concept and as a phenomenon. Sources other than McCloskey are cited to indicate the vast amount of evidence that exists for the Great Enrichment – McCloskey could not possibly cite it all. This entry will also comment on McCloskey’s theory of what is causing the Great Enrichment, as well as mentioning other possible causal factors.

## Great Enrichment

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## Synonyms

Capitalism; Economic development; Economics and the quality of life; Economics and virtue; Human betterment; Improvement in human welfare

## Introduction

The Great Enrichment is a term that Deirdre McCloskey gives to the dramatic increase in

## Evidence for the Great Enrichment

The Great Enrichment began about 200 years ago in “the West” – that is, in Britain and the USA/Canada and, soon after, in Western Europe. Several aspects of the Great Enrichment had begun earlier, such as the expansion of European trade (fifteenth to sixteenth centuries), modern science (seventeenth century), and industrialization (eighteenth century), but the benefits of these developments in terms of wealth and improved lives were not apparent until the early to mid-nineteenth century. Since then, the Great Enrichment has spread to Japan (late nineteenth century), Korea, Taiwan, and other parts of Asia (twentieth century). It is currently spreading to China, India, South America, Indonesia, and other areas (late twentieth and twenty-first centuries). Sub-Saharan

Africa is the last large area to experience the Great Enrichment, but there is evidence it has now started there. In short, the Great Enrichment is fast becoming global.

To quickly cite some of McCloskey's estimates, she points out that worldwide human population grew by a *factor* of 6 between the years 1800 and 2000 (2006, 15), the fastest by far in 250,000 years of human history. At the same time, consumption per person worldwide rose by a factor of about 8.5 (2006, 16), and in some countries, such as France, the USA, and Hong Kong, consumption per person rose by a factor of 19 or so. Not only were there more people who were much richer, they lived much longer too: "... expectation of life at birth in the world went from roughly 26 years in 1820 to 66 years in 2000" (2006, 18). Infant, child, and maternal mortality rates dropped spectacularly. McCloskey cites many other figures to support her case. It is clear the Great Enrichment happened, it happened quickly (in terms of humankind's history), and it represents something spectacularly different from anything in the previous 250,000 years *Homo sapiens* have been on this planet.

McCloskey is not the only one to emphasize this great event in human history. For example, William Nordhaus (2016) approvingly cites DeLong's calculations from DeLong's widely used textbook *Macroeconomics* (2004):

According to the economic historian Bradford DeLong, from the first rock tools used by humans three million years ago, to the earliest cities ten thousand years ago, through the Middle Ages, to the beginning of the Industrial Revolution around 1800, living standards doubled (with a growth of 0.00002 percent per year). Another doubling took place over the subsequent period to 1870. Then, according to standard calculations, the world economy took off.

Nor has the Great Enrichment stopped. In the past few decades, huge progress has been made in increasing the standard of living for hundreds of millions of people throughout the world.

For example, from 1990 to 2016, the percentage of people living in extreme poverty was reduced from roughly 1 in 3 to 1 in 10 (World Bank, 2016). Between 1960 and 2016, worldwide life expectancy increased from 52 to 72 years, and

infant mortality declined from 132 to 32 per 1000 live births. According to World Bank figures: "There were almost 1.1 billion fewer people living in poverty world-wide in 2013 than in 1990, a period in which the world population grew by almost 1.9 billion. The total number of poor dropped from over 1.8 billion to 767 million during these years" (2016, 37).

One can dispute the exact numbers, but the phenomenon of the Great Enrichment is too large and sudden to overlook the general point.

## Causes of the Great Enrichment

Deirdre McCloskey expounds in four large volumes (McCloskey 2006, 2010, 2016; the fourth as of 2017 has not been published) her theory that the fundamental and essential cause of the Great Enrichment was the creation of a large bourgeoisie with bourgeois virtues. In general terms, this might be expressed as a large middle class with middle-class attitudes. Such a class forms the core of capitalism and is key to capitalism's creation of net new wealth. McCloskey includes in the bourgeoisies three subgroups: first, financial, executive, and managerial elites; second, well-educated professionals and knowledge workers (which she calls the "clerisy"); and third, entrepreneurs and the owner-managers of small businesses. Not included in the bourgeoisies are laborers and aristocrats, that is, those who must earn a living other than by knowledge and those who inherit enough wealth that they can choose not to work at all. Presumably, the disabled and others who rely on the welfare state are also not part of the bourgeoisies.

The virtues that McCloskey is talking about she discusses at books-length under the headings of the traditional virtues of love, hope, faith, courage, temperance, prudence, and justice. Summarizing her discussion is difficult, but central to it is bourgeois contempt for social hierarchies by "birth" and inheritance, respect for individual freedom, equality of respect for all individuals and of their human rights, respect for the rule of law, and trust of strangers – all of which allow cooperation and coordination over very large

populations. The bourgeoisies also value thrift, change, innovation, and entrepreneurship. They do not value equality of income and wealth, believing that economic inequalities have to do with a person's character and deserts and further believing that the solution to poverty is trade, inclusion in the economic system, and the production of goods and services that people need and are willing to pay for.

McCloskey, of course, acknowledges other factors that are part of the rise of capitalism, and other writers have suggested many more. Various people have suggested the rise of science, breakthroughs in technology, the development of legal systems that respect private property and enforce contracts, the end of feudalism, the rise of individual freedom, the division of Europe into many nations (which allowed inventors, entrepreneurs and merchants to migrate if persecuted), the European colonial expansion (including wealth extraction, slavery, and captive markets which gave Europe the capital to finance the industrial revolution), the rise of legal structures which gave rights to for-profit corporations, and so on – this list is nowhere near complete.

Historical causation is a very tricky philosophical issue. One theory insists that history is a complex system (in the technical sense of complex), that a normal concept of causation does not apply to complex systems, and that the best one can do is describe the factors and context of historical developments. However, in the case of the Great Enrichment, which factor or factors are essential and fundamental matters for two reasons. First, anyone with humane feelings wants the Great Enrichment to spread to currently poor countries where people suffer from destitution, poor health, illiteracy, and high infant/child mortality rates. If such societies are to escape poverty, then it would help to know the essential factors in enrichment. Second, such knowledge might help global capitalism and the Great Enrichment to survive; if we want to remain rich, we need to avoid the decline and collapse that has afflicted *all* other complex civilizations known to have ever existed.

Most of the causal factors of the Great Enrichment can be viewed as falling into one of three

categories: attitudinal factors, institutional factors, and material factors. McCloskey defends the first as fundamental. Development theorists often advocate the need for institutions such as independent legal systems which protect private property, enforce contracts, and allow the formation of businesses and corporations (e.g., Acemoglu and Robinson 2012). Marxists, of course, accept historical materialism, but there are other materialistic theories. Joseph Tainter (1988), for example, argues that all complex societies depend on their production of energy; greater complexity requires greater energy input. Agricultural societies can only harness the energy of humans and animals (both of which must be fed), and, like the Western Roman Empire, they collapse when they cannot fulfill their often-increasing energy needs. The ability of the Roman Empire to produce food energy declined due to soil erosion, climate change, declining population, too many farmers being drafted into the army, and the loss of Egypt's grain exports. McCloskey mentions and dismissed the claim that the Great Enrichment was caused by and is sustained by the discovery of how to produce vast amounts of cheap energy from coal, petroleum, and natural gas. Her argument is the curious one that carbon-based energy cannot be a key component of capitalism because the petroleum industry constitutes only 4% of GDP (2006, 34). However, it is precisely the cheapness (and vastness) of carbon energy that some people think makes the great wealth of capitalist societies possible; it is because a vast amount of energy is available for only 4% of GDP that frees up 96% of GDP for other things like consumer goods, education, the arts, and so on.

Whether virtueists like McCloskey or materialists like Tainter are right matters greatly to our future. If capitalist civilization runs out of cheap petroleum and natural gas (or cannot use them due to climate breakdown), then Tainter's theory predicts that our society will necessarily become less complex and hence much poorer. If McCloskey is right that virtues and attitudes are fundamental, then the loss of carbon-based energy will be just a glitch that entrepreneurs, inventors, and

businesses will quickly adapt to by finding new sources of energy or using less of it. She mentions a bountiful use of hydrogen fuel for desalination and transport as an example (2006, 34), though, in fact, hydrogen cannot be a source of energy, only a means of storing or distributing it.

Perhaps there is no way of establishing what is truly the fundamental cause of our great riches but to wait and see how capitalism fairs in the next few centuries. Only then will we know if the Great Enrichment is a new long-lasting aspect of humankind's history (like the invention of agriculture) or whether it is only a short blip that will soon end, as people such as John Michael Greer (2008) argue.

## Cross-References

- ▶ [Adam Smith's \*Theory of Moral Sentiments\*](#)
- ▶ [Beneficence](#)
- ▶ [Capitalism](#)
- ▶ [Core Values](#)
- ▶ [Economic Man](#)
- ▶ [Gender and Macroeconomics](#)
- ▶ [Golden Mean](#)
- ▶ [Humanistic Management](#)
- ▶ [Marxism](#)
- ▶ [Notion of Personhood from a Spiritual Perspective](#)
- ▶ [Religion, Spirituality, and Business Ethics](#)
- ▶ [Spirituality at the Workplace](#)
- ▶ [Work Ethic](#)

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## Greenwashing and Machinewashing: An Ethical Account and Criteria for Identification

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## Synonyms

Algorithms; Corporate social responsibility; Digital ethics washing; Misleading communication; Robots

## Introduction

In corporate communication, the presentation of a favorable message is part of strategic communication and is thus part of the overall strategy of an organization. That is the case for market-relevant information as well as ethically sensitive topics, which only have a mediated or indirect effect on market strategies and may therefore be considered as part of non-market-strategy. This holds true for many different topics but one of the most visible and controversially discussed topics is sustainability and green and environmental issues: When the environmental movement gained momentum in the 1970s, "Green PR" emerged as a multibillion dollar industry. Soon after, the concept of Greenwashing emerged to identify misleading green communication. Scholars and



nongovernmental organizations (NGOs) came up with definitions (for an overview see Gatti et al. 2019) and hands-on criteria (for an overview see Zanasi et al. 2017).

With the rise of big data, algorithms, and artificial intelligence leading to a digital transformation of business and with society posing severe ethical challenges, a similar phenomenon emerged, called machinewashing (Obradovich et al. 2019) or more generally (digital) “ethics washing” (Metzinger 2019). In the following, this entry briefly describes the analogy (and differences) and proposes criteria for machinewashing adopted from the four Greenpeace criteria of greenwashing. Finally, it presents a theoretical account from a communication and business ethics perspective.

## Greenwashing: Definitions and Criteria

Both greenwashing and machinewashing fall into the category of misleading communication. More specifically both phenomena are part of the gray zone between legitimate and illegitimate misleading communication but are usually not understood to be illegal (Gatti et al. 2019). If misleading communication was intentionally incorrect, this would lead to legal action and possibly sanctions. Greenwashing and machinewashing instead are misleading but not outright lies. Bowen calls greenwashing a “special case of ‘merely symbolic’ in which firms deliberately manipulate their communications and symbolic practices so as to build a ceremonial façade” (Bowen 2014: 33). Identifying this façade as greenwashing, however, depends on the recipient’s perception. Therefore, the phenomenon lies in the eye of the beholder and can be seen as “co-creation of an external accusation toward an organization with regards to presenting a misleading green message” (Seele and Gatti 2017: 239). As such, it depends on the ethicality and degree of the misleading message on the one hand and on the other hand on the tolerance of the audience to be greenwashed – or to speak up. As diffuse as individual perceptions may be, different organizations came up with criteria on how to identify greenwashing, among them nongovernmental organizations (NGOs) like Greenpeace or consultancies

like TerraChoice. As the consultancies focus more on how to detect and prevent greenwashing, the four criteria by Greenpeace are not only the oldest criteria but also clearly state, which transgressions can be considered greenwashing. As the original Greenpeace webpage is not online anymore, the criteria are still well documented in scholarly literature. In the following, the four Greenpeace criteria of greenwashing are referenced following Zansi et al. (2017: 65).

1. *Dirty Business*: touting an environmental program or product, while the corporation’s product or core business is inherently polluting or unsustainable. For example, if a company brags about its boutique green R&D projects but the majority of spending and investment reinforces old, unsustainable, polluting practices.
2. *Ad bluster*: using targeted advertising and public relations campaigns to exaggerate an environmental achievement in order to divert attention away from environmental problems or if it spends more money advertising an environmental achievement than actually doing it. For example, if a company were to do a million-dollar ad campaign about a clean-up that cost less.
3. *Political spin*: advertising or speaking about corporate “green” commitments while lobbying against pending or current environmental laws and regulations. For example, if advertising or public statements are used to emphasize corporate environmental responsibility in the midst of legislative pressure or legal action.
4. *It’s the law stupid!*: advertising or branding a product with environmental achievements that are already required or mandated by existing laws. For example, if an industry or company has been forced to change a product, clean up its pollution, or protect an endangered species, then uses PR campaigns to make such action look proactive or voluntary.

The criteria still give a good background to assess if a certain communication, behavior, or message may be perceived as greenwashing. Needless to say that individual perception and dialogue among stakeholders still may identify

green messages as greenwashing, even if they do not fall into one of the categories. Given the maturity of the greenwashing debate coupled with the urgency of environmental issues, regulation on both softlaw and hardlaw level have emerged. Emission standards, reporting guidelines, and directives or guidelines and policies on human rights have been proposed and several countries have made ethical issues dealt with in Corporate Social Responsibility a legally binding and mandatory compliance exercise. This transition from voluntary to mandatory makes Greenwashing less likely, and therefore the passage to the newly emerging topic of Machinewashing may benefit from looking at Greenwashing and adopting criteria to identify Machinewashing.

### **Machinewashing: Existing Definitions and Criteria, Derived from Greenwashing**

With the rise of digital technology, big data, and artificial intelligence transforming both business and society at large, the call for ethical reflection and responsible use of digital technologies became louder and louder. Cases of AI bias, discrimination, surveillance technology, and dehumanization triggered organizations and policymakers to issue statements, guidelines, or advertisements on digital ethics. Scandals involving racist algorithms, violations of privacy, mass surveillance, disinformation campaigns, or the erosion of the welfare state through the gig-economy and proprietary platforms created awareness and concern about the ethicality of digital technologies and particularly artificial intelligence. The embellishing and exaggerated responses of organizations, which were sometimes also misleading, led to the creation of the term “machinewashing” in analogy to greenwashing. In 2019 a first definition was presented in a newspaper presenting the new concept as a new form of greenwashing, used to “[a]ddressing widespread concerns about the pernicious downsides of artificial intelligence (AI) — robots taking jobs, fatal autonomous-vehicle crashes, racial bias in criminal sentencing, the ugly polarization of the 2018 election — tech giants are working hard to

assure us of their good intentions surrounding AI. But some of their public relations campaigns are creating the surface illusion of positive change without the verifiable reality. Call it ‘machinewashing’” (Obradovich et al. 2019).

In addition, Peukert and Kloker argue that in AI ethics washing one additional element comes into play, which is not the case in traditional greenwashing: “the goal of avoiding strict regulations — since regulations could, indeed, harm the overall business model — by actively engaging in public debates on sustainable and ethical use of AI and by trying to keep them running” (Peukert and Kloker 2020: 4). Given the overlap based on the inconsistency between surface and general behavior, machinewashing research may benefit from taking a cue from greenwashing. There is a strong similarity between the two concepts as organizations aim to present themselves in a more favorable way to stakeholders given the potential harmful (side) effects to the environment (greenwashing) or to society and individuals (machinewashing). In the following, it is proposed to adopt the greenwashing criteria from Greenpeace in machinewashing, as aspects of governance, credibility of words and deeds, or harmfulness of activities invite for a structural analogy. It needs however to be said that the analogy also has limitations, as green and machine issues still differ in some regards, for example when it comes to application levels or harmfulness to future generations.

Based on the Greenpeace criteria the following adoption is proposed:

1. *“Unethical Business”*: *touting a digital ethics program or ethical product, while the corporation’s product or core business is inherently in conflict with ethical principles such as equality, trustworthiness, non-discrimination, or fairness.* This criteria is particularly at the gravity center of the critique of the large digital platform companies. Criteria 1 may also be seen as “ethics washing” (Metzinger 2019) or “surveillance capitalism” (Zuboff 2019).
2. *“Ad bluster”*: *using targeted advertising and public relations campaigns to exaggerate an ethical achievement in order to divert attention away from digital ethics problems or if it*

*spends more money advertising a machine ethics achievement than actually doing it.* Some of the large digital platform companies have their own recurrent news magazines, available for free and added as inlays to quality journalism outlets. They look like independent publications, but are actually “advertorials.” In any case, the imprint and responsibility lie with the company, not the journalist or the outlet through which they are distributed.

3. *“Political spin”: advertising or speaking about corporate digital ethics commitments while lobbying against pending or current laws and regulations to govern digital technology.* This is the most important criteria, also as it marks the main conceptual difference to greenwashing, as machinewashing has the main purpose of preventing upcoming legislation. More in the exemplary chapter below on this criteria and the case of Facebook (Schaake 2021).
4. *“It’s the law, stupid!”: advertising or branding a product with achievements that are already required or mandated by existing laws. For example, if an industry or company has been forced to change a product or service, then uses PR campaigns to make such action look proactive or voluntary.* A technique equally relevant for green- and machine- washing, as both domains are subject to legal frameworks and updated legislation. What is legal emission thresholds for greenwashing is data-protection and privacy for machinewashing, particularly as the business model of digital platform companies is based on the exploitation of private data and its commercialization, trade, and sometimes trafficking.

Given the analogy of the two concepts (Obradovich et al. 2019; Peukert and Klokner 2020) the overlap is largely congruent. However, given the technical advancement and sophistication of the digital transformation, one more criteria is proposed, which may be understood as a sub-criteria to no. 1 “unethical business” but deserves to be put into the spotlight as it is a driver of the ethical crisis and mistrust though legally compliant:

5. *“Keep the cookie crumbling”: third party add-ons as smokescreen so the respective company may say they do not listen directly or apply surveillance of the private sphere.* Legally compliant, particularly with the new “General Data Protection Regulation” (GDPR) of the EU, but morally questionable and part of machinewashing is the technique to communicate, that companies do not spy on their users and exploit private data unrelated to the service in order to collect data and profile consumers. At the same time, it is possible that the companies own or collaborate with a legally independent external or even internal (by ownership structure) entity that sets a “cookie,” an add-on to a software or app, collecting the kind of data, the company does not dare to collect (anymore) (Seele and Zapf 2020: 130–132). This technique leads to the so-called incognito illusion among users and may be considered a highly invisible, legally compliant but ethically questionable trick of machinewashing.

The five criteria are meant to be an indicative guideline to identify specific cases of machinewashing. Meeting a single Greenpeace criteria qualifies as greenwashing. The same holds for machinewashing. The Greenpeace “pillory” however is not without limitations and problems. Building on more recent greenwashing research, it may be added here, that also machinewashing is co-created (Seele and Gatti 2017) by the misleading communicator and the entity blaming the misleading communicator of greenwashing. This eye-of-the-beholder concept of greenwashing is equally important as it also allows for processual changes in the perception of what is morally legitimate to communicate, and where the label or “stigma” of machinewashing comes into play.

### **On the Example of Political Spin and the Overall Impact on Democracy**

The analogy between greenwashing and machinewashing on the conceptual level – as likely as it may be – would not hold if there

weren't any tangible examples indicating the strong overlap. As has been seen in the contribution of Peukert and Kloker (2020) building on the original Metzinger (2019) argument, a novel and unique dimension of machinewashing compared to greenwashing is linked to regulation, respectively the prevention of mandatory regulation. Just as in the Greenpeace criteria "political spin" is a key criteria, so is the "forked tongue" with digital platform companies. Schaake (2021) in a Financial Times opinion piece describes, how "Facebook executives are calling for more regulation, while simultaneously pushing to get the US's top regulator, FTC [Federal Trade Commission] chair Lina Khan, recused" and she concludes, that "Silicon Valley says it wants more oversight yet does little to promote it in practice" (Schaake 2021). As established in greenwashing, also in machinewashing the "blame game" (Pizzetti et al. 2019) of why a company does not act in a certain way but voluntarily demands stricter regulation, while at the same time lobbying against stricter regulation is at the center of the ethical controversy around machinewashing. When Schaake demands: "It is time the debate about regulating technology reached a more sophisticated and substantial level" (Schaake 2021), then the way to achieve this goal is also to reduce machinewashing as a disinformation strategy, which in the long run also undermines deliberative democracy. Greenwashing and machinewashing therefore are not only relevant in a business and professional ethics perspective but also contribute to the overall political role of corporations as well as threat to open societies and markets. In a Habermasian terminology, machinewashing belongs to the category of strategic action and enters into the gray zone of unethical and questionable, but not necessarily illegal behavior. Therefore the participation in a discourse about machinewashing among various stakeholders is essential to fight it. The criteria may help to navigate the often blurred lines and camouflaged tricks and techniques, particularly since algorithms and the digital world, in general, are not as easily accessible and understandable.

## Cross-References

- Advertising Ethics
- Corporate Social Responsibility
- Ethics and Artificial Intelligence

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## Guanxi

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## Synonyms

Social relationships

## Definition

“Guanxi” is a general Chinese term used to describe the relationships that may result in exchanges of favors or “connections” which are beneficial to the parties involved. It exists among people who may have a commonality of shared identification, such as their locality or dialect (tongxiang), fictive kinship (people sharing the same last name), kinship (immediate family), work place (tongshi), and friendship (Wu and Chiu 2016). People can build up their social network through guanxi (Luo 2009). Guanxi generally refers to informal personal connections through which individuals engage in reciprocal expectations and obligations to facilitate the mutual exchange of favors (Chu et al. 2019). Guanxi usually involves three subdimensions, including ganqing (affection, emotional bonding), renqing (the reciprocal exchange of favors), and xinren (interpersonal trust) (Kipnis 1997; Yen et al. 2011). Guanxi can occasionally result in corruption, as it often involves the exchange of favors, which is expected to happen regularly and voluntarily. The Chinese guanxi approach is established and nurtured at the individual level through increasing levels of ganqing, renqing, and xinren, which differs from the Western management traditions that emphasize systems of trust and commitment at the organizational level (Yen and Abosag 2016; Chu et al. 2019). Guanxi is a crucial system of beliefs which helps businesses to secure better positions and competitive advantages, and has great value in all kinds of social

contexts on the Chinese mainland and even across Southeast Asia.

## Description

Guanxi literally means “connections” or “relationships,” and refers to any type of relationship, but it also has a deeper level of meaning in Chinese culture, and can be understood as referring to the social network of relationships among various groups that support each other. To some extent, the reason why we use the pinyin romanization of this Chinese term widely in the West is that its common translations, such as “connections” and “relationships,” fail to reflect the wider cultural implications underlying guanxi.

The concept of guanxi plays a vital role in everyday life in China and shows us a particular image of society. Sometimes, the interests of both individuals and the group are tied together through guanxi. The whole of society can be considered as a hierarchically structured order, covered by an interlaced network of relationships. Many situations in which people take actions based on guanxi prevail in China. Many Chinese people like to obtain information, like whom one knows and to which group or work unit one belongs, rather than basing their judgments on a person’s outward appearance and behavior (Luo 2009). One can achieve one’s goals more easily if one makes the most of human relationships. Thus, many outsiders of the circles of personal and mutual trust often need to devote time and effort to making and exploiting contacts. A famous instance is the retail success of Samsung in China, a company that manages to provide good product access to Chinese consumers by collaborating with the top three mobile operators and establishing good guanxi with small local Chinese retailers (Yen and Abosag 2016).

It is worth pointing out, however, that not all interpersonal relations are labelled guanxi. Relations between family members or couples are based on their mutual obligations, so guanxi is not generally used to describe the interpersonal relationships existing within a family, even though guanxi obligations can sometimes be



described in terms of an extended family. An individual (A) may interact with another person (B) in a similar way to how he interacts with their family members, for example, and A may fraternize with B, sharing mutual consideration and exchanging gifts with each other.

Different from the Western management traditions, that emphasize systems of trust and commitment at the organizational level, guanxi is based on personal connections, such as exchanging favors, cultivating personal relations, and ganqing (sharing affection) (Chu et al. 2019). Closely related concepts include ganqing (affection, emotional bonding), renqing (the reciprocal exchange of favors), and xinren (interpersonal trust) (Kipnis 1997; Yen et al. 2011). At times, the practice of using one's guanxi can be regarded as an art (Chen 2001). It often involves favor exchange, gift giving, visiting, socializing, wining, dining, and karaoke, with the aim of increasing the elements of ganqing, renqing, and xinren with one's respective business partners (Yen and Abosag 2016), but corruption and bribery are not the best practices for giving favors or increasing reciprocity, as Fan (2002) demonstrated. Thus, most people will avoid such under-the-table exchanges.

### The Reason for Guanxi

Guanxi relationships have always played an important role in traditional Chinese culture; for example, guanxi sees the individual as part of a community and a set of family, hierarchical, and friendly relationships in Confucian culture.

However, guanxi is neither a “typically Confucian” nor a “typically socialist” concept (Luo 2009). Luo (2009) claimed that the main reason why people pursue guanxi is that they expect to reduce the social uncertainty in this manner, particularly political and legal uncertainty. Chen et al. (2011) also argued that guanxi may also be effective for managing dependency and mitigating uncertainty. People seek security and trust through guanxi relationships not only in the political arena but also in the private sphere. It should be interpreted as a principle on which society is organized, that is explicable in both cultural and political terms (Luo 2009). It can provide an important

tool for enabling social groups or communities, individuals, and parties to contact and communicate with each other. It can also help to ease the reciprocal bargaining processes and lead to decisions that otherwise would not be taken or only partially reached.

### Guanxi Between Two Strangers

In general, two persons need to exchange something, like opportunities for profit, access to some scarce resources, and so on, if they wish to take advantage of the guanxi between them. If no connection exists between yourself and someone who is able to help you in some way, you may need to set up or create such a link through various channels.

Say, for example, there are three people: Alan, Bob, and Cindy. Alan wants something from Cindy but is upset because he lacks guanxi with Cindy. Fortunately, Alan and Bob are friends, which means that Alan has Bob in his relationship network. Bob knows Cindy and has guanxi with her, so Alan asks Bob to contact Cindy. In order to help Alan, Bob turns to Cindy, and Cindy wishes to do Bob a favor and chooses to help Alan because of the guanxi existing between him and Bob. In this way, Alan creates a connection with Cindy. If all goes well, Alan can develop a new guanxi with Cindy, too. Bob acts as the intermediary in creating an opportunity for Alan to build up guanxi with Cindy. Thus, guanxi plays a vital role in the form of social investment and can be seen as a relationship between people or institutions based on exchange, with a mutual understanding of the rights and obligations of both parties (Luo 2009).

### Guanxi Web Maintenance

Usually, guanxi refers to the benefits arising from social connections. There may exist various people, such as family members, classmates, workmates, people from one's hometown, or members of the same club in one's guanxi web (Luo 2009). At times, one may spend a lot of time and money cultivating a complicated guanxi web, just in case one needs it later. Reciprocal favors are the key factor in maintaining one's guanxi web, while a failure to reciprocate is considered unforgivable



and will lead to the curtailment of all future investment. Ideally, guanxi can perpetuate a never-ending cycle of favors.

What are these reciprocal favors, then? Actually, setting up and maintaining such close relationships is not only based on direct cash exchanges or the direct giving of gifts, at least not exclusively. At times, a dinner or conference can provide an environment for widening one's circle of acquaintances and developing new relationships. Guanxi transactions are often hidden and not made obvious to the casual observer. An exchange of favors or "inside information" may amount to good guanxi, but not all guanxi is good guanxi. Connections built on guanxi can quickly fade or disappear if part of the "relationship chain" is called into question for any reason.

### Guanxi Circle

A guanxi circle is an ego-centered network. Core members have pseudo-family roles that tie them to the centered ego of a guanxi circle (Luo et al. 2016). Outsiders, or out-group members, include people connected by acquaintance ties as well as strangers (Luo et al. 2016). Guanxi circles are in some ways akin to familiar center-periphery images of networks – layers in the "social atom" around a person, or an "inner circle" of business elites (Burt and Burzynska 2017).

Specifically, the inner ring of guanxi circle applies "need rules" in which family ties are used to more or less satisfy each other's needs without asking for return (Burt and Burzynska 2017). Then the circle is expanded to a middle ring which is composed of a person's good friends. These people are connected by long-term favor exchanges, where both parties combine expressive and instrumental exchanges and carefully maintain trustworthiness under the principle of reciprocity (Burt and Burzynska 2017). Beyond the middle ring are acquaintances on the periphery, where instant return and bargaining in social exchanges are allowed (Burt and Burzynska 2017). Beyond the periphery boundary there are no rules and trust.

### Guanxi's Embeddedness in the Business Environment

Guanxi occurs first through individual interactions before being applied at a corporate level. Unlike Western business relationships at the organizational level, the Chinese guanxi approach is established and nurtured at the individual level by increasing the levels of ganqing, renqing, and xinren, often between key relational personnel, such as sales representatives and procurement buyers, on behalf of the firms that they represent (Yen and Abosag 2016). A simple instance is that one person may do a favor for another person from a different business organization because of their interpersonal connections (Gu et al. 2008). Thus, this interaction can facilitate the relationship between the two business organizations. To some extent, we may argue that guanxi can act as an essential informal governance mechanism, helping to leverage Chinese organizations on social and economic platforms.

Hsiung (2013) pointed out that there are two domains in which guanxi plays an important role. One is the social ties with the managers of the suppliers, buyers, competitors, and other business intermediaries. The other one is the social ties with government officials, which may help corporates to attain certain invisible resources. From the perspective of the resource-based view, guanxi can be regarded as a crucial source of social capital for business success, given its extensive influential power in shaping business operations. The stronger a relationship, the more social, political, and economic use can be made of it, and so the more social capital it has.

Otherwise, guanxi also works widely inside organizations (Luo 2009). Specifically, the superiors are responsible for hiring, promotion, rewards, punishment, and evaluation of political attitudes and therefore can determine the whole life and career of their subordinates in China. Chinese people are encouraged to create an authoritarian culture, with relationships based on personal loyalty. Thus, guanxi is particularly important because it helps to ease certain material problems, and political careers and

promotions depend on connections with leading functionaries.

### Political and Commercial Guanxi

Although Chinese people are trying to minimize the impact of local government, it is still the most important stakeholder in China's corporates. Political guanxi can sometimes help companies considerably. Specifically, key government officials wield the authority which means that they can choose their political associates and allies, approve projects, allocate resources, and distribute finances. Thus, maintaining a good relationship with government officials is of great importance for many companies. What is more, the Chinese government owns vital resources, including land, banks, and major media networks, and it also has a great influence on other stakeholders, too. Firms with close political connections and government involvement may have more access, than those that do not, to technical and market information that will improve product performance (Zhang and Hartley 2018). However, guanxi with government officials has been shown to have a negative relationship on resources, capabilities, and the ability to adapt (Chen and Wu 2011). Moreover, the line between ethical and unethical reciprocal obligation is unclear, so guanxi may be regarded as a form of government corruption and is easily questioned.

### The Ethical Consequences of Guanxi

Hwang et al. (2009) pointed out that guanxi can lead to ethical concerns, if one does a favor for another person without seeking anything in return. That is to say, guanxi is often connected with negative phenomena, like bribery and corruption. Why so? At times, individuals depend heavily on their close relations and friends unconsciously because the boundary between business and social life can sometimes be ambiguous. In fact, many people, both Chinese and expatriates, hold negative stereotypes about the use of guanxi, even though many people continue to use it in the dealings with each other. Guanxi can even be

viewed as nepotism, and people may scorn someone because he is incompetent and always achieves his goals through guanxi. Further, businessmen may regard guanxi's reciprocal obligations as unethical gift giving in exchange for government approval.

Meanwhile, others hold the belief that guanxi is entirely ethical. Many people misunderstand guanxi's implications because they lack knowledge about Chinese culture. As Lovett et al. (1999) claimed, any relevant actions for maintaining guanxi are recognized as working within ethical constraints. Thus, it is simply a tool that allows people to maintain their interpersonal relationships, which may be regarded as a moral obligation.

However, as Luo (2009) stated, the two phenomena of guanxi and corruption/bribery are similar but not identical because the social and ethical concepts behind them differ. In fact, guanxi is often a question of personal emotions because it is based on real or imagined things that are shared in common. An individual may be prepared to do a favor for someone on his own terms. A gift or favor is simply a tool for maintaining and deepening relationships, which is totally different from corruption/bribery. Guanxi is a neutral word, but the use or practice of guanxi can range from benign, neutral, to questionable and corruptive (Fan 2002). In Chinese people's opinion, guanxi is an aspect of interpersonal relationships and often involves a moral obligation. Thus, we need to distinguish the unethical usage of guanxi from the concept of guanxi itself.

In summary, guanxi can often help Chinese people to reduce the uncertainty in their life, and it is often misused and regarded as unethical actions in many situations. What must be acknowledged, however, is that guanxi is doubtlessly a critical part of Chinese culture.

### Cross-References

- [China and Business Ethics](#)
- [Supervisor-Subordinate Guanxi](#)

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# H

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## Harassment in the Workplace

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### Synonyms

Abusive supervision; Mobbing; Workplace bullying; Workplace victimization

### Definition

Workplace harassment is the repeated, offensive, and emotionally upsetting treatment of employees by others at work. Harassment can be delivered verbally in person, face to face through spoken suggestions or unwelcome touching, or nonverbally without contact via body language or the use of silence, or by other means such as through electronic communications like e-mail and text messages. It can include harassment of a sexual nature such as regular and undesired sexual advances where refusal can bring disadvantages to the person being harassed or the promise (but not necessarily delivery) of rewards to those who give in to the demands of the harasser. The experience of dealing with such unwanted and hard to avoid sexual approaches from colleagues is reportedly common among female employees.

Harassment can also be focused on ability, racial, ethnic, religious, sexuality, and other personal differences and can include the making of derogatory comments or insulting remarks based on these differences. Harassment can include pestering, provoking, intimidating, molesting, and attempting to coerce people via unpleasant conduct. The harassment is perceived as an attack by the victim who can be worried, belittled, embarrassed, humiliated, fatigued, and distressed by the repeated pestering of the harasser. Harassment interferes with a victim's ability to undertake their job or can involve the threat of dismissal if the harassers' demands are not met. The use of derogatory jokes, offensive wall posters, and sexual or negative stereotypical remarks constitutes harassment, especially when these are used simultaneously. Where harassment is undertaken jointly by the members of a work group, with for example, the intention of forcing someone out of an employment position, then this may be known as mobbing. Such activity may also be called group bullying, and it utilizes overt or subtle techniques such as yelling as well as more subtle techniques such as gossip, innuendo, discrediting misinformation, and social isolation, to achieve its objectives.

One of the early writers on harassment, Brodsky identifies one of the causes of workplace harassment as being from other people in the workplace, with the two other sources being from work pressure and from the organizational system. Brodsky

identifies that workplace harassment from other people is usually related to attempts to control the person being harassed (Brodsky 1976). Workplace harassment is thus linked to power imbalances where the person in the more powerful organizational position attempts to coerce or pressure the less powerful employee into doing something. Tactics used can include the blocking of workplace opportunities, abusive supervision, and frequent criticism of the employee being harassed. Such harassment is typically aimed at gaining submission or acquiescence from those being harassed.

## Description

After reviewing the literature on workplace harassment, bullying, and mobbing, Branch, Ramsay, and Barker conclude that the terms “harassment” and “mobbing” are frequently utilized as descriptors of workplace bullying behavior. Harassment can be called mistreatment at work, workplace abuse, workplace aggression, and workplace mobbing and can be aimed at individuals or at groups of employees whose members typically share a common characteristic which the harassers use as a basis for the attacks. Activities deemed to be harassing include humiliating and mistreating others, aggression, social exclusion, and unjust treatment, and these are also commonly found in definitions of workplace bullying. Whether there is any meaningful difference between harassment and bullying, especially from the victim’s point of view, is a moot point. Increasingly, “workplace bullying” tends to be the most consistently used term among academic researchers (Branch et al. 2013).

Recent research has shown that the Dark Triad traits (psychopathy, narcissism, and Machiavellianism) have unique positive associations with the proclivity to indulge in sexual harassment (Zeigler-Hill et al. 2016). This corresponds with corporate psychopathy research which also demonstrates a strong link between managers displaying the characteristics of psychopathy and the regular, frequent, and repetitive bullying of employees. Harassment has been linked to

reduced job satisfaction and lessened team cohesion and well-being, lower financial performance and lower employee commitment to the organization, reduced citizenship behavior, and increased withdrawal from work. Harassment also corresponds with physical and mental ill-health, stress, and increased intention to quit one’s job, and further, it is prevalent among professionals (Laband and Lentz 1998; Raver and Gelfand 2005).

In summary, workplace harassment is associated with a range of negative outcomes at the individual, group, and organizational levels. Individual victims can suffer from symptoms similar to those found in post-traumatic stress disorder such as depression, low self-esteem, sleep disorders, anger, shame, and guilt. Individual effects can also include reduced well-being, lower employee job satisfaction, lower employee commitment to the organization, more employee withdrawal behavior, as well as employee absenteeism and turnover (attrition). Group effects can include lowered team effectiveness and increased organizational inefficiencies, as well as loss of team expertise as people disengage with or exit the organization.

The idea or conceptualization of harassment varies between different countries and cultures. However, in many countries, harassment activities are illegal, especially when based on discrimination due to race, sex, gender, sexuality, disability, or ethnic origin and especially when delivered frequently and severely. Often in these countries, employers have a responsibility to treat all employees and potential employees fairly and without discrimination. Where such harassment or discrimination exists then employees often have a legal recourse.

## Cross-References

- ▶ [Corporate Psychopaths](#)
- ▶ [Machiavellianism](#)
- ▶ [Narcissistic Leadership](#)
- ▶ [Toxic Leadership](#)
- ▶ [Workplace Bullying](#)

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## Has the Mainstreaming of Responsible Investment Eroded Ethics? Insights from Investor Advocacy on Human Rights in Conflict Zones

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## Synonyms

Conflict zones; Corporate social performance; Ethics; Human rights; Responsible investment

## Introduction

By many accounts, the responsible investment story that has unfolded over the last two decades is impressive. The sector has seen staggering growth in the volume of assets being managed in line with responsible investment principles (GSIA 2017), and investor participation in sustainability-oriented networks continues to widen and deepen.<sup>1</sup> Nonetheless, these laudable gains in

mainstreaming responsible investment have not precluded scholars and practitioners from pointing out that, aspirational commitments aside, forceful action by investors on pressing sustainability challenges remains elusive. These critiques have particularly resonated with regard to the social dimensions of responsible investing. As Louche and Hebb (2014) argue, the industry's focus on the technicalities of integrating sustainability issues or related financial impacts, though important, has been self-limiting to the point where the societal impacts associated with responsible investing have been too often neglected or ignored. For these scholars, an antidote for the neglect would be to recover the responsible investment movement's impetus for action on ethical concerns by requiring investors to exercise active judgment, to think and reflect on the way investment creates (or destroys) value for society.

This chapter explores the specific issue of how investors respond to human rights issues in conflict zones (HRICZs) as a vehicle to contextualize both the validity of Louche and Hebb's critique and the implications for their proposed ethical recovery in the context of investment decision-making. I begin by clarifying the chapter's scope and key terms. To contextualize the analysis, I then briefly outline the drivers for investor advocacy on HRICZs, distinguish between ethical and instrumental logics that have historically underpinned these advocacy efforts, and review the strategies investors have deployed toward this end. My analysis then identifies how the mainstreaming of responsible investment has simultaneously eroded institutional capacities for ethical deliberation by investors on HRICZs. Looking ahead, the chapter concludes by proposing strategies that could enhance the ethical foundation and social impact of future investor action on this issue.

<sup>1</sup> Examples include the UN-backed Principles for Responsible Investment and variety of regional sustainable investment industry associations such as the Institutional

Investors Group on Climate Change, the Sustainable Stock Exchanges Initiative, the Farm Animal Investment Risk and Return Initiative, and the Asset Owners Disclosure Project.



## Scope and Key Terms

The chapter's scope is limited to institutional investors that typically hold large pools of capital in diversified investments with long-term investment horizons, across asset classes, sectors, and geographies. The term *responsible investor* refers to asset owners who are committed to including a broad range of sustainability issues within their investment-decision-making processes and who employ a wide range of approaches to implement this commitment in portfolio allocation and management. Mirroring its use in practice, I use the term *human rights* in the context of corporate compliance with established global human rights norms and standards.<sup>2</sup> The term *conflict zone* covers a broad range of political and geographic contexts. It may include areas that are experiencing violent armed conflict (civil war, armed insurrection, interstate war, and other forms of organized violence); regions that are not currently experiencing high levels of armed violence, but where political and social instability prevails and a number of factors make future conflicts very likely; regions where there are serious concerns about human rights abuses and the repression of political and civil liberties; and regions that are volatile but are transitioning toward peace (UNGC and UNPRI 2010).

## Drivers of Investor Action on HRICZs

A number of trends in the global political economy make HRICZs a bellwether social issue for institutional investors. First, as universal owners, institutional investors cannot ignore risks that threaten the stability of the financial system as a whole (Hawley and Williams 2000). Every industry and asset class has some exposure to human rights risks that cannot be completely avoided

simply through portfolio diversification, thereby representing a systematic financial risk.

Second, emerging markets<sup>3</sup> are becoming an increasingly integral part of the asset mix for institutional investors, despite the fact that more than a third of emerging markets are experiencing active conflict.<sup>4</sup> Indeed, several of these economies – such as Colombia, Indonesia, and the Philippines – continue to attract high levels of foreign investment, suggesting that institutional investors favor other factors over the heightened human rights risk profile associated with companies that operate in fragile governance zones (Campbell 2004).

Third, against the backdrop of the increasing exposure to conflict-affected areas, global norms have recently evolved to clarify investor obligations on human rights. The most significant development in this area is the United Nations Guiding Principles on Business and Human Rights (UNGPs) which were unanimously endorsed by the UN Human Rights Council in 2011. The Principles confirm that institutional investors are expected to respect human rights in their own operations, as well as in business relationships with investee companies (Davis 2012). They also stress expectations for investors to ensure adequate due diligence measures for firms that operate in conflict zones (Davis 2012).

In a similar vein, revisions to the OECD Guidelines for Multinational Enterprises in 2011 extended the culpability for violations of terms to institutional investors. These policy changes have since been tested via the OECD's National Contact Point (NCP) complaint process. The NCP cases and subsequent findings established that responsibility to respect human rights applies

<sup>2</sup>Including, but not limited to, the International Bill of Rights, the International Labour Organisation's Core Labour Standards, UN Declaration on the Rights of Indigenous Peoples, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and the IFC Performance Standards for Environmental and Social Sustainability.

<sup>3</sup>For this chapter, I have relied on the S&P Dow Jones Global Equity Index Series which uses three major country classifications: developed, emerging, and frontier. Qualitative and quantitative factors are used to determine a country's classification. Emerging markets are those which exhibit full domestic market capitalization of over \$2.5B, domestic annual turnover value over \$1B, and an exchange development ratio over 5%, along with a combination of additional criteria relating to debt settlement periods, sovereign debt ratings, hyperinflation, foreign ownership restrictions, and freely traded foreign currency.

<sup>4</sup>Based on cross-referencing the S&P Dow Jones Equity Index country list for Emerging Markets (2016) with Uppsala Conflict Data Program's (2016) list of active conflicts.

irrespective of the size of the investor's holding (including minority shareholdings) and regardless of how the transaction is structured (Wachenfeld et al. 2016). The NCP case also made clear that investors should establish clear management systems in order to systematically address human rights issues confronting investee companies (Wachenfeld et al. 2016). Taken together, the pervasiveness of human rights risks, increasing exposure to conflict zones, and evolving global norms make HRICZs highly salient for institutional investors seeking to balance social, environmental, and financial sustainability for the long term.

### Instrumental and Ethical Logics Guiding Investor Action on HRICZs

At this juncture, it is important to highlight that simply recognizing an issue as salient does not automatically mean investors will act on that issue. What bridges these distinct moments (recognition and action) in the advocacy trajectory is thoughtful deliberation by investment decision-makers. Conventionally, the logics guiding responsible investment decision-making have been distinguished based on whether they are primarily values-based (where ethical considerations take precedence) or value-based (where sustainability issues are addressed as a means to generate financial returns, sometimes referred to as the business case). In the context of HRICZs, investors have drawn on both forms of logic to justify their advocacy in this area.

#### The Instrumental Case

Several high-profile civil society campaigns on issues ranging from sweatshop labor in the 1970s to the more recent trade in "conflict minerals" have demonstrated how failing to adequately manage human rights issues can make firms less profitable. Financial theories have consolidated a business case for HRICZs by showing how this issue impacts key value drivers such as cost reduction, competitive advantage, reputation, and value creation (Kurucz et al. 2008). For instance, in 2011, a group of Chevron's shareholders objected to the company's decision to appeal findings by the Ecuadorian Provincial Court that the company was held liable for

\$18 billion in damages for polluting vast areas of the Amazonian rainforest from oil drilling and its waste products (Investor Statement on Aguinda v. Texaco 2011). Instead of incurring further reputational harm and the costs of protracted litigation, shareholders called on Chevron to re-evaluate whether a more productive approach such as reaching an equitable negotiated settlement could be employed to protect shareholder investments. In this example, the instrumental logic adopted by investors conveys that the cost of investing in sound environmental and stakeholder management can offset the potential costs of addressing future community grievances and conflict escalation.

#### The Ethical Case

Moral reasoning, a systematic approach to making ethical decisions through logical argument and persuasion, offers an alternative to the business case. Here, international relations scholars working in the constructivist tradition are helpful in identifying variables that enable an advocacy issue to be successfully framed in ethical terms.<sup>5</sup> For example, Keck and Sikkink (1998) explain that ethically grounded advocacy campaigns are likely to be successful when they address norms against bodily harm to innocent individuals or norms that violate legal equality of opportunity for citizens. Between 1970 and 1990, the highly publicized accounts of harm meted out on Black South Africans by an oppressive government's structural policies of racial segregation and its resulting denial of opportunities aligned closely with these attributes. Using explicitly moral arguments pertaining to harm and equality, religious investors lobbied for corporate divestment and the liquidation of South African assets within their own denominations in an effort to relay their moral outrage against Apartheid (Ciocchetti 2008). Similarly, an ethically oriented influencing

<sup>5</sup>These include the attributes of advocacy issues themselves (Keck and Sikkink 1998); the presence of "norm entrepreneurs" to champion an issue (Finnemore and Sikkink 2001); a favorable norm pool into which a new issue may be aligned (Price 1998), as well as a number of conditioning factors such as the level of media attention, donor resources, frame availability and network politics (Carpenter 2007).

**Has the Mainstreaming of Responsible Investment Eroded Ethics? Insights from Investor Advocacy on Human Rights in Conflict Zones, Table 1** Investor approaches to human rights issues in conflict zones

|                         |                                                                                                                                              |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Asset selection</b>  | Political/human rights risk analysis and monitoring<br>Screening<br>Sanctions<br>Impact investing                                            |
| <b>Asset management</b> | Continued political/human rights risk analysis and monitoring<br>Corporate engagement (dialogue, resolutions, voting)<br>Divestment          |
| <b>Governance</b>       | Setting internal responsible investment policies and governance processes<br>Voluntary and mandatory standards-setting<br>Political lobbying |

strategy is more likely to be effective if the new norm builds on pre-existing norms – a process referred to as grafting (Price 1998). This form of moral reasoning has also been applied in instances where investments in the military-industrial complex have been banned by showing that such investments would violate an investor’s prior ethical commitments to pacifism (Ciocchetti 2008).

Recognizing that the reality of investment decision-making is more complex than an idealized binary between instrumental and ethical forms of reasoning, HRICZs nonetheless represent the “easy case” for investor advocacy precisely because a defensible rationale and historical template for action exist, regardless of whether a logic of value generation or values alignment dominates the investment decision-making process. Hence, analyzing how investors respond to a social issue that has a low “barrier to entry” serves as a litmus test for the overall quality of their approach to social issues.

### Strategies for Investor Action on HRICZs

Having established HRICZs as a salient and logically defensible subject for investor advocacy, this section of the chapter briefly outlines the strategies investors have used for this purpose within asset selection, asset management, and fund governance activities (see Table 1).<sup>6</sup>

<sup>6</sup>The section covers equity investments only, noting that more research and empirical data is needed on how human rights requirements relate to other asset classes such as fixed income and private equity.

### Political Risk Monitoring

Political risk analysis evaluates how political conditions in a particular market affect an investment’s value. This analysis can be targeted at the firm, industry, or portfolio level and addresses risks such as government instability, currency inconvertibility, nationalization, and expropriation – all of which are exacerbated under conditions of conflict. Although political risk models may not directly measure human rights impacts flowing from political risks, the market for such information is increasing. Investment managers not only use political risk metrics from large consulting and insurance companies, but they are also relying on data from international human rights NGOs, ratings agencies, and services that specialize in human rights due diligence.

### Screening, Sanctions, and Impact Investing

Additionally, investors have sought to limit their exposure to human rights violations through the application of ethical screens. For example, the Norwegian Government Pension Fund Global (GPF) is prohibited from investing in companies that are involved in serious violations of human rights, especially in situations of war or conflict (NBIM 2016). Furthermore, investors may be prevented from investing in conflict-affected areas due to political reasons. This was the case in Myanmar in the 1990s when the repression of prodemocracy movements by the military junta led to strict economic sanctions and the departure of many Western firms from the country (Soule et al. 2013). An alternative approach to “negative screening” and sanctions is impact-investing which encourages investors to drive capital

toward companies that positively contribute to peace and post-conflict reconstruction. Examples include targeted investments for firms that support clearing of landmines or job-creation initiatives for former combatants.

### Corporate Engagement and Divestment

Investors can exercise ownership rights to address HRICZs by engaging in private dialogue with investee companies, submitting shareholder resolutions and proxy votes to signal concerns or even divestment in cases where investor expectations for corporate human rights performance are not met. An illustrative case involves the ongoing conflict in Western Sahara. The region is home to the Saharawi people who dispute the Moroccan government's claim to their territory and the extraction of mineral resources by foreign companies. In 2016, shareholders filed proposals at two Canadian fertilizer companies (Agrium and PotashCorp) regarding their imports of phosphate rock from Western Sahara.<sup>7</sup> The proposals detailed investor concerns about human rights risks associated with operating in conflict-affected areas and requested the company to conduct and publish a human rights assessment of its activities in Western Sahara (SHARE 2016). Taking a different approach, a number of European investors chose to divest their shares in companies sourcing phosphate from Western Sahara (Western Sahara Resource Watch 2016).<sup>8</sup>

### Setting the Rules of the Game

In addition to establishing internal policies and governance mechanisms that address HRICZs, investors recognize that promoting sustainability also requires engaging with regulators on domestic legal and policy reform and providing input into global standards and rules. In the area of

HRICZs, investors have contributed their views on the implementation of the UN Guiding Principles on Business and Human Rights (Richardson 2014) and negotiations on the Global Arms Trade Treaty (Bâtirente 2011). More recently, in response to a possible suspension of the Conflict Minerals Rule for Section 1502 of the Dodd-Frank Act in 2017, investors have come out in support of the rule as a vital tool to advance peace and human rights (Investor Statement 2017).

### Analysis

Tracing an arc from early forms of social activism by a small group of religious investors in the 1970s, shareholder advocacy on HRICZs today involves a much broader universe of investors (with varying ethical commitments), who use diverse tools to engage stakeholders, states, and firms. Nonetheless, critical reflection provides some evidence that the mainstreaming of social shareholder activism has eroded rather than reinforced capacity for ethical reflection by investment decision-makers. This erosion is exemplified by structural choices shaping how the field of responsible investment is being consolidated domestically and internationally.

On the domestic front, recent developments in Norway are a case in point. In 2014, the Norwegian government announced its decision to restructure the Council on Ethics, the independent institution responsible for recommending ethically grounded investment exclusions of companies from the investment portfolio of the Norwegian Government Pension Fund Global (GPF). The change involved moving ultimate responsibility for addressing the Council's recommendations from the Norwegian Ministry of Finance to Norges Bank, the financial institution which administers the fund (Norwegian Ministry of Finance 2014). From the Ministry's perspective, consolidating all responsible investment activities within Norges Bank was meant to clearly signal that exclusions were immune from political influence and purely the result of restrictions governing asset management. However, critics were of the view that the restructuring

<sup>7</sup> As part of a broader campaign, the filings were accompanied by substantial efforts to highlight the issue in mainstream Canadian media outlets, investor webinars that featured prominent human rights NGOs working on the issue, and proxy-voting advisories encouraging support for the resolutions.

<sup>8</sup> This outcome may reflect the "home bias" in engagement, where investors prefer to engage domestic firms (see Bauer et al. 2013 for a broader discussion of this idea).

effort would consolidate too much decision-making power within the central bank and that reduced openness could constrain broader social debate on the human rights implications of the fund's investments (Woodgate and Berglund 2014). This approach appears to strive for a strict separation of state, market, and civil society spheres, rather than viewing markets as politically and socially embedded.

The consolidation of responsible investment and accompanying implications for ethical deliberation in the Norwegian case is also replicated at the global level. For example, in 2013, the Conflict Risk Network (CRN) announced it would be acquired by the UK responsible investment service provider, the EIRIS Foundation (VigeoEiris 2013). Prior to the acquisition, the CRN was a project of the US-based charity United to End Genocide. It was comprised of institutional investors, financial service providers, and other stakeholders who called on corporate actors to support peace and stability in areas affected by genocide and mass atrocities, with a focus on Sudan and Myanmar. The acquisition was announced as a win-win for both organizations, where the CRN could enhance its analytic capacity and global reach through EIRIS and the latter could enhance its client base in the USA (VigeoEiris 2013).

In December 2015, EIRIS merged with French competitor Vigeo. Following the merger, the CRN manager role was fused with "business development" (Ethical Corporation 2016). The postholder was expected to take responsibility for new business development and account management for Vigeo Eiris and EIRIS CRN. The post was targeted toward an "experienced sales professional" with a proactive approach to sales and knowledge of the CRN's areas of focus (Ethical Corporation 2016). In a separate development, since the merger, Vigeo Eiris has also come under scrutiny by civil society groups such as Western Sahara Resource Watch who allege the firm has overlooked human rights due diligence by certifying "green bonds" for Moroccan energy projects in the occupied territory (Western Sahara Resource Watch 2017).<sup>9</sup> While these two incidents may seem unrelated, I suggest that Vigeo Eiris' commodification of a civil society forum

may have inadvertently constricted its internal structural capacity to diffuse conflicts with critics, prompting NGOs to instead use "name and shame" tactics from the outside.

In effect, the "mainstreaming" of the CRN turned what was primarily an ethically driven network that served as a voice for moral outrage at corporate complicity in gross human rights violations into a subscription-based service through which responsible investors purchase data about companies that operate in conflict zones.

Why are spaces for broader, socially engaged ethical deliberation by investors on HRICZs being eroded? I argue that the diffusion of sustainability considerations across the financial system resulted not from a triumph of ethical reasoning but rather of legal-instrumental logics buttressed by the dual concepts of fiduciary duty and materiality.<sup>10</sup> As a result, mainstream investors who now make up the majority of the "responsible investment community" have been focused in defining their expectations of companies and the optics of responsible investment, rather than on societal expectations of long-term investors. This matters because by emphasizing the former, the conversation has been constrained to specific mechanisms of corporate control – such as lowering information asymmetries by asking companies to disclose human rights policies or requiring firms reporting against recognized global standards. In this context, "firm

<sup>9</sup>To be clear, this is not a position on the veracity of the complaints. Vigeo Eiris disputes these allegations, stating that it does not believe that international law or other human rights due diligence require them to seek any particular consent to carry out its bond certification work in the region. The full correspondence regarding this issue is available via the Business and Human Rights Resource Centre.

<sup>10</sup>A significant amount of legal scholarship has been devoted to evaluating whether investors would be in breach of their fiduciary duties if they neglected to consider sustainability factors (see, e.g., Sullivan et al. 2015). The general consensus seems to be that investors would not be in breach of their fiduciary duties if they include within decision-making sustainability factors that are deemed to be material, i.e., expected to impact a company's business, operations, industry, or financial position, or its future financial performance.



performance” has been defined narrowly in terms of material financial impacts that can be traced neatly to a particular value driver, rather than on the broader social impacts of these firms.

Despite the emphasis on materiality, critics argue that social measurement metrics to date have been largely inadequate for investors. Research by the NYU Stern Center for Business and Human Rights pointed out that investors have been too willing to accept data that does little to actually assess the social performance of the companies in which they invest. The “social” dimensions of responsible investing tend to be viewed as a check-the-box exercise in which investors and companies can appear to comply with rising consumer expectations around sustainability while avoiding the actual costs of improving performance (O’Connor and Labowitz 2017). This conclusion echoes findings from an Institute for Human Rights and Business and UNEP Inquiry report that noted one of the key challenges in moving from modern finance to sustainable finance is the methodological disconnect between the capabilities of mathematical finance and ethics, as the direct social impacts of financial processes are not captured directly within the underlying quantitative models or technical rules (Wachenfeld et al. 2016).

Such lags in investment decision-making speak directly to Louche and Hebb’s (2014) observation that insufficient attention has been paid to the social impacts of responsible investment. However, by widening the lens on impact from firms to society, responsible investors can take concrete steps toward striking a better balance between ethics, fiduciary duty, and materiality in the context of investment decision-making.

## The Future of Investor Advocacy on HRICZs

Looking ahead, responsible investors will need to measure companies’ real-world effects, not just their efforts, when seeking to intervene in complex areas such as HRICZs (O’Connor and Labowitz 2017). Moving toward this goal can involve promising avenues for expanding or indeed recovering ethical reflection in investment

decision-making. Such efforts will require, at minimum, investment staff with specialized skill sets on social metrics and better engagement with affected communities and civil society stakeholders who are best placed to speak about the real-world social impacts of companies.

However, to date, very few large investors have well-institutionalized mechanisms for stakeholder engagement that can inform agenda setting and impact reviews for investor advocacy, despite the popularity of stakeholder-based financial theories in grounding responsible investment. Opening up the black box of investment decision-making to stakeholder input can enhance opportunities for ethical deliberation in conjunction with financial considerations.<sup>11</sup> This approach also offers a valuable corrective to instances where inaction is justified on the basis that material human rights issues for institutional investors at any given time are too numerous to address systematically. The UNGP Reporting Framework exhorts firms to engage with stakeholders as means to identify, manage, and report on human rights risks that are most salient and severe for its operations. There is no credible reason why this guidance cannot be extended to investors.

To conclude, whether institutional investors will rise to the ethical challenge of championing human rights for people affected by conflict depends, in part, on how their internal governance and risk management systems will evolve to accommodate ethics. Some scholars suggest that as the responsible investment field continues to mature, we can expect to see more attention to procedural ethics, engendering a shift in focus from *what* issues get decided on to *how* issues are decided upon and by whom (Vandekerckhove et al. 2012). A deeper foray into procedural ethics will necessitate that investors articulate their commitment to fundamental ethical principles such as freedom, social justice,

<sup>11</sup> This is not to suggest that beneficiaries or affected stakeholders should be involved with the minutia of asset selection and management but rather that innovative governance models focused on gleaning social impact (such as citizen’s assemblies or targeted stakeholder meetings) could complement existing efforts to steward institutional assets with a high degree of financial prudence.



equity and fairness, and, perhaps more interestingly, what kinds of decision-making processes will be needed to address instances when these principles may conflict with each other or with other investment beliefs around how markets function.

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- [Socially Responsible Investment and Corporate Engagement](#)
- [SRI's Normative and Ethics-Based Rationales](#)

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## Hayek, Friedrich, The Work of

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## Synonyms

Austrian School of Economics; Capitalism

## Introduction

F.A. Hayek was an economist from the Austrian School. His early work described the inherent contradictions of socialism. Though a stern critic of corporate social responsibility, he was an advocate for ethical business behavior because it was more efficient to facilitate trade, and trade itself, he argued, could lead to peace.

## The Work of Friedrich Hayek

Friedrich Hayek was a Nobel Prize winning economist whose main scholarly activity occurred during the mid to late twentieth century. His main work in economic theory argued that socialism was incoherent. It threatened to lead to “serfdom” as the government controlled the decisions ostensibly made for the benefit of all societies but to the detriment, in his theory, of the individual (Hayek 1944). Rather than reposing confidence in government decision-making, he championed the idea of spontaneous orders, by which emerging orders would arise from a given situation to address social and economic issues provided that individuals had sufficient freedom to act. In other words, free markets would typically solve issues in a way more efficient and more effective than through government.

This theme permeated his work, including his 1988 work, *The Fatal Conceit* (Hayek 1988). In that work, he further argued that the complexity of the issues confronting any significantly sized contemporary societies would be too numerous for any one order to solve. To think that a centralized government would be able to do so was a “fatal conceit.” Instead, society was in a better position if individuals were free to respond to situations and, in so doing, would create orders that would more directly resolve issues.

Hayek’s theory had little use for what might be called corporate social responsibility. Like most free market economists, Hayek believed that corporations fulfill their role in society by efficiently converting resources into products and services useful to society without taking on “social” issues. Indeed, he went so far as to argue that should corporations undertake such social activities, the

sector responsible for administering social goods – the government – may resent such an intrusion and move to socialize the business itself. Businesses, he argued, should focus on its own affairs and leave social issues to other sectors of society. Thus, CSR is not favored in Hayek's writing.

At the same time, however, ethics are favored. Hayek believes that basic ethical virtues such as honesty, truth-telling, promise-keeping, and production of high-quality goods and services create trust. Trusting relationships allow parties to be willing to trade and, indeed, to trade more efficiently if one can depend on another party to practice such virtues rather than expending resources to police such conduct. Virtues thus help market efficiency.

By enhancing relationships, virtues also can increase the scope of trade. Projecting a virtuous cycle, enhanced relationships, based on virtues, increase trade, which encourages more relationships, which has the potential to create greater peace. Indeed, Hayek sees this relationship between trade and ethics as central to the possibility of creating global peace.

The question is, given the importance of virtues such as honesty, truth-telling, promise-keeping, and production of high-quality goods and services, where these virtues come from. Hayek's argument is not especially inspiring, but it is revealing. Hayek argues that a business person could determine, through a game-theory-like set of repeating interactions, that practicing ethical behavior is smart business.

Yet, this is an inefficient process. What is more efficient is for individuals to believe that virtues are good in their own right and then to put them into practice in business. Accordingly, Hayek sees a strong role for societal institutions that teach moral virtue, such as religious organizations, educational institutions, and other actors in civil society. Hayek is agnostic as to whether these virtues do possess an independent good, but he does believe that the confidence in their independent good does provide for an efficient mechanism for their adoption, which, in turn, benefits trade, relationships, and peace.

## Cross-References

- ▶ [Adam Smith's \*Theory of Moral Sentiments\*](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Ethical Citizenship and Business Ethics](#)
- ▶ [Gender and Macroeconomics](#)
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## History and Philosophical Foundations of Ethics

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## Synonyms

Ethical decision-making; Moral reasoning;  
Philosophical systems of ethics

## Introduction

The development of western philosophical thought in practical and professional ethics has been dominated by three major theorists and the systems they developed: Aristotle, Immanuel Kant, and John Stuart Mill. Each one of these individuals was responding to the discussions about ethics that occurred during the time in

which they lived; however, two things set each of them apart from their contemporaries. First, in their writing, they each articulated fundamental aspects of ethical decision-making that profoundly advanced our understanding of ethics. Second, the insights gained from each of these individuals stimulated new discussions during their own time, and they continue to enlighten and advance our understanding today. The sections that follow provide an overview of the key concepts and models for ethical decision-making that illustrate what we value and how we make decisions in business and the professions.

### Aristotle and Virtue Ethics

In building an ethical system, Aristotle (384–322 BC) takes as his starting point a search for the good. He states in the opening words of the *Nicomachean Ethics*, “Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good” (1094a). Trained as a biologist, he looks at human behavior like a scientist – using observation to build a moral system grounded in what he argues are fundamental aspects of human nature. His approach to finding the good toward which we all aim is to examine human activities – the things we do.

“For just as a flute-player, a sculpture, or any artist, and in general, for all things that have a function or activity, the good and the ‘well’ is thought to reside in the function, so would it seem to be for man” (1097b25). To be a good flute player, a person must develop the skills or functional capacities associated with that activity. Similarly, to be a good person, one must develop the skills or functional capacities that will bring about moral excellence.

Unlike playing the flute, however, human activities have multiple objectives or instrumental ends, and what Aristotle is looking for is the ultimate good toward which we all aim. This ultimate end must be based on the unique functions that define what it means to be human, and Aristotle argues that the defining feature is our capacity for practical reason. Ethical decision-making, when guided by moral virtue, enables

us to fulfill our nature and achieve well-being or happiness (eudaimonia) – the end toward which all human activities ultimately aim. Virtue and practical wisdom do not arise in nature but are acquired. What distinguishes the virtuous person is the capacity to recognize and reject extreme options influenced by an instrumental or misunderstood end. For Aristotle it is not enough to intellectually know what is good; rather it is doing and living a good life through action. We achieve well-being through doing virtuous actions, and this is what constitutes moral excellence in human behavior.

A fundamental ingredient in achieving excellence is developing a moral disposition. Like a star athlete who builds muscle memory through practice, excellence in moral behavior can only be achieved by building moral “muscle memory” through practice. The moral virtues that we recognize and praise – compassion, courage, generosity, honesty, and temperance – are the building blocks to a disposition that we commonly identify as one’s moral character. Moral wrongdoing, by contrast, results from acting in a manner that contradicts the moral virtues (e.g., acting in a cowardly or dishonest manner) or from faulty practical reasoning (e.g., seeking the wrong end, an end that will not bring about well-being).

Finally, embodying good moral character means using our practical reason not just on one or a few occasions but over a lifetime. A truly virtuous life requires consistent and coherent practice that results in a natural harmony (eudemonia) between our actions and the end – the ultimate good toward which we all aim.

### Kant and Respect for Persons

Immanuel Kant (1724–1804) begins his moral system posing much the same question as Aristotle – defining what we mean by the word *good*. “Nothing in the world – indeed nothing even beyond the world – can possibly be conceived which could be called good without qualification except a good *will*” [*FMM*, 393]. Kant proceeds in this endeavor in a far different manner, and his

moral system is different from Aristotle's in both the structure and the content.

Kant, in arguing that a *good will* is the only thing that we can conceive as good without qualification, sets his theory of ethics apart from others in three critically important ways: First, methodologically, what we understand about the *good will* is not based on empirical observations but rather on rational argument. Second, the *good will* is not a teleological good where the moral rightness of our actions is based on achieving a specific or general end. And, third, the *good will* is a free will, and it is our rational capacity that gives us the ability to construct and impose moral obligations on ourselves.

What Kant refers to as moral law constitutes the foundational basis of the rights and duties that govern our moral relationships with one another and the world. These foundational laws cannot be derived from the empirical observations of the various and particular things people do, nor can they be based on a generalization that all human functions aim at some end. For Kant, ethical decision-making is an exercise of human reason. He argues that moral law, like the physical laws of the universe, must apply to all rational beings, and he identifies three fundamental principles that constitute moral law. Kant labels these principles as Categorical Imperatives or CI. The principles are categorical in form (they command without exceptions) and in content (they provide the basis from which our specific duties to others are derived).

1. "Act only according to that maxim through which you can at the same time will that it should become a universal law'." Commentators refer to the first Categorical Imperative as the universalizability principle. (CI #1; Kant, GMM 421).
2. "Act in such a way that you always treat humanity whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end." The second Categorical Imperative as the humanity principle. (CI #2; Kant, GMM 429).
3. "Act according to the maxims of a universally legislative member of a merely potential realm

of ends." The third Categorical Imperative as the autonomy principle. (CI #3; Kant, GMM, 439).

The universalizability principle stipulates that moral rules (maxims) must apply to all rational beings without regard to time or place. This principle, a formal condition, asks us to consider if the decision I am about to make is a decision I would want all people to make in a similar situation.

The humanity principle asserts that our ethical decision-making has a moral impact on others as well as the decision-maker. This principle directs us to treat others as having inherent worth and dignity, and not merely as an instrument or means to our benefit. For Kant the humanity principle provides a bridge from the formal structure of the first CI to the moral content inherent in the decisions we make. Although we can treat others as objects or means to our particular end, the ethical imperative is to treat others as rational beings who deserve to be treated as moral agents.

The autonomy principle acknowledges our standing as moral agents who, because of our free will, have the capacity to create and apply maxims (principles and rules) that govern an ethical world with equally rational beings.

Taken together, these three moral laws constitute the foundation for Kant's ethical system. They apply to all rational moral agents; they dictate that we are morally obligated to treat one another with dignity and respect; and, Kant argues, it is our moral autonomy, our rational free will that binds us together as moral agents.

A fundamental key for understanding Kant's ethics is human freedom. Moral agents are autonomous beings who have both the freedom to make moral law and the freedom to impose that law upon themselves. Freedom for Kant goes beyond the common notion of freedom as the absence of law or constraint (negative freedom) to a positive concept of freedom as the rational capacity to enact moral obligations upon ourselves. As physical beings, we cannot choose to accept or reject the physical laws of nature. However, as moral beings, it is our free will that enables us to both construct moral laws and to make moral choices. It is our autonomy as moral agents that gives us moral rights and enables us to bind ourselves to

the moral duties we bear toward others. To understand the moral relationships we have with others, Kant's system counsels us to ask the deontological question: What obligations and responsibilities do I have in this relationship?

## Mill and Utilitarianism

John Stuart Mill (1806–1873) opens his most influential work in moral philosophy, *Utilitarianism*, with the observation that “From the dawn of philosophy, the question concerning the *summum bonum* [highest good], or, what is the same thing, concerning the foundation of morality, has been accounted the main problem in speculative thought. . .” (chapter 1). Like Aristotle and unlike Kant, Mill takes a naturalistic approach to moral theory building. Relying on science and the observation of human actions, he argues “that the foundation of morals ‘utility’ or the ‘greatest happiness principle’ holds that actions are right in proportion as they tend to promote happiness; wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure and the absence of pain; by unhappiness, pain and the privation of pleasure” (chapter 2). Mill was certainly not the first philosopher to propose utility as the basis for a moral system, but his concise and clear statement of its principles have guided much of the discussion ever since.

Mill is a consequentialist, and the utilitarian doctrine states that happiness is both desirable and the ultimate goal of moral action. All other things are only desirable as a means to that end (chapter 4). The moral worth of our actions should be judged in terms of the consequences we aim to achieve, although Mill recognizes that our actions may have multiple ends or may be done for multiple reasons. Thus, we may hold virtuous action in high regard; however, virtues are valued as a means to happiness and do not have intrinsic value in themselves.

Mill refines the utilitarian principle in two very significant ways. First, he argues that in calculating the amount of happiness that an act may produce, we can distinguish between the amount of pleasure and the quality of that pleasure. For instance, an act that produces more physical

pleasure may not on quantity alone supersede intellectual or esthetic pleasure. Both quantity and quality matter when measuring the happiness an action may produce.

Second, in an attempt to refute charges of egoism, Mill argues that “the happiness which forms the utilitarian standard of what is right in conduct is not the agent's own happiness but that of all concerned” (chapter 2). And, as a forerunner to contemporary environmental advocates, Mill goes even further in suggesting that “the end of human action. . .the standard of morality. . .[is] to the greatest extent possible, secured to all mankind; and not to them only, but, so far as the nature of things admits, to the whole sentient creation” (chapter 2).

The development of utilitarian models for ethical decision-making identifies two forms: act utilitarianism and rule utilitarianism. Act utilitarianism would judge the moral worth of a decision based on a calculation of the benefits and disbenefits of the case at hand. For example, I could decide to tell the truth in this instance because my calculation has demonstrated that doing so will increase overall happiness. By comparison, rule utilitarianism would judge the moral worth of a decision based on the expected benefits from following a well-established moral rule. For the rule utilitarian, past experience can demonstrate the practical wisdom of rule following and not require the calculation of benefits or disbenefits in each specific case. Although most commentators consider Mill to give prominence to act utilitarianism, one may find examples in his writings of both act and rule utilitarianism.

## Conclusion

All individuals in business and the professions make ethical decisions and evaluate the ethical decisions of others. This is true in business whether you are a new, part-time employee or a seasoned, chief executive officer and true in the professions whether you are a nurse or the chief of surgery. We make moral decisions at the workplace whether it is on the factory floor, in an emergency room, or when working on a laptop computer while doing business in a foreign



country. Our decisions reflect what we care about and the process we used to justify those decisions.

Philosophers are model builders, and the works of Aristotle, Kant, and Mill are examples of historically significant advances in the development of ethical systems. Each system produces a model for ethical decision-making that illuminates the values we care about and the structure we used in analyzing our ethical decisions and the decisions of others. This concluding section provides a brief look at how these ethical systems can serve as a basis for understanding ethical decisions in business and the professions. Clarifying the process will enable us to make better ethical decisions and to recognize how different values and different forms of moral reasoning often lead to confusion, disagreement, and conflict in the workplace.

Aristotle's system of virtue ethics examines human actions and identifies the qualities those actions reflect. We praise virtues such as compassion, courage, fairness, generosity, and honesty because they represent decisions based on sound practical reason. We respect those individuals who exhibit these qualities because their decisions are focused on well-being for themselves and others and reflect a person whose high moral character we can trust.

This model for decision-making counsels us that when faced with a moral choice, the question we should ask is: What quality of moral character will my choice in this case represent? Will I be acting courageously or cowardly? Will my decision represent fair and equitable dealings with others or prejudice and deceit? We hold in high regard those individuals who consistently reveal these qualities in their ethical decision-making and consider them to be exemplars of moral character whatever position they may hold in business or a profession.

Kant's ethical system is grounded on a conception of what it means to be a human being in relationship with others. First, as a human beings, we possess a rational free will that is capable of establishing moral laws – laws that delineate rights and duties – that we impose on ourselves. Second, since all rational human beings have this capacity, it means the laws we establish must apply to all of us. Kant is identified as a deontologist because his model for ethical decision-

making holds that the moral rightness of an act depends on doing one's duty in accordance with the moral laws we have imposed on ourselves.

This model for decision-making counsels us that when faced with a moral choice, the first question we should ask is: Is the moral principle I am using to justify this choice a principle that others ought to follow if they were in a similar position? And the second question to ask is: Will my action treat others in a manner that respects their moral dignity? For Kant, it is our self-governing reason that establishes the equal worth of all people and requires us to respect that humanity in others. In business and the professions, this is a model that focuses on the rights and duties each party has one to the other.

Mill's moral system focuses on the consequences of our actions and the ends to be achieved. Human actions based on this model are about improving outcomes. Morally praiseworthy actions are those that increase happiness (pleasure), and immoral actions are those that result in unhappiness (displeasure). Mill and other utilitarian theorists consider individual happiness to be a benefit to the individual and a collective benefit to all. As such, the utilitarian model is one where the morally correct choice is one that will result in the most benefit for the most people.

This model for decision-making counsels us that when faced with a moral choice, the questions we should ask are: Which of the options will result in the most benefit? Or which of the options will result in the least disbenefit. In business and the professions, this is a model that judges our moral actions based on how well we improve the outcome.

These three models illustrate fundamentally different features of Western ethical thought that today guide decision-making in business and the professions. When our values align with colleagues, clients, business partners, or the profession, we have a basis for reaching agreement. That agreement may be accomplished because one or more of the models guide both parties in making the same decision. When our values are different, however, we may have conflicts and may not be able to reach agreement.

Recognizing these differences can be the first step in resolving disputes. Models for ethical decision-making can help us identify two important aspects in the decisions we make and in our evaluation of the decisions others in our business or profession are making.

First: What do we value most in ethical decision-making? Is it the moral character of the individual decision-maker or the organization? Or is it the rights or duties that I or my organization has in this relationship? Or is it the benefits that I, my organization, and stakeholders may achieve in this transaction?

Second: As an ethical decision-maker, did I accurately follow or apply the model in the decision? Errors in judgment may occur because I or my organization did not have the moral right being asserted or because I or my organization did not calculate the benefits and disbenefits correctly.

These models help us understand the processes we use in making ethical decisions, and in so doing gives us an opportunity to improve the contributions each of us makes in business, the professions, and throughout society.

## Cross-References

- ▶ [Animal Ethics and Business Ethics](#)
- ▶ [Core Values](#)
- ▶ [Corporations as Moral Entities](#)
- ▶ [Deontology](#)
- ▶ [Ethical Decision-Making Process](#)
- ▶ [Ethical Leadership](#)
- ▶ [Leadership Moral Foundations](#)
- ▶ [Role of Philosophy in Business Ethics](#)
- ▶ [Teaching Business Ethics](#)
- ▶ [Utilitarianism](#)
- ▶ [Virtue Ethics](#)

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## Human Dignity and Business Ethics

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## Synonyms

Professional ethics; Propriety; Self-respect

## Introduction

Dignity is both a principle of law and a moral idea, “a principle of the highest importance” (Waldron 2012). There are connections between dignity and human rights, namely rights derive from the inherent dignity of the human person. This discussion is addressed under the entry on “Human Rights.” Dignity has multiple meanings. Those explored here are dignity as respect for status or position, sometimes called “aristocratic dignity”; the “inherent dignity” intrinsic to the human person, often associated with the philosophy of Immanuel Kant; and “comportment dignity,” the dignified behaviour or visible quality of acting with well-meaning demeanour, often seen on ceremonial occasions, great and small. All of these meanings are relevant to business ethics.

## Uses of the Term “Dignity”

There are paradoxes or downright contradictions in the ways in which the word “dignity” is used. For instance, a call to respect human dignity is often made in debates about end-of-life or right-to-life decisions by those advocating directly opposing views (Sulmasy 2013). In another instance, governments, NGOs, development

advocates and academics often talk of restoring dignity even though it would seem paradoxical that something that is inherent can be in need of restoration. The dignity of the aristocrat seems at odds with a dignity due to all humans. Application of the three-fold classification of aristocratic, inherent, and comportment dignity can help to lessen misunderstandings and dissonance arising from the confusion of meanings in common use, showing that the meanings are not arbitrary but related in ways that are useful for ethical analysis, and showing how the idea that one can rediscover inherent dignity can be seen as reasonable. The three-fold classification proposed here is sufficient for this task; classifications including more than three distinct uses of the word can be found in the works of Doris Schroeder (2010) and Michael Rosen (2012).

### **Aristocratic Dignity, Now a Dignity for the Common Person**

“Dignity” first appears as a concept related to elevated social status and to the occupancy of positions of high rank. This meaning of dignity can be found at least as early as Cicero in the first century BCE and continues uninterrupted through history.

By generalizing this status dignity across all human beings, the high status once restricted to nobility can extend to a universal dignity without distinction and without discrimination, delivering “nobility for the common man.” This argument is the basis of Jeremy Waldron’s *Tanner Lectures Dignity, Rank and Rights* (2012). The notion of “an ‘expanding circle’ narrative” has been used to describe this sea change in the way the word “dignity” is used, so that

the quality of dignity, once the property of a social elite, has, like the idea of rights, been extended outward and downward until it has come to apply to all human beings (Rosen 2012).

Thus, an equal dignity, the dignity of each and every person can be founded in a concept which has its beginning in the dignity attributed to kings, queens, judges, nobles and others of rank. Although the conclusion might seem the same as

that arrived at by those who hold dignity as inherent and universal, arising from human nature, God or reason, Waldron uses the law to show how the very dignity which we associate with rank is the ground of a “powerful dignity of us all” (Waldron 2012). The law, Waldron argues, acknowledges, upholds and protects this universal dignity in many ways, sometimes, as in the case of imprisonment for debt, in the contemporary West, providing protection to all that was once available only to nobility (2012).

Waldron does not suggest that there are no status differences among human beings. His conclusion is that all human beings have an equal and high status, which entails that they be treated with dignity.

### **Inherent Dignity: Kant and Human Rights**

The contemporary use of dignity in relation to human rights has its foundation in the work of the eighteenth century German philosopher Immanuel Kant. There are some things, Kant argues, that have value above all price; such a thing “has an intrinsic value – that is, dignity” for it is of “unconditioned and incomparable worth” (Kant 1785: §436). According to Kant’s analysis, only human beings possess this kind of dignity. It is a dignity that all (rational) humans have in common, that we all have equally and intrinsically, it is “our inalienable inner value” (Rosen 2012). The influence of Kant’s work has been so great that it is now natural for people “to assume that all dignity in the full sense of the word has to be *human* dignity” (Rosen 2012).

If dignity is inherent and inviolable, then talk of restoring dignity, fostering dignity or repairing broken dignity makes little sense – unless it is accepted that an inherent quality might not be recognized or understood by the person who has it. Inherent dignity is a human quality and recognizing it in oneself is an individual human act. Without diminishing the value of inherent dignity, it would seem to be of further value to a person to be able to recognize and use it to enhance her life or his life. This seems to be captured by the concept of the blossoming of felt dignity: a

recognition of one's own self-worth is needed before the self-dignity, attributed dignity or felt dignity can be acknowledged. Thus, inherent dignity can blossom or flower within individuals. It is an "inflorescent dignity" (Sulmasy 2013), an "unfolding of powers that human beings bring into the world" (Nussbaum 2011). This places human dignity in a social context which allows for progress toward universal and equal dignity.

### Comportment Dignity: Dignity of Action

Another use of dignity relates to dignified action. This usage is found in ancient times and persists to the current day. In ancient Rome, Cicero recognized the dignity of weighty and majestic speech, and the term sometimes extended to the orator or actor delivering the dignified speech. It re-appears in eighteenth century Europe as "tranquillity in suffering," a "beauty of character" to be strived for, as expressed by Schiller in his 1793 essay, *On Grace and Dignity*. In contemporary Western societies, status and rank exist in law and popular practice, and concepts such as noble bearing, "walking upright," or "befitting elevation of aspect. . . stateliness, gravity" are attached to that high status (*Oxford English Dictionary (2nd ed)*; s.v. "dignity 4"). If today someone was said to have dignity, this might bring to mind a picture of a person with "self-possession and self-control; self-presentation as someone to be reckoned with; not being abject, pitiable, distressed or overly submissive in circumstances of adversity" (Waldron 2012). Such dignity is expected of the judge and governor, and would be surprising in those of lower legal status such as the bankrupt and the felon.

By recognizing the distinct uses of dignity – as aristocratic, inherent, and comportment dignity – the potential confusion and dissonance in use can be put aside. Dignity can be at once universal and efflorescent. Individuals and societies can strive to make the beauty of character and dignity inherent in every human being more apparent and accessible (Pless et al. 2017). Although there are contrary views – such as the suggestion that talk of dignity

is "mere humbug – a pompous façade. . . without any genuine substance behind it" (Rosen 2012) – the concept of dignity remains strongly linked to human rights, and its relevance to any kind of human action is both extensive and enduring.

## Relevance to Business Ethics

Human dignity is relevant across a range of topics in business ethics, whether theoretical, practical or pedagogical. Six topics, each of them frequently encountered in the practice and teaching of ethics in business, will serve to demonstrate this relevance: stakeholder theory, corporate social responsibility (CSR), human rights, development ethics, employment and work, and pluralism.

### Dignity and Stakeholder Theory

The stakeholder theory of the firm replaces an exclusive primacy of shareholder interests with a regime in which all who can affect or are affected by the success and survival of the enterprise are to be taken into account in corporate decision making. The theory can take both descriptive and normative forms. In the descriptive sense, any decision making will be incomplete if the impact of those who can affect the outcome are not included in the evaluation, while the normative sense imputes a moral or fiduciary duty to take stakeholders into account. At the very least, where stakeholders are individual humans, for example customers, employees or members of the local community, it would be an affront to human dignity not to take them into account in decisions in which they have a stake. Thus, dignity provides support for the normative form of stakeholder theory.

### Corporate Social Responsibility

Corporate social responsibility is an omnibus term for a range of corporate actions which might benefit society yet cannot be justified on narrow economic grounds. Companies can have many reasons for acting in a way that acknowledges a corporate responsibility to society. Recognition

of the human dignity of the members of the society in which the business is operating can provide a strong, public justification for CSR activities. Some CSR activities, such as appropriate governance structures, may be required by law. Other terms used for the practice include corporate responsibility (Cowton 2011), corporate citizenship (Waddock 2002) and corporate sustainability (van Marrewijk 2003).

### Human Rights, Business Ethics, and Dignity

Among the more common approaches to ethical decision making are those based on Immanuel Kant's categorical imperative or some other form of deontological approach, and those based on human rights. One formulation of the Kantian approach is that human beings should never be treated as a means alone; put another way, humans are an end in themselves. This is because the human being has an intrinsic dignity that deserves respect at all times, a value beyond price. Dignity is something worth having, not to be taken away. Thus, any action which impugns that human dignity is unethical.

Whilst the Kantian approach to ethics is grounded in the capacity for human reason, the human rights approach is based on the idea that there are natural or inherent rights attached to human existence, and that those rights ought to be respected. The human rights approach is a relatively recent concept, and consideration of dignity has a significant role in its rise. The three uses of dignity – as status, as inherent, and as dignity of action – persisted through the nineteenth century. In the West, a fusion of humanist, liberal, Christian, socialist and Kantian ideas emerged, so that by the end of World War Two they had coalesced into a concept of universal human dignity which underpinned the Universal Declaration of Human Rights in 1948, the post-World-War-Two constitutions in many countries, and various declarations of human rights. Action in accord with these “charters” of dignity or human rights is often taken to be a measure of ethical behaviour.

Human dignity is also an aspect of the ethics of care, feminist ethics and other approaches which

have elements of the pursuit of (human) excellence, although the links are not as direct as between human dignity and human rights. Many approaches to ethical decision making find a place in the toolkit of the business person. Business ethics teaching, analysis and practice often makes reference to Kantian or deontological approaches and to the ethics of care or feminist ethics. Dignity is an important aspect of these approaches and can be a guiding principle for business ethics.

### Development Ethics and Dignity

Much of the economic and human development activity around the world is undertaken by large organizations, be they governments, not-for-profit enterprises, or corporations. Development activities, by definition, are going to affect the lives of human beings, hence the ethics involved is intensely practical. A specific development ethics has grown to support development practitioners and communities of need. It attempts to orient its reflection toward action that helps people to develop as human beings – that is, toward the growth and flowering of human dignity. In the development field, ethics will (or should) be a significant element in the great majority of decisions while in the wider corporate sphere the impact of ethics is often most keenly felt in areas such as conflict of interest and corruption (Goulet 1997). The choice of technology, the impact of tradition and culture, the ethics of aid giving and delivery, the impact of development actions on the environment can all affect the dignity of the individual members of the community in which development activities are undertaken.

### Dignity in Employment and Work

Marx (1867), Durkheim (1893) and Weber (1904) all saw denials of dignity in the relationship between labour and capital in modern industrial society (Giddens 1971). Reference to the dignity of labour appears in the late nineteenth century encyclical *Rerum Novarum* (Leo XIII 1891) and remains a feature of Catholic Social Teaching. Failure to respect the dignity of others is often mentioned as a symptom, or cause, of the disquiet

when concern is expressed about various aspects of work. There is also a strand of thinking that this dignity can be defended or restored through resistance to abuse, through action that increases the sense of pride in one's achievements, and in the creation of alternate meaning systems. Therefore, learning (in business school and elsewhere) what dignity is and how to foster it will be helpful in improving the ethics of business activity more generally.

Recent years have seen a rise in organizational interest in the well-being of employees. In some contexts, wellbeing and dignity have been conjoined, and one corporate response to concerns about dignity has been to introduce initiatives and programs to enhance personal well-being (Diener 2009). Although a link can be intuited between perceived dignity and well-being as contentment with one's life, or by making dignity a foundation for a fully realized life and equating that with well-being, concern for personal well-being is only in part about dignity. The relationship between the two concepts needs to be explored more deeply.

### Dignity and Value Pluralism in Business

Many businesses operate today in plural societies, where there are significant language, colour and tribal groupings and with multiple notions of good and no shared understanding of either business or ethics. It is the pluralism of values that is especially relevant in business ethics. In such situations, dignity is relevant in two ways. First, reference to dignity will be found in many philosophical and religious traditions. Second, the notion of universal dignity (often linked with human rights) implies a respect for persons *per se*, regardless of their beliefs.

Both the Islamic and Confucian traditions have a place for dignity, as does the Western (Judeo-Christian) tradition on which the entry is principally based.

Although one strand in Confucianism seems to place little importance on (human) rights, another important Confucian idea is concerned with the development of complete human beings who are

worthy of respect (*junxi*, see *Analects of Confucius*, c600BCE: 4:4). Equality in Confucian thought rests in a belief that all people are by nature equally good, born with a capacity for respect and for human relations based on respect (see for instance *Mencius*, c300BCE: 2A6, 6A6). In the Qur'an (c610), the sacred text of Islam, some have found support for a dignity or honour equally assigned to all human beings as children of a common ancestor (see 17:70), while others see support for views that deny universal dignity.

Businesses operate in society, and one aspect of business ethics is the relationship between business and society. The universal dignity of all humans is an important consideration in any analysis of the society in which business operate (including human rights and the pluralism of values in many contemporary societies) and in the analysis of the relationship between business and society (for example, in stakeholder theory, corporate social responsibility, the nature of work, and development ethics).

### Conclusion

Whilst "dignity" is used with a number of meanings in common speech and writing, and these uses are often conflicting, confusion can be reduced using a classification based on three distinct uses. The universal nature of human dignity, identifiable in each of these three common usages, provides a ground on which to base business ethics in considerations about how business should act in relation to society and individuals. Status dignity, once applicable only to those of high rank or birth, is now seen as applicable to all human beings equally. Also, human beings have an inherent dignity. Kant saw this arising from the human capacity for reason, although other grounds, including nature and religion, are also argued. While inherent, this dignity may not be recognized in or by all people, and action can be taken by individuals and enterprises to encourage the flourishing of human dignity. The third common use relates to dignified action, behaving with



gravity and stateliness, something that all can practice.

Notions of human dignity can be grounded in law, human reason, examples of dignified behavior, or religious beliefs. This broad support further extends the usefulness of the concept in the promotion and teaching of business ethics.

## Cross-References

- [Animal Ethics](#)
- [Bioethics](#)
- [Corporate Social Responsibility](#)
- [Development Ethics](#)
- [Human rights](#)
- [Medical Ethics and the Land Ethic](#)
- [Work Ethic](#)

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## Human Resource Management

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## Synonyms

Decision-making; Ethical development; Ethics; Human resource management; Morality

## Introduction

Employees often assume that human resources (HR) is the gatekeeper of ethical behavior of the organization. An assumption rightly placed as this is where concerned individuals faced with ethical dilemmas retreat to seek counsel, guidance, and support. Human resources enforce this notion through the development of organizational policy including legal and regulatory standards to which the individuals and the organization must adhere

(Bodie 2013). The HR department carries a heavy burden of being viewed as the frontline enforcers of the law and organizational values (Manroop et al. 2014). While the intersection of ethics and human resource management (HRM) boundaries are in its infancy (Jack et al. 2012), organizations need to recognize the value HRM has to impact ethical behavior within the organization. Specifically, the development of employees and leaders that are continually faced with ethical dilemmas. To expand on this perspective, organizations can utilize HRM as an ethical cornerstone to breed strong moral individuals that can lead effectively by improving ethical decision-making.

The world bore witness to the decision-making of leaders throughout the Covid-19 pandemic providing great insight to the critical aspects of leadership. Human resource professionals (HRPs) played a critical role during the pandemic leading the charge with decision-making, training, and implementation. Decision-making was impacted by the changing nature of the “unknown” while trying to integrate changes that aligned with the organization’s strategic mission, vision, and core values. The increased stressors (e.g., significant changes) inflicted upon organizations across the globe resulted in an increase in observed misconduct (ECI 2020). Additionally, employees were more likely to feel pressure to bend the rules with weak leadership (49%) compared to strong leadership (13%). Additionally, employees that perceived their leaders to have weak commitment (48%) to organizational values and ethical leadership felt pressure to bend the rules. Top management felt the greatest pressure to bend the rules (ECI 2020). Although these statistics are outcomes observed from the Covid-19 pandemic impact, leadership lessons can be obtained to prevent similar ethical outcomes by focusing on the role HRM plays in developing leadership programs that assist in ethical decision-making.

To support this notion, human resource professionals (HRP’s) recently surveyed identified that the key to recovery (from Covid-19 pandemic) is investing in people. Forecasts in spending and investing for HRM identified talent acquisition/recruiting (63%), leadership development (61%), and compensation (60%) as the

primary focus. While health care (18%), HR/data analytics (30%), and employee wellness and well-being (33%) having the least amount of spending (SHRM 2021). Recognizing that organizations are willing to invest more in recruiting and leadership development signals the need for HRM to have purposeful approaches for leadership development. Hiring and developing leaders must focus on the individuals’ sense of integrity (morals and values) and responsibility to the organization (George 2012). This breeds opportunity for organizations to further exam the need to incorporate ethical components in employee development training.

### **Organizational Ethics and Individual Morality**

There are countless examples of unethical behavior of organizations. The Sarbanes Oxley Act was an attempt to subvert or at least diminish the likelihood of leadership getting close to the edge of indiscretion (Gunz and Thorne 2019). Organizations provide training to employees and academic lecture halls bring knowledge to students regarding the ethical fortitude of whistleblowers. Yet often, the adverse consequences of those individuals following their moral compass and choosing the side of truth discourage others to come forward. There appears to be a disconnect in loyalty to organizational values and individual decision-making. The Wells Fargo case identifies key areas that could have potentially altered the outcome of their indiscretions. Evidence revealed from the whistleblower that multiple attempts to report wrongdoing was reported to the HR department. The department (individual) chose to ignore the corruption (Restrepo 2019).

Scholars and practitioners are relentless in their efforts to uncover key behaviors that facilitate or cause individuals to knowingly make the wrong choice. This phenomenon was identified by early moral philosophers such as Socrates, Plato, and Aristotle referred to as “akrasia” (Kraut 2018). The discussion of morality was pushed further to better understand what happens to an individual’s moral judgement when faced with ethical issues.

So how can HRPs ignore ethical allegations when approached by their employees? The notion, “knowing what is right but failing to act on that knowledge,” suggests a disconnect that scholars have identified as the moral judgement-action gap (DeTienne et al. 2019 p. 433). This gap of morality appears to fall on the shoulders of the individual. Organizations can no longer ignore that individual morality plays a role in the decisions leaders (employees) make. When 30% of top managers feel pressure to bend the rules the adverse effects are sure to follow (EIC 2020).

### HRM and Ethical Decision-Making

Scholars and practitioners will continue to be plagued by ethical dilemmas. The argument of right and wrong will never be resolved. Greek philosophers even argued on the issue of right and wrong good versus bad. The examination of moral development as it relates to business ethics identifies moral psychology and moral philosophy collectively contributing to the nature of morality (DeTienne et al. 2019). To make a case that morality and ethical decision-making are connected warrants further investigation into the impact HRM can have on leadership effectiveness within the organization. An examination of ethical decision-making in business identified awareness, individual and organizational factors, intent, and moral intensity as contributing factors (Loe et al. 2000).

Scholars are beginning to uncover critical factors that contribute to unethical decision-making attributed to individual’s violating their own values. As a result of this discovery new insights into the concepts of “moral injury” and “moral recovery” are considered (Cullen 2022, p. 485). The wisdom of early philosophers (Kraut 2018) on moral judgement extends to modern times. Organizations will continue to be plagued with unethical behavior. Embracing the notion that moral recovery is a possible approach when indiscretion happens can assist the organization in their approach rather than allowing it to infect the organization further (Cullen 2022).

The ethical decision-making framework of Ferrell and Gresham (1985) identified three key variables that provide insight into ethical decision-making: the individuals cognitive structure, significant others in the organization, and opportunity for action. Although this framework is soundly based in the marketing literature, the factors influencing decision-making are relevant and can be applied to ethical dilemmas. Additionally, this framework supports the argument that the organization, specifically the HR department, can influence the decision-making of employees especially ethical decisions.

### Leadership Development and Making the Connection

Leadership development is no longer isolated to executives or supervisory roles. Organizations have acknowledged the value of investing in all employees. Now more than ever this must be embraced and supported through HRM and their strategic vision. Consider how the pandemic situated employees in ethical dilemmas despite the role they were hired for. When the external environment strikes there is less control to adapt and adjust, strategically leaving employees vulnerable. As previously mentioned, when organizations must make significant changes there is a chance that employee misconduct may increase (ECI 2020). Recognizing the need to identify and measure ethical health within the organization provides an opportunity to discover changes that need to be made. It opens the door for HR to lead efforts in transforming employee development to include strategies for ethical decision-making. The greater challenge is deciding to go through the open door of opportunity and act upon the knowledge.

Since HRPs have the responsibility, resources, and influence, implementing an ethical component into employee development to assist in ethical decision-making seems like the logical place to start. Research has shown that investing in training improves operational and financial performance of the organization. Additionally, when HR is actively involved in the process employee

**Human Resource Management, Table 1** Improving organization's ethics health. (Adapted from E&C 2020)

| Possible identifiers of issues impacting the ethical health of the organization                  | Indicators of ethically healthy organizations                                                  | Achieving ethics health in organizations                      |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Does the organization have a clear set of shared values to guide employee decisions and actions? | Few employees feel pressure to compromise organizational ethics standards                      | Commit to ethical leadership                                  |
| Are supervisors held accountable for their mistakes?                                             | Misconduct is rare                                                                             | Shared values and building an ethics-focused business culture |
| Do supervisors show genuine interest in their employees' ideas/opinions?                         | Observations of misconduct are reported, and reports of misconduct are appropriately addressed | Invest in building a strong ethics and compliance program     |
| Do they provide feedback to their employees to help improve their work?                          | Employees who report misconduct do not experience retaliations                                 |                                                               |

commitment and competence increased in turn having a greater impact on operational and financial performance (Choi and Yoon 2015).

Organizations spend a great deal of money acquiring talent that is aligned with organizational values and principles especially leadership positions. It is imperative that the strategies in place and core values are embraced by those hired. Can we assume after the selection process and socialization of new leaders (employees) they will continue to maintain strong decision-making skills in a new environment? In a new organization with new individuals to lead and new teams to guide? Ultimately the goal is to retain quality individuals. To do that, preventative measures must be considered that benefit voluntary or involuntary separation. Since organizations are willing to invest a larger portion into leadership (employee) development (SHRM 2021), it is an opportune time to insert an ethical component.

The Ethics and Compliance Initiative is one organization that provides resources along with scholarly research to assist organizations with their ethical endeavors. One initiative provides organizations with the necessary tools to begin evaluating the ethical health of the company (ECI 2020, p. 11). As seen in Table 1, organizations can begin asking questions that can assist in evaluating the necessary pieces to determine the current ethical state of the company. From there key qualities of an ethically healthy organization are identified along with practical tools of analyses are suggested.

## Conclusion

The cornerstone of the organization is the HR department. New employees look to HRPs for guidance and support. While tenured employees depend on HRM to provide the necessary resources for growth, stability, and well-being. The notion that indiscretions or unethical behavior will always be handled appropriately by HR and the organization can no longer be assumed. Ensuring that ethical and moral components are part of employee development is critical to the ethical health of the organization. Organizations need to approach ethical issues head on and be willing to ask the tough questions. Investing in employee surveys that focus on ethical issues is a great place to start.

Ethics cannot be left to chance. Developing an ethical component in employee development training provides a solid foundation for assessing and measuring individual behavior as well as organizational health. This should also include individual morality. The intent is not to change an individual's morals or value system, rather identify foundational moral principles that provide the opportunity for organizational buy-in toward company values.

Finally, make the decision to change. Whether you need to turn the ship around or adjust the sails slightly, approach ethics head on. The Ethics and Compliance Initiative is just one resource that can get things moving in the right direction. Their comprehensive toolkit can assist HRPs in getting

that door open. Organizations need to evaluate and act based on findings. Ethics cannot be left to chance.

## Cross-References

- [Business and Human Rights](#)
- [Business Code of Ethics](#)
- [Business Case for Business Ethics](#)
- [Corporations as Moral Entities](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Decision-Making Process](#)
- [Ethical Dilemmas](#)
- [Ethical Literacy in Leadership Development](#)
- [Leadership Moral Foundations](#)
- [Moral Self-Awareness](#)

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## Human Rights

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## Synonyms

Civil rights; Dignity; Equal rights; Justice; Natural rights; Respect; Rights-based duties and obligations

## Definition

The theory of human rights is an ethical or moral theory; that is, human rights language evaluates actions as being ethically good or evil and socioeconomic-political institutions as being just and unjust. Human rights theory is a type of deontological theory because it concerns the ethical duties of humans. This is not immediately obvious because human rights theory emphasizes people's rights, but every rights claim is a claim about the duties that other people and entities owe the

rights-holder. Human rights theory is really a theory about the duties and obligations of others.

## Types of Rights and How Human Rights Relate to Other Types of Rights

Rights can be categorized depending on the grounds on which the right is claimed. Human rights claims are usually based either on ethical theory (e.g., Sumner 1987) or on recognized international declarations of rights, most notably the [United Nations Universal Declaration of Human Rights](#) (all article numbers in this essay refer to this Declaration).

Human rights, and the language of human rights, work differently from legal rights. An individual's legal rights are whatever the law says they are in the jurisdiction in question. Legal rights come in a hierarchy with the laws further up the hierarchy generally overriding those lower down. At the top of the hierarchy are constitutional rights, then, roughly, treaty rates, quasi-constitutional statute rights, other statute rights, common law rights, institutional rights, and contractual rights. There can be exceptions to this hierarchy in some jurisdictions.

Beyond these are rights claims that are simply asserted by the supposed rights-holder. The effectiveness of such assertions depends on whether other people or institutions recognize the corresponding duties as legitimate obligations.

Both the human and legal rights of individuals need to be distinguished from group rights and sovereignty rights, which belong to collections of individuals and to countries or nations, respectively. The right, e.g., of the people of Québec to preserve French as a living language in Québec is a group right very different from any individual's free speech right to speak French. The right of Québec to remain in or separate from Canada is the right of self-determination, which is a sovereignty right.

All rights claims, regardless of type, have a similar structure in that for every right someone, some group of people, or some entity such as a state or corporation has a corresponding duty. The exact nature of the duty is not always clear and is

often contentious, but loosely we often say that the duty is to "respect" the rights-claim and the rights-holder. Such duties can be moral, legal, institutional, or contractual depending on the grounds of the rights claim in question.

## Positive and Negative Rights and Duties

Human rights are sometimes divided into negative and positive rights. A negative right is a right for which the implied duty is to refrain from interfering with the rights-holder. For example, the right to security (#3) implies that all other people and entities must refrain from attacking or assaulting the rights-holder. A positive right is a right which implies a duty for others to perform specific actions, not just to refrain from interfering. For example, the right to food (#25) implies that the corresponding duty-holder has an obligation to make sure that the rights-holder has access to food. In many cases, it may not be clear who has the obligation to ensure food is available. The UN declaration mostly assumes that governments are responsible, but it can be argued that corporations, families, churches, and rich individuals also have positive human rights obligations.

The division of human rights into the positive and negative rights tends to be confusing because it is actually the duties that are positive and negative, not the right. Most, or maybe all, human rights have both positive and negative corresponding duties. For example, the right to security of person (#3) implies not only a duty not to interfere, it also implies a duty of the State to provide adequate and noncorrupt police, courts, laws, and other institutions.

Further, from the point of view of businesses, the distinction is generally a moot one. For example, the right to security of person for the people living downstream from a pulp mill implies that the mill owners have a duty to refrain from dumping mercury into the river. But observing that right would generally involve a positive obligation to spend money, perhaps millions of dollars, installing a wastewater treatment facility or other means of preventing pollution of the river.



## Equal Rights and Privilege Rights

Rights can be divided into equal rights and privilege rights. Human rights are all equal rights; that is, all humans have the same human rights and the human rights of every individual deserves equal respect. This is made clear in the United Nations Universal Declaration of Human Rights where the first sentence of Article 1 reads: “All human beings are born free and equal in dignity and rights” (see also preamble and #2).

Constitutional rights tend to be equal rights as well, at least as far as the citizens of the relevant country are concerned. On the other hand, contractual rights are generally privilege rights in that contracts confer special rights on specific people. For example, the lease on an apartment gives one individual or group the exclusive right to determine who lives in the apartment. With human rights, the question of who has and who does not have the right never arises – all humans have the same human rights. To exclude any individuals from respect for their human rights based on race, religion, sexual orientation, or, indeed, even on the basis of criminal record, is a violation of their rights. In the case of convicted criminals or even terrorists, imprisonment is not a violation of their human rights, but torture, lack of due process, and religious persecution are (#2, 5, 6–11).

## Human Rights Are Trump

Human rights are trump in that human rights take precedence over all other considerations no matter how important those other considerations are. Morally, there is no possibility of balancing human rights with other concerns. For example, if a business activity violates anyone’s human rights, then that activity is unethical no matter how much profit the business generates. This is clear in extreme cases; slavery is never ethical (#4) even if the institution creates immense economic benefit for the society overall. Business should never attempt a cost/benefit analysis if one of the costs is human rights violations.

Human rights are also trump over laws. There is both a language point and an ethical point in

this. The language point is that if a law contradicts human rights, then we say that those human rights have been violated. We do not say that those people do not have those human rights. This is different from legal rights; if the law does not grant a right to an individual, then we say that the individual does not have that right. We do not say that the law violates their legal rights, although a lower law may violate a constitutional right, in which case the lower law is invalid. Constitutional rights trump other laws. The ethical point is that it is always unjust or unethical to violate any individual’s human rights; there are no circumstances in which an individual does not have human rights.

## The United Nations Universal Declaration of Human Rights

The Preamble and Article 1 of the UN Universal Declaration of Human Rights make clear that the rights specified therein apply equally to all human beings, and explicitly state that they apply equally to men and women (preamble). It also says that the rights are inalienable (preamble). All member states “pledge” to “achieve, in cooperation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms” (preamble). The key phrase is “respect for and observance of human rights and . . . freedoms.” But the Declaration admits that many of the rights are “aspirational” in that some states may not be able to implement some of them (such as a universal education system) immediately.

The Declaration gives several grounds for the importance of human rights. The recognition of rights is the “foundation of freedom, justice and peace in the world, . . .” and affirms the “dignity and worth of the human person.” This makes clear that rights-holders are individuals, though later the Declaration recognizes the importance of families (#16). Rights also “promote the development of friendly relations between nations,” “promote social progress and better standards of life,” and prevent the need for “rebellion against tyranny and oppression” (preamble).

Let us now summarize the rights specified in the Declaration.

1. All humans have a right to “freedom from fear” (preamble), and hence freedom from all threats to their “life, liberty and security of person” (#3). Everyone also has a right not to be enslaved (#4), and a right not to be tortured or subjected to punishment or treatment that is “cruel, inhuman or degrading” (#5).
2. All humans have a right to “freedom from want” (preamble). This includes a right to “social security” (#22) – not just Social Security in the American sense which applies only to seniors, but social security in a general sense for everyone. All humans also have the “right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment” (#23). All humans have the right to “equal pay for equal work” (#23), the right to rest and leisure (#24) and “the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control” (#25). Motherhood and childhood are recognized as “entitled to special care and assistance” (#25).
3. All humans have the right to the rule of law; that is, to be recognized by the law as a person (#6), to have equal protection of the law (#7), to have remedy if his or her legal or constitutional rights are violated (#8), to have protection from “arbitrary arrest, detention [and] exile” (#9), to have a “fair and public hearing” (#10), to be presumed innocent until fairly found guilty (#11), and not to be subject to retroactive laws (#11).
4. All humans have the same rights and freedoms and should be treated equally “without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status” (#2).
5. The Declaration makes clear that human rights are a matter not just of justice, but also of human dignity. “All human beings are born free and equal in dignity . . .” (#1). For example, Article 12 says: “No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation.”
6. All human rights are protected regardless of the nation or territory “to which [they] belong,” and regardless of “national or social origin” (#2). All humans have the right to a nationality (#15), the “right to freedom of movement and residence within the borders of each State” (#13) and “the right to leave any country, including [their] own, and to return to [their] country” (#13).
7. Families are specifically protected. All humans have the right to be free from arbitrary interference in their families (#12), and families are “the natural and fundamental group unit of society and [are] entitled to protection by society and the State” (#16). All humans of full age have the right to marry, and the right not to marry – all “Marriage shall be entered in to only with the free and full consent of the intending spouses” (#16).
8. The declaration protects “the right to own property” (#17), but this requires a couple of comments. First, it is not clear that a person’s rights are violated if they own no property; rather, if they do own property they have a right to that property. Secondly, the declaration does not distinguish between personal property (such as clothes, houses, cars, etc.) and private property in the sense of the private ownership of the means of production such as land, natural resources, factories, mines, businesses, corporations, and so on. A State that does not permit the private ownership of some or even all of the means of production is not violating the human rights of their citizens providing it respects their personal property.
9. All humans have the right to freedom of thought and belief, freedom of conscience

and religion (#18), freedom of opinion and expression (#19), and freedom of peaceful assembly (#20). All humans have a right to an education (#26), “freely to participate in the cultural life of the community” (#27) and to benefit from their intellectual property (#27).

10. All humans have political rights, including the right to take part in government either directly or by voting “in periodic and genuine elections which shall be by universal and equal suffrage” (#21). All humans have the right to access public services (#21). The Declaration also says that “The will of the people shall be the basis of the authority of government; . . .” (#21).

## Duties and Obligations

All rights impose obligations on other people or entities; when a rights-holder has a right, someone else has a duty to respect that right. The UN declaration assumes that human rights impose specific obligations on States and all governments. In particular, the declaration says that “Member States have pledged themselves to achieve . . . the promotion of universal respect for and observance of human rights and fundamental freedoms . . .” (preamble). The duties of States are “respect for” and “observance of” human rights. But not only States are given duties based on human rights; the Declaration goes on to say the “every individual and every organ of society . . . shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, . . .” (preamble). Specifically, the duties of “individuals” and “organs of society” are to “promote respect” and “to secure their . . . recognition and observance.”

It is not clear what an “organ of society” is. One presumes that at least religious organizations, schools, universities and such organizations are included since the duty is phrased in terms of “teaching and education”, but it probably applies to many other organizations as well.

From the perspective of business, the key question is whether corporations have duties with respect to human rights and what those duties are (Cragg 2012). In 2005, the United Nations Secretary General Kofi Annan appointed John Ruggie as special representative to clarify corporate obligations with respect to human rights. Ruggie proposed a “Protect, Respect and Remedy” framework, under which corporations have an responsibility to respect human rights, and to co-operate with the duties of States to protect human rights and with mechanism to remedy human rights violations (Ruggie 2008). For further information, see the entry in this encyclopedia on “Corporations and Human Rights”.

## Criticisms of Human Rights

Universal human rights have been subjected to social, moral, religious and political criticism. At the time the Declaration was passed and since then some States have objected to the individualism of human rights, arguing that the declaration ignores the rights of communities and States and the rights of other collectives. It has also been pointed out that some of the human rights of the Declaration violate some religious beliefs. For example, Article 18 guarantees the right to change religions, but some religions prohibit apostasy. The recurring theme of these sorts of criticisms is to object to the individualistic basis of human rights and to lament the failure of the Declaration to recognize the obligations that all people have to various collectives such as families, communities, religions, nations and, indeed, to humankind.

Objections, both moral and political, have also been raised to the universality of human rights. At the moral or ethical level, such objections are often based on claims that all moral beliefs are dependent on the culture in which they arise and that, therefore, there are no universal human values and no universal human rights. Such moral relativism, however, runs into two major problems. First, it may not be empirically true that there are no universal moral values; there seems to be considerable unanimity across many cultures, at least among the victims of human

rights violations, that such violations are unethical. Second, most people who argue for a morality based on moral relativism are in fact basing their argument on a belief in universal tolerance of cultural differences – which is itself a universal moral value.

The political objection to universal human rights is that they are, or can lead to, interference in the internal affairs of sovereign States. This view relies on the claim that human rights violations, possibly including oppression, murder, and torture, are morally only of concern to the State in which they take place. Most people, except perhaps oppressors, think that this is a very doubtful moral claim.

Other criticisms of the UN Universal Declaration of Human Rights are that some of the rights it specifies are vague, that it does not recognize all morally justified human rights, that the declaration has no force in that it is not law, that it does not hold anyone accountable for rights violations, and that efforts to help the poor and oppressed by championing their rights have simply failed. It should be added that some problems, such as the Israeli-Palestinian conflict, may not have any rights-based solution; in such cases, negotiated settlements may have to take priority over everyone asserting their rights. There is at least some truth in these criticisms, but they may not adequately acknowledge the good that human rights discourse has achieved; it is always hard to be sure about oppression that has not happened because concerns about human rights have prevented it.

## Summary

Human rights are claims that some persons or entities have an ethical or moral duty toward the rights-holder. Any such claim needs to be supported by ethical theory or by a publically accepted human rights code such as the UN Universal Declaration of Human Rights. Human rights take priority over constitutional, legal, treaty, and other rights, as well as over other social and economic concerns. The UN Declaration does not provide mechanisms for accountability or remedy for human rights violations, but it does

have important moral and diplomatic implications and its principles are often incorporated into national law of many States.

## Cross-References

- [Displacement and Refugees with Respect to Human Rights Regimes](#)
- [Has the Mainstreaming of Responsible Investment Eroded Ethics? Insights from Investor Advocacy on Human Rights in Conflict Zones](#)
- [Human Rights Impact Assessments](#)
- [Property Rights](#)

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## Human Rights and Business Ethics

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## Synonyms

Human rights and global business; Human rights responsibilities of corporations

## Introduction

The phrase “human rights” commonly refers to the rights that all human beings have simply in virtue of being human (Griffin 2008). The idea is rooted in the notion of “natural rights,” which in turn is grounded in the belief that ethics is immanent and, at least to an extent, objective and universal in nature. This belief has been characteristic of several religious and spiritual traditions since ancient times (e.g., God-given rights in Abrahamic religions, laws of Nature in Stoicism). For the better part of the human history, however, natural rights were understood as being unequally distributed among people, as is exemplified by the plethora of kings throughout history who inherited the crown by reference to their divine right to rule. The Enlightenment period secularized the notion of natural rights and conceptualized the idea of human rights that every human being is entitled to regardless of race, sex, nationality, ethnicity, language, religion, and status. Following the end of the Second World War, the newly formed United Nations adopted the UN Declaration on Human Rights (UDHR), codifying a set of global human rights that would soon become a mainstream variant of ethics and obligations.

Within the discipline of business and management, the body of literature that adopts a human rights lens has in recent decades grown into a distinct field called business and human rights (BHR). It is a field that crosses, at least, law, global governance, and business ethics. In its legal form, BHR is concerned with access to legal remedy for victims of human rights abuses by business and is often critical of elements of domestic law, including aspects of “corporate personhood” and the legal construction of rights-relevant markets. As a global governance practice, BHR has generated numerous soft laws, codes of conduct, and polycentric regulations designed to regulate diverse businesses operating in diverse contexts.

As related to business ethics, and noting possible overlaps, two areas of BHR are most

relevant. First, the normative element of BHR, which asks questions of whether businesses can hold human rights responsibility, and how and to what extent these responsibilities should be perceived. Second, a more empirical element that studies how managers can implement human rights responsibilities, and how different implementation methods, such as codes of conduct, function in practice. This entry first introduces BHR generally and then looks at each of these business ethics-related areas in turn.

## Glancing at the History of BHR

BHR has proceeded through a series of institutionalizing innovations. The 1977 Sullivan Principles in apartheid South Africa – which encouraged businesses to pledge equal treatment of nonwhite employees – are often credited as the first BHR initiative, prior to the term BHR being used. The UN Code of Conduct for Transnational Corporations, which was first discussed from the late 1970s to 1992 but never ratified, was the first attempt to regulate businesses in international (soft) law. This emerged from the sovereignty concerns of the postcolonial states behind the New International Economic Order (NIEO), rather than human rights, and aimed at ensuring sovereign control of corporations and resources. A series of labor-related initiatives including the Fair Labor Association developed in the 1990s in response to sweatshop scandals in developing world factories manufacturing for global brands such as Nike. The Global Compact was the first formalization of a BHR agenda within an inter-governmental organization, and in 2011 the UN Guiding Principles on Business and Human Rights (UNGPs) were endorsed at the UN.

The publication of the UNGPs heralded a new era with BHR now having a firm doctrinal basis, rather than being constituted of myriad human rights-related concepts and tools. The UNGPs are organized around three pillars, the state duty to protect human rights, the corporate responsibility to respect human rights, and access to remedy in case of breach. This means that states are obligated – as both a matter of preexisting

international law and social obligation emanating from the new framing of the UNGPs – to protect rights-holder from harm by business. Businesses are expected – a “socially-binding” responsibility – to respect rights, meaning to do no harm to rights-holders. The UNGPs did not create new legal obligations but has led to significant new laws and policies, such as State National Action Plans to implement the UNGPs and domestic laws enforcing human rights due diligence (HRDD). HRDD is a means by which companies should proactively investigate the “human rights risks” within their own operations to avoid causing “adverse human rights impacts.” France has had a law based on HRDD – the “Duty of Vigilance Law” since 2017, and many states plus the European Union are developing similar laws, with Germany and Switzerland most advanced.

The UNGPs have been severely critiqued for their lack of ambition. These critiques include the “socially-binding” nature of the business responsibility, which makes respecting human rights optional for managers and assumes that social expectation, perhaps ethical obligation, will be enough to ensure good management practices. They also included that businesses did not have a responsibility to protect or fulfill rights, and various concerns over a lack of clarity. Most such concerns met the same response. The UNGPs were as ambitious as was feasible. The result of “principled pragmatism” represents only “the end of the beginning.” Moreover, the “strategic ambiguity” of the UNGPs makes them potentially more ambitious than they appear at first sight. Included in this is that “human rights impacts” cover a far wider range of harm to rights-holders than any legal definition of “human rights violation,” covering, for example, a business, reducing access to an essential service such as healthcare through price increases (Birchall 2019).

### Human Rights in Normative Business Ethics

Acknowledgment of the existence of human rights has immediate normative implications because rights come with correlative

responsibilities upon relevant duty bearers. Traditionally, this responsibility was assumed to fall sole on governments, and this remains generally true of legally binding international law. However, toward the end of the twentieth century, it became increasingly clear that multinational corporations can have significant influence over individuals, societies, and governments. This realization was coupled with a stream of revelations of serious human rights violations in large, renowned corporations, which has become a regular and expected part of the business section of the news. As a result, there has been increasing agreement that governments alone cannot guarantee that human rights are protected, and calls have been mounting for business organizations to recognize their own human rights responsibilities. This is where normative scholarship in business ethics steps in to clarify how the roles and responsibilities of businesses in relation to human rights must be defined.

To articulate the human rights responsibility of business organizations, the first step is to define what exactly human rights are. Even if it is agreed that there is such a category as human rights that represents the rights that every human being is entitled to, there is considerable diversity among scholars with respect to what those rights are. Two broad camps can be distinguished within business ethics: 1) The universalist camp argues that human rights must be defined and protected irrespective of cultural differences among societies (as attempted in, for example, the UDHR); 2) the relativist camp argues that different cultures define human rights differently based on their respective histories, values, and traditions (as attempted in, for example, the Cairo Declaration of Human Rights, which is based on Islamic teachings). The debates between these camps are part of the animated ongoing discussions in the literature of normative business ethics (Brenkert 2016).

Aside from this debate, the next step is to define what exactly is the responsibility of business organizations in relation to human rights. Core disagreements can occur around which



human rights businesses hold responsibilities, and the extent of responsibility toward these rights. These responsibilities are commonly partitioned according to a tripartite framework that includes a) respecting rights by not infringing upon individuals' rights; b) protecting individuals against infringements by third parties; and c) fulfilling access to rights. With respect to the right to health, for instance, most scholars agree that business organizations should respect the right through refraining from harming their workers, but most scholars agree that business organizations are not responsible for protecting the bodily integrity of their workers beyond what can be reasonably considered work related, and it is not agreed that businesses have any responsibilities to provide their workers with the education to enable them to improve their bodily integrity. Defining the exact scope of responsibility of business organizations with respect to human rights is at the core of current discussions in normative business ethics (Hsieh 2017).

Another important question for normative business ethics to address is why businesses should take a responsibility for human rights. What are the reasons, motivations, or justifications underlying the human rights responsibility of business organizations? Some scholars highlight a business case for respecting human rights, positing that enlightened self-interest is a sufficient rationale for the responsibility. Others argue that accountability is the key distinguishing feature between human rights and other moral norms and that, therefore, binding rules and institutionalized sanctions and remedies are necessary to enforce corporate responsibility toward human rights. And yet others argue that morality must be the core driver because human rights are basic moral rights grounded in human autonomy and agency. One critical implication of these discussions is determining if human rights responsibilities of business must be understood as voluntary or obligatory, and if some of those responsibilities are obligatory, at what level (international or national law) they must be enforced (Brenkert 2016).

Normative business ethics is a realm of articulation, analysis, and reasoning, and the ever-expansive discourse of human rights has exposed it to a new domain full of questions, puzzles, and indeterminacies. A lot of progress has been made, and scholars are approaching a phantom of consensus in some areas. Yet a lot remains to be debated.

### **Human Rights in Empirical Business Ethics**

The contemporary discourse of human rights has emerged out of international and national law. Consequently, research on human rights has to date been largely dominated by conceptual and normative scholarship with strong legal flavor. Within the much smaller literature of empirical business ethics on human rights, the majority of work have been case studies focused on documenting violations of human rights in bounded organizational settings with limited implications beyond the studied incidents. The dearth of empirical research on human rights in business is recently called out as one of the main problems that need to be addressed (Deva et al. 2019).

The significant contributions that empirical business ethics can make to BHR are visible in the parallels and connections of empirical work with the core concerns of normative business ethics literature on human rights. The debates between universalist and relativist camps can be informed by empirical studies of different societies to see if there really is some common denominator to culturally varied understandings of human rights. This enables researchers to discuss the already existing similarities and differences of the notion of human rights across societies and cultures rather than engaging in endless abstract arguments. Considering human rights as part of the broader morality in a society or culture, the literature of empirical business ethics has a lot to offer to the discussion of universality versus relativity of moral understandings (Melé and Sánchez-Runde 2013).

Similarly, the discussions on the breadth of the scope of human rights responsibility of businesses can be enriched by empirical investigations of

how this responsibility is perceived among business practitioners. There are studies that show the subset of human rights that most business practitioners consider relevant are labor rights and workplace health and safety (Ruggie 2007). There are also studies that highlight the stark difference between extractive and nonextractive sectors when it comes to interpreting and reacting to human rights abuses with business managers in the extractive sector showing a status quo bias justifying their support of repressive rulers (Vadlamannati et al. 2020). The guidance and recommendations of normative research for businesses cannot ignore these empirical findings that represent the reality on the ground.

With respect to the question of reasons, motivations, and justifications that drive businesses to take responsibility for human rights, empirical business ethics can shed light on the cultural repertoire that drives decision-making. So instead of unwarranted presuppositions about what are the motivations of business practitioners (e.g., the financial bottom line), empirical studies can identify the range of factors that are at play for any single decision by business practitioners (Shadnam *in press*).

In short, while empirical business ethics research has to date remained underutilized in BHR, it can make an indispensable contribution by clarifying how business practitioners in different cultural contexts understand human rights and business responsibility, and what makes them take or avoid responsibility. It elucidates the variation, dynamics, and politics of drawing the lines between moral, immoral, and nonmoral categories in matters related to human rights in business (Shadnam et al. 2021).

## Cross-References

- [Business, Law, and Codes of Ethics](#)
- [Capitalism](#)
- [Child Labour and Child Slave Labour in the World of International Business](#)
- [Compensatory Justice to Groups](#)

- [Corporate Governance and Values-Based Management](#)
- [Corporate Power over Human Rights](#)
- [Economic Efficiency and Socioeconomic Well-Being](#)
- [Evolution of Corporate Social Responsibility: A Historical Overview](#)
- [Gender-Based Violence Against Women and Girls](#)
- [Large-Scale Resource Extraction and Violence Against Women](#)
- [Living Wage and Business Ethics](#)
- [Modern Slavery in Global Supply Chains](#)

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## Human Rights and Environmental Change

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### Synonyms

Business responsibility for environmental rights;  
Business sustainability and environmental justice;  
Corporate environmental responsibility

### Introduction

The environment has been the subject of corporate responsibility or responsible business conduct guidance tools since at least 1991 when the Organization for Economic Cooperation and Development (OECD) added an environmental chapter to the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines). However, the relationship between environmental change and human rights and the corresponding implications for responsible business conduct has been underexplored until recently. In 2011, a human rights chapter was added to the OECD MNE Guidelines, following the endorsement of the United Nations Guiding Principles for Business and Human Rights by the UN Human Rights Council. The substance of an environmental human rights approach to ethical business conduct has been gradually clarified since that time (Seck 2020b).

An environmental human rights approach to business responsibilities provides a crucial tool for ethical action in a time of global ecological crisis. The health of people and planet are inextricably intertwined, as is evident from the example of the Covid-19 pandemic. Climate change and loss of biodiversity are associated with a rise of zoonotic diseases like Covid-19, while those whose health has been compromised due to exposure to pollution are more vulnerable to diseases

like Covid-19. At the same time, it is impossible to comply with public health guidelines such as handwashing in the absence of access to clean water (Seck 2020b). In short, those whose environmental human rights have been violated are rendered vulnerable to other harms. Ethical business conduct necessitates attention to the impacts of environmental change on human rights, whether directly or indirectly caused by business conduct, and action to prevent and remedy associated harms.

### Understanding Environmental Human Rights

Sources of international and regional human rights and environmental law confirm that environmental human rights are comprised of both procedural rights and substantive rights, with equity and nondiscrimination as cross-cutting human rights concerns (Turner 2019; Atapattu and Schapper 2019). The 2018 Framework Principles on human rights and the environment clarify the content of an environmental human rights approach (Knox 2018). The starting point is recognition that the environment and human rights are interdependent: it is impossible to enjoy one's human rights to the fullest extent, including rights to health, food, water, and even the right to life, without a healthy environment; yet at the same time, the exercise of human rights to information, freedom of expression, participation, and remedy are essential in order to protect the environment (Knox 2018).

Procedural environmental human rights are well established in source of international environmental and human rights law. Key procedural environmental rights include the right to timely, affordable, and effective access to information on environmental matters that may undermine your rights, as well as the right to the prior assessment of environmental impacts of proposed projects or policies including their effects on human rights (Knox 2018). In order to fully enjoy procedural environmental rights, the exercise of rights to freedom of expression, freedom of association, and peaceful assembly must be respected with

regard to environmental matters. A key component of procedural environmental rights is the protection of a safe space for environmental human rights defenders that is free from harassment, threats, intimidation, and violence. Everyone also has the right to effective public participation in environmental decision-making that may impact their rights. Ultimately, access to effective remedies for violations of environmental human rights is also crucial, whether the violations are of procedural rights or substantive rights.

Substantive environmental human rights may be expressed as an overarching substantive environmental right, subdivided into substantive components, or expressed in relation to other substantive human rights. The overarching substantive right to a safe, clean, healthy, and sustainable environment is found in many but not all constitutions around the world. This overarching environmental right may be subdivided into components: the right to breathe clean air; the right to a safe climate; the right to safe drinking water and sanitation; the right to healthy and sustainably produced food; the right to nontoxic environments in which to live, work, study, or play; and the right to healthy biodiversity and ecosystems (Seck 2020b). The recognition that without adequate environmental protection, other human rights are impossible to fully enjoy may be described as the “greening” of other substantive rights, such as the right to life, the right to security of person, the right to privacy, or the right to culture.

Those who are most vulnerable to environmental harm, or at particular risk from environmental harm, may require additional measures to adequately protect their rights. As a result, attention to equity and nondiscrimination is the third component of an environmental human rights approach. Both direct and indirect discrimination must be avoided in order to ensure everyone has meaningful access to information, participation, and remedies with regard to environmental harms, and the siting of hazardous facilities does not contribute to environmental racism. Vulnerability to environmental harm may arise for some people due to a denial of their human rights, whereas for others it may arise due to their unusual susceptibility to environmental harm. Those commonly

identified as most environmentally vulnerable or at risk from environmental harm include children, women, the elderly, the disabled, the poor, displaced persons, and ethnic, racial, or other marginalized minorities (Knox 2018). Indigenous peoples and other traditional local communities are particularly vulnerable to environmental harms due to the close and often reciprocal relationships they have with the natural ecosystems of their ancestral territories. Indigenous peoples are entitled to recognition of their unique rights including to free, prior and informed consent before measures are taken that may impact their environmental human rights. As the holders of traditional ecological knowledge, their meaningful inclusion in environmental decision-making is crucial to the sustainability of their territories.

## **Business Responsibilities and Environmental Change**

The 2011 United Nations Guiding Principles on Business and Human Rights (UNGPs) do not make explicit reference to the responsibility of business enterprises to respect environmental rights as they do with regard to labor rights. However, it is important to read the UNGPs in light of the 2018 Framework Principles on human rights and environment, among other sources designed to clarify the content of environmental human rights. Principle 12 of the 2018 Framework Principles confirms that it is the responsibility of states to effectively enforce environmental standards against businesses as well as public sector actors. However, the business responsibility to respect human rights as confirmed by the UNGPs includes “the responsibility to avoid causing or contributing to adverse human rights impacts through environmental harm, to address such impacts when they occur and to seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships” (Knox 2018). All businesses must comply with all applicable environmental laws and so meet the substantive environmental standards established by states. However, if the environmental standards set by the state are inadequate to protect

the environmental human rights of vulnerable groups, or enforcement of these laws is not effective, then compliance with state law will not be sufficient for a business to meet its own independent responsibility to respect rights. In accordance with the UNGPs, the 2018 Framework Principles provide that all businesses should “issue clear policy commitments to meet their responsibility to respect human rights through environmental protection, implement human rights due diligence processes (including human rights impact assessments) to identify, prevent, mitigate and account for how they address their environmental impacts on human rights, and enable the remediation of any adverse environmental human rights impacts they cause or to which they contribute” (Knox 2018).

The business responsibility to respect environmental human rights emerging from the UNGPs is often described as a responsibility to do no harm. However, other responsible business conduct guidance tools, such as the United Nations Global Compact, describe this responsibility as also imposing a positive duty to support human rights (UNGC n.d.). This is particularly important with regard to environmental human rights defenders who may be targeted by their own state should the state prioritize economic development over environmental protection to the detriment of rights holders. In this situation, the responsibility of business is to promote and advance human rights, becoming a champion of human rights, and so provide support to environmental human rights defenders.

An environmental human rights approach to business responsibility is also consistent with the 2030 Sustainable Development Goals (SDGs). The SDGs seek to achieve gender equality and to realize human rights and are to be implemented by all stakeholders in partnership, including by the business sector. The need to realize environmental human rights is implicit in many of the individual SDGs, while procedural environmental rights are reflected in SDG 16 which is concerned with peace, justice, and institutions (Seck 2018). Nevertheless, critiques of the sustainable development agenda raise concerns that the endorsement of economic growth (even if “green”) cannot be consistent with the imperative that

development remain within the limits of planetary boundaries (Atapattu et al. 2021). A circular economy approach that integrates responsibility for environmental human rights may be one way to overcome this concern.

An environmental human rights approach to business responsibility is also evident when the environmental chapter of the OECD MNE Guidelines is interpreted in light of the human rights chapter added in 2011. The 2018 OECD Due Diligence Guidance for Responsible Business Conduct provides clarity on the relationship between the two, as it confirms the expectation of the UNGPs that business enterprises will carry out due diligence to identify, prevent, and mitigate adverse impacts, whether existing or potential, across their operations and business relationships, and then account for how they address these impacts (OECD n.d.). As environment-related examples are integrated throughout the 2018 Due Diligence Guidance including in relation to waste management, climate change, and biodiversity, while additional examples draw attention to the situation of environmental human rights defenders. Sector-specific RBC guidance tools developed by the OECD also increasingly integrate an environmental human rights approach. For example, the 2017 OECD Due Diligence Guidance on Responsible Supply Chains in the Garment and Footwear Sector provides that businesses should identify potential and actual environmental harms in their operations and supply chains through risk scoping and supplier assessments, with attention to hazardous chemicals use, water pollution, and greenhouse gas emissions. Specific instance complaints raising environmental human rights concerns in relation to business conduct may be brought to National Contact Points established by adhering states to the OECD MNE Guidelines.

Integration of an environmental human rights approach to responsible business conduct is also slowly emerging in the context of children’s rights and worker’s rights (Seck 2018). This integration is evident where attention is paid to the implications of toxic substances on the health of workers, but also where attention is paid to workers as the parents of children who are unusually susceptible to environmental human rights harms. In this case,

a lack of access to decent living conditions for female garment sector workers, for example, may have a disproportionate negative impact on their children who may lack access to unpolluted drinking water.

## Conclusions

While there is increasing evidence that environmental human rights concerns are being integrated into corporate responsibility or responsible business conduct guidance tools, these developments are very recent and are not yet comprehensive. For example, a fulsome consideration of the business responsibility to respect human rights in light of climate change is only recently emerging, and its exact counters remain contested (Seck 2020a). Meanwhile, the implications of plastic pollution on human rights is an area of increasing concern, as are the implications of biodiversity loss on human rights. It is anticipated that these and other environmental change issues associated with global ecological crisis will receive close attention in future RBC guidance tools. Ethical business practice demands attention to environmental human rights concerns.

## Cross-References

- [Business and Human Rights](#)
- [Indigenous Environmental Justice](#)

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## Human Rights and the Multinational Corporation

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## Synonyms

Business and human rights; Corporate respect for human rights; Human rights responsibilities of large corporations

## Introduction

A multinational corporation (MNC) is defined simply as a company that owns property or operates in at least two countries. Today, such



corporations are common and take many forms (Muchlinski 2007). Smaller MNCs may operate in only two countries and engage primarily in cross-border trade. Others may operate across a broader regional area. Increasingly MNCs do not merely own facilities or otherwise control production in multiple locations but operate subsidiary companies abroad. This may be for the purposes of selling in new markets, such as the parent company Starbucks coffee owning a subsidiary in China with the same branding and products. Subsidiaries also allow companies to enter new sectors, with Starbucks having owned subsidiaries producing bottled water, a record label, and a bakery chain. Subsidiaries can serve a third purpose of separating assets to reduce liabilities or to minimize tax liabilities, following the possibilities for profit maximization contained within company law. Another type of MNC is the investment fund or private equity firm. These are companies that invest in or purchase other companies, either because they are a good immediate investment or because the managers believe the company has untapped potential. Blackstone, a self-described “investment business” that combines private equity purchases with hedge fund investments, claims on its website to “support” over 200 companies. These firms will have a constantly rotating portfolio of companies under their management and the buying and selling, merging, and splitting, of companies is a core part of their business strategy.

MNCs therefore move from simple mercantilist firms engaging in cross border trade to sprawling entities so diverse that directors may not know every company under their control. From the human rights perspective, this diversity of scale and form naturally entails differing possible impacts on human rights (Kinley and Joseph 2002). One major distinction would be the feasibility of an MNC evading local home state regulation by outsourcing or relocating abroad, something of which not every MNC would be capable. The diversity of sectors is equally important, with MNCs operating across most business lines. Mining, agriculture, and factory production

each carry well known human rights risks, while MNCs that produce or control essential resources such as pharmaceuticals or housing have an innate relationship with the fulfillment of human rights.

MNCs today display at least three major relationships with human rights. First, they are deeply involved in the production of essential human rights resources, from jobs to houses to medical care; second, they are frequently criticized for their impacts upon human rights; and third, they increasing talk about human rights issues, from specifics such as racial justice in the USA, to generalized “respect” for human rights following international standards (Birchall 2019). Other entries in this encyclopedia talk about human rights as related to business in various ways, and so this entry will focus specifically on the nature of the large MNC, what it means to consider such business behemoths to hold human rights responsibilities, and how these powerful entities understand and construct their own responsibilities.

## MNCs and Respect for Human Rights

MNCs are asked by the most relevant standards to “respect” human rights. But what exactly does it mean for a multinational conglomerate, which owns numerous subsidiaries, works with even more suppliers, and touches upon almost every industry, to respect human rights? Respect can mean many things. At its most basic, respect entails non-violation, or non-intrusion in the life of another. A landowner respects her neighbor’s land by not interfering with it in any way. But respect, including in the human rights context, often suggests more. Respect can mean recognizing the humanity, the dignity, of others, recognizing that the other is also valuable. Respect can take a broader perspective of the respectful citizen, the citizen that acts respectfully towards her whole community.

Respect meaning non-violation has the advantage of allowing neat delineations to be drawn. But neither an individual nor an MNC can legitimately claim to be “respectful” by merely

avoiding overt intrusion upon others. The primary reason for this is because social life entails the constant interaction of individuals with one another, and of MNCs with numerous people, places, companies, and governments. Non-intrusion can work to set some limits, but lives intrude and intertwine by their nature. We respect our neighbors not by limiting our intrusions and attacks upon their dignity, but by fully recognizing and valuing that dignity. A homeowner is not respecting her neighbors by always keeping just below the legal minimums of noise levels, of home disrepair, and of littering. This person would be universally understood to be a bad, disrespectful, neighbor, and that she made sure she never quite breached a law would only make her more disrespectful, a calculated disrespect designed to maximize her own self-interest to the detriment of her community while carefully avoiding sanction.

Yet when it comes to MNCs respecting human rights, this is the general approach employed. It is publicly accepted that corporations will try maximize their self-interest within legal limits, including of pollution, of labor exploitation, and of profiting from reduced access to essentials. A corporation that, over many years, manages to tow this line without serious allegation of breach is to be regarded as a particularly good corporation, a leader in the field of responsibility, despite potentially serious community impacts (Bravo et al. 2020). One reason we make this distinction is because the corporation is too large and rootless to be held to any serious community standard. Labor supply chains, for example, are rooted in a kind of original sin of companies abandoning their hometown workforces to pursue cheaper labor options in the developing world. Any attempt to enforce respect for the dignity of its new workforce is always going to be a limited by this context. Because free-moving capital with its ability to select a new labor force almost at will is a fundamental norm – as unchallengeable as laws of physics, it seems – respect for this labor force must fit within that labor force also being the most profitable (Baars 2016).

Discrete definitions are often employed to construct a non-intrusion form of respect in innately intrusive situations, of which employment is the most obvious example. Minimum standard labor rights, including the prohibition on child labor and a basic needs wage do not come close to guaranteeing or even fostering a respectful workplace, but instead set limits on how far dignity can be intruded upon. The notion of “freely chosen” work bears a great deal of weight in such situations, with work that is not overtly coerced considered at least minimally non-intrusive, and the most progressive programs encouraging decent wages and hour limits as well. None attempt to ensure comprehensive respect for workers, such as managers would be obligated to maintain in industries suffering labor shortages. What it means to “respect” another can be highly circumstantial (Birchall 2019a).

## BlackRock and Respect for Human Rights

To look closer, this entry turns to one such MNC, the investment manager BlackRock. BlackRock is one of the largest investors in the world, owns numerous companies, and is heavily invested in human rights-relevant areas. It is also famous for its CEO, Larry Fink, writing an annual letter that focuses heavily on the human rights responsibilities of BlackRock and of business and investors more generally. How does BlackRock understand its human rights commitments?

In a 2021 statement on their commitment to human rights, BlackRock wrote that “[i]t is our conviction that our clients, as long-term shareholders, benefit when companies operate their businesses responsibly. Unmanaged potential or actual adverse human rights issues can not only harm the people directly affected, but also expose companies to significant legal, regulatory, operational, and reputational risks.” Rogge (2021) argues that in BlackRock’s approach “human rights risks to people are treated instrumentally insofar as such risks have potential to rebound

onto investors.” Human rights are relevant because they may adversely impact investor profits. While this approach is clearly ripe for critique, it must be remembered that BlackRock exists to make their investors money and owes fiduciary duties to ensure they attempt to do this as best they can. It may be unwise to expect too much. However, BlackRock is an interesting case because the organization claims to care strongly about human rights, to be trying to do good, and explicitly argues that human rights “issues” are bad for business. This then begs the question of what BlackRock means by human right issues, of how they understand human rights risks as risks to business.

Although BlackRock does not provide a definitive list of human rights issues that it considers relevant, it highlights poor working conditions including forced labor, community harm such as infringing on indigenous peoples’ rights, discrimination, and privacy issues. Because these issues are explicitly relevant because they may cause risks to the business, such as reputational harm, strikes, or jeopardizing access to resources, we can assume that BlackRock is more interested in the more egregious forms of these problems, as well as those forms around which activism is more developed. If certain forms of harm to rights will not cause such risks, BlackRock may be content to cause that harm.

BlackRock clearly follows a business case understanding of human rights responsibilities and rationality. The business case for human rights is the idea that causing human rights violations is bad for business and respecting rights can be a boon for business, for reasons of consumer reputation, industrial relations, and community satisfaction. This is often juxtaposed to law as its antithesis, with law relying on coercive force where the business case relies on management incentives. However, at least in terms of the issues, of which human rights, and of which problems, are considered important, there is a strong degree of overlap between the two. Simply, the issues that are frequently prohibited in law are also the issues that business case instrumentalism

is most likely to focus upon where they are not legally prohibited. Lawmakers operate within a similar normative paradigm to business managers, both groups seek to act over a similar group of issues, and to ignore the same groups of issues.

This is seen in one major recent policy shift by BlackRock, their investment in housing, particularly in the USA and with an eye toward evictions and mortgage arrears following the end of COVID-related policies such as the moratorium on evictions. Following in the highly profitable footprints of investment firm Blackstone (Birchall 2021), BlackRock has started buying up homes to be used as rental properties, from houses to apartment blocks, and attempting to purchase significant chunks of neighborhoods. This business decision will limit access to affordable housing and will mean that many individuals who would have been homeowners building nest eggs will instead become lifelong renters without an asset to fall back on. It should be obvious to a human rights-focused company that this choice is not beneficial to access to housing. They are not building housing, they are merely using their enormous reserve funds to buy (over market value) as many homes as possible and to control those markets.

Such decisions reveal as much about human rights ideology as they do about BlackRock. BlackRock takes seriously those human rights issues that are popularly considered to be major problems. BlackRock considers that it can profit from reducing access to affordable housing, despite this being a core element of the human right to housing, because it does not generate a serious level of human rights condemnation. It is a more vexatious problem than some. Forced labor, for example, is a directly coercive act, while BlackRock’s ownership of a large segment of a housing market does not directly coerce any individual. But it does create a structure in which home ownership is much more difficult, in which renting becomes much more common, and therefore in which lower income people are forced to devote a large portion of their incomes to funding BlackRock’s profits rather than building

their own assets. Such a structure generates poverty and economic insecurity and is one important causal factor in well-known trends toward rising in-work poverty, child poverty, and, in the UK, use of food banks. We cannot blame BlackRock or other housing investors for these trends in the same way that we can establish causal responsibility for forced labor, but equally it does not take an enormous leap of faith to see that such investment choices are one important element of a deleterious social matrix, in which investor profit takes precedence over social need.

## The Contemporary MNC and Human Rights

BlackRock is emblematic of the contemporary MNC. It is vast, with tendrils in numerous sectors. Its investors reap huge profits and its directors are billionaires. It talks human rights, responsibility, and positive purpose with gusto. But BlackRock's core mission is to make profit. Human rights concerns are only relevant insofar as they threaten this profit. This allows for an enormous scope of activity that appears to threaten access to housing, or to exploit workers, or exacerbate climate change, but which, due to the matrix of norms that constitute human rights priorities, can be done without threatening profit. Nonetheless, BlackRock does respect human rights relatively well according to the contextual norms of what it means for an MNC to respect human rights.

BlackRock's engagement with human rights reveals the social structure of contemporary human rights concerns and their relationship with business self-interest (Chadwick 2021). When BlackRock states that respecting human rights is good for business, it refers only to a specific set of well-known human rights abuses. As MNCs grow and take control of more and more elements of life, particularly supplying essential resources, it may become necessary to take a more comprehensive view of human rights responsibilities and social justice as connected to business.

## Cross-References

- [Business and Human Rights](#)
- [Corporate Power over Human Rights](#)
- [Human Rights](#)
- [Human Rights and Business Ethics](#)
- [Human Rights, Capability Approach, and Corporate Responsibility](#)
- [Human Rights Duties Towards Future Generations and Achieving Climate Justice](#)
- [Human Rights Impact Assessments](#)
- [Large-Scale Resource Extraction and Violence Against Women](#)
- [Respect and Business Ethics](#)

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## Human Rights Duties Towards Future Generations and Achieving Climate Justice

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### Synonyms

Climate change; Climate justice; Future generations; Intergenerational justice; Human rights

### Introduction

As the world grapples with the reality of a rapidly changing climate, two dimensions of the problem have become increasingly clear. Firstly, climate change threatens the enjoyment of human rights in diverse and serious ways. Secondly, the impact of climate change on the enjoyment of human rights will persist into the future, even if mitigation and adaptation efforts are stepped up significantly. The impact of climate change on future generations has been recognized as a form of climate injustice, as future generations have not contributed to the problem of climate change but will inevitably endure its worst effects.

The discussion below will explain intergenerational climate justice and examine how it could be advanced through the recognition of human rights duties toward future generations. It will address both moral and legal understandings of future generations' human rights and introduce some of the contemporary legal approaches being utilized to enforce stronger climate action and, ultimately, to achieve intergenerational climate justice.

### Climate Justice

Climate justice has both intra- and intergenerational dimensions, though until recently the focus of the international climate

regime has been on achieving the former, with relatively little attention given to the latter.

### Intra-generational Justice

At the level of the international climate regime, intra-generational climate justice seeks to distribute the burdens of climate change fairly among developed and developing states, having regard to their different capacities for adaptation and mitigation. It seeks to account for the fact that developed states have historically contributed more to the problem of global greenhouse gas emissions, and continue to do so. It also acknowledges the differential impacts of climate change and the fact that some of the worst environmental consequences are predicted to affect the Global South (Shue 2014).

The need for climate justice is reflected in the international climate regime through the principle of common but differentiated responsibilities (CBDR). CBDR was first articulated in 1992 in the *Rio Declaration on Environment and Development*, Principle 7 of which says:

In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command. (United Nations Environment Programme, 1992)

The concept was also translated into *United Nations Framework Convention on Climate Change* (UNFCCC), where it is included as a core principle guiding the international response to climate change (UNFCCC 1992, art 3).

At a more local level, intra-generational climate justice recognizes the fact that climate change affects different communities and individuals in different ways. It is similar to the concept of environmental justice (Schlosberg 2007), which recognizes that poor and marginalized communities, people with disabilities, Indigenous peoples, and minority groups are often disproportionately affected by environmental conditions. This is also true of climate change, and climate justice emphasizes the need to protect those who are most vulnerable to the impacts of global warming (Shue 2014).



## Intergenerational Justice

The injustice of climate change is also evident in a temporal, and not just a geographic, sense. The impacts of climate change will continue to manifest for centuries to come. This will be the case even if we achieve rapid reductions in greenhouse gas emissions in the near future, owing to the long-term effects of carbon already in the atmosphere and the thermal inertia of the world's oceans (Allen et al. 2018; Mauritsen and Pincus 2017). Consequently, future generations will inevitably experience the serious environmental consequences of our past and contemporary emissions. Because they have not contributed to the causes of climate change, the impacts which future generations will inevitably endure constitute a form of climate injustice (Lawrence 2015). This injustice is compounded by the obvious fact that future generations cannot advocate for their own interests or contribute to decision-making around climate policy.

The concept of intergenerational climate justice can be understood and addressed through its connections to the theory of intergenerational equity. The most well-known definition of intergenerational equity comes from Edith Brown Weiss (1989, 2008), who argued that current generations have an obligation not to leave the planet in any worse condition than when they found it. This obligation includes ensuring that future generations have equitable options, quality, and access in relation to the natural resources they will inherit from current generations.

As a general principle, intergenerational equity has a long history within international environmental law.

Versions of the principle are included in a number of specific environmental law treaties, such as the *International Convention for the Regulation of Whaling* (1946) and the *Convention on Biological Diversity* (1992), where it is employed to encourage states to conserve natural resources for the benefit of future generations. It can also be found in soft law instruments like the *Stockholm Declaration on the Human Environment* (1972) and the *Rio Declaration* (1992), with the latter recognizing the important link between intergenerational equity and sustainable development.

The international climate regime recognizes the importance of intergenerational climate justice in limited ways. The principles underpinning the UNFCCC (1992) state that “Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities” (art 3). The *Paris Agreement* (2015) notes “the importance for some of the concept of ‘climate justice’” and includes intergenerational equity among several other considerations which states should take into account (preamble paras 11 and 12).

Paragraph 11 of the Preamble to the *Paris Agreement* states:

Acknowledging that climate change is a common concern for humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development as well as gender equality, empowerment of women and intergenerational equity.

While this paragraph recognizes various cohorts who deserve climate justice, its location in the Preamble means that it is not legally binding on states parties. Furthermore, intergenerational equity is just one of many considerations which need to be balanced, but there is no guidance for how that balancing should occur. States are therefore not legally obliged under the climate regime to protect the interests of future generations specifically and the iterations of intergenerational climate justice at the international level are limited.

At the national level, a small number of countries have dedicated mechanisms to advance the interests of future generations, and these have potential for achieving climate justice. For example, Hungary's *Fundamental Law* (2011, s3(1)) includes protections for future generations. The Ombudsman for Future Generations has been created to monitor compliance with this law and investigate issues which impact on future generations' interests (Szabó 2015). In Wales, the *Well-being of Future Generations Act 2017* creates obligations for public entities to consider the



long-term impacts of their decisions and act to prevent negative impacts on future generations. It establishes the Future Generations Commissioner, whose role is to be a guardian for future generations and oversee compliance with the Act (s18).

There is also a body of legal jurisprudence emerging out of litigation that seeks to protect future generations' interests in climate decision-making. In some countries these cases rely on constitutional rights and duties to protect the interests of future generations (*Demanda Generaciones Futuras v Minambiente* 2018; *Neubauer et al. v. Germany* 2021) while others are based on legislative or common law duties of care toward children or future generations (*Sharma v Minister for the Environment* 2021; *Milieudefensie et al. v Royal Dutch Shell PLC* 2021).

These cases are starting to fill the gaps in the international climate regime in order to better protect the interests and rights of future generations from the inevitable harms of global warming. The next section turns to consider how human rights law and principles can further contribute to intergenerational climate justice.

## Human Rights of Future Generations

Climate change interferes with the enjoyment of many human rights that are recognized in international and domestic laws. Severe weather, poor air quality, rising sea levels, and increased temperatures are already impacting on rights to health, housing, food, and water, as well as Indigenous peoples' rights to land, culture, and self-determination (Knox 2016; Committee on the Elimination of Discrimination Against Women et al. 2019). These human rights impacts will equally be felt by future generations, perhaps even more so as climate change worsens over time. With this in mind, scholars and advocates have started exploring how human rights-based approaches might provide a means of protecting future generations' interests and securing stronger action on climate change.

In simple terms, a human rights-based approach can apply where a rights-holder possesses particular rights, usually recognized under a relevant legal framework. Those rights impose corresponding obligations on a duty-bearer, and usually include duties to respect, protect, and fulfill the relevant rights. Where a legal framework is in place, the duty-bearer can be compelled to act consistently with their duties, or be found in violation of the law if they fail to do so. Such an approach could potentially be applied in favor of future generations provided that 1) future generations can be thought of as rights-holders under the relevant framework; 2) a corresponding duty-bearer can be identified; and 3) laws or processes are in place which enable the duty-bearer's obligations to be enforced.

## Do Future Generations Have Rights and Do We Owe Them Duties?

The first two issues (rights-holders and duty-bearers) have both theoretical and legal dimensions. There has been some debate among moral and political philosophers about whether future generations can be said to possess human rights. One approach relies on what Gosseries (2008) describes as "right-bearer contemporaneity": rights only exist when the person exists. Macklin (1981), for example, has argued that rights can only exist with respect to "actual persons," and cannot therefore belong to persons not yet born. Parfit's (1984) "non identity problem" is another argument against recognizing future generations as holders as rights. Parfit argues that our actions today determine not only what kind of world future generations will live in, but also the specific identities of those future persons. Consequently, we cannot be said to owe obligations to future generations to act in one way or another because, if we act differently, we change the identity of people who will come into existence. The very existence of future generations depends on our *not* acting differently.

However, these arguments are counter-intuitive to the general sense that we ought to be concerned about the future consequences of our

actions, and are clearly inconsistent with the thinking that underpins intergenerational justice. There are alternative theories of human rights which are more open to recognizing the rights of future generations. The “interest theory” of rights developed by Raz (1986) and Feinberg (1981) is one such example. It defines human rights as interests that are weighty enough to impose obligations on others. Applying this approach, as long as we can conceive of future generations having interests, we can conceive of their having rights. This does not change because we cannot know the precise identity of those future persons; we know that future persons will exist and that they will have interests, and that is a sufficient basis to say that they will possess rights (Feinberg 1971). From this basis, scholars like Caney (2006) and Bell (2011) have argued strongly that current generations have obligations to address climate change because of the impact it will have on future generations’ rights.

### Can Future Generations’ Rights Be Legally Enforced?

In theory then, it is possible to say that future generations have human rights and that current generations have obligations to protect those rights. The legal enforcement of those obligations in the context of climate change is somewhat more problematic, however, as few legal frameworks recognize the rights of future generations.

At the international level, human rights treaties do not include future generations among the people to whom states owe obligations, at least not explicitly. International human rights law usually stipulates that states owe duties to persons under their jurisdiction. Traditionally this has been thought to impose both territorial and temporal limits on states’ duties, with the result that states have not been compelled to protect the rights of future generations.

However, some recent developments have shown that this bounded approach to human rights duties may be opening up. A recent joint statement of United Nations human rights committees explained that, in relation to climate change:

State parties have obligations, including extra-territorial obligations, to respect, protect and fulfil all human rights of all peoples. Failure to take measures to prevent foreseeable human rights harm caused by climate change, or to regulate activities contributing to such harm, could constitute a violation of States’ human rights obligations. (Committee on the Elimination of Discrimination Against Women et al., 2019, para 1)

Given the foreseeability of climate impacts on future generations, this approach plausibly supports duties to protect their rights.

The Inter-American Court of Human Rights has also expanded its interpretation of states’ duties under the *American Convention on Human Rights* (1969). In a recent Advisory Opinion on environmental human rights, the Court stated that duties to respect and ensure human rights arise whenever a state exercises “effective control” over an action that causes environmental damage, even when that damage occurs outside its borders (Inter-American Court of Human Rights, 2017). While this reasoning is most directly relevant to extra-territorial human rights duties, it opens up potential for a state to be held responsible for the future consequences of its greenhouse gas emissions.

As noted above, emerging judicial interpretation of duties also gives much greater regard to future generations’ interests. Often, however, the potential for courts to protect future generations’ rights is stifled by rules of standing and admissibility. International human rights law often limits admissible claims to situations where harm has occurred or is imminent, and more remote claims may be rejected even where the harm is foreseeable (*E.W. et al. v. The Netherlands* 1993; *Beydon v. France* 2005).

At the domestic level, some states provide dedicated processes to enable claims on behalf of future generations (as noted above) but many lack these sorts of pathways for future generations’ claims to come before the court. One way around this is evident in the increasing trend of climate litigation being brought by children and young people. For example, a group of children and young adults is challenging the approval of a

new coal mine in Queensland, Australia, on the basis that the resulting climate change will violate their rights under the *Human Rights Act 2019* (*Waratah Coal v Youth Verdict*, 2020).

At the international level, cases are currently on foot in both the European Court of Human Rights and the Committee on the Rights of the Child in which children are arguing that states' failures to address climate change constitute a breach of their human rights (*Cláudia Duarte Agostinho and others v Portugal and 32 Other States*; *Sacchi et al.* 2019). In this way future generations' rights can be protected without relying on the rights of generations not yet born.

### Can Human Rights Deliver Climate Justice for Future Generations?

Climate change presents a number of challenges for human rights frameworks, because it does not fit the usual template for a human rights violation. The long-term, cumulative, and transboundary nature of climate change does not sit comfortably within the usual model of a human rights violation, in which the acts or omissions of a single government have caused an interference with the rights of an identifiable individual or group. Previously this has been thought to place a significant limit on the utility of human rights in addressing climate injustice, particularly intergenerational injustice.

However, more recent developments in national and international jurisdictions suggest that this way of thinking may be shifting. Increasingly, courts are using the concept of intergenerational equity to interpret states' obligations and recognizing responsibilities to protect future generations from the serious harms of climate change. While the rights of future generations are rarely recognized explicitly in human rights laws, the links between human rights and climate justice are being explored in litigation within different legal frameworks. Human rights provides a way of understanding and communicating the future impacts of climate change and can be used to frame states' obligations to take stronger action. This approach gains additional

power because of the close links between human rights law and its moral and theoretical foundations. Human rights can advance the interests of future generations by highlighting our moral and legal obligations toward them, and in so doing has potential to contribute to intergenerational climate justice.

### Cross-References

- Corporate Sustainability and Climate Change
- Directors' Duties to Tie Executive Pay to Environmental Protection
- Economics, Ethics, and the Environment
- Environmental Change in the Arctic
- Environmental Conflict/Access to Natural Resources
- Ethical Climate and Ethical Culture
- Human Rights
- Human Rights and Business Ethics
- Indigenous Environmental Justice
- Large-Scale Resource Extraction and Violence Against Women
- Modern Biotechnology, Agriculture, and Ethics
- Resource Extraction, Ethics, and Social Capital

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## Human Rights Impact Assessments

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## Synonyms

Business; Due diligence; Impact assessment; Methodology; Participation; Trade

## Introduction

Discussions about HRIAs began in the 1990s. Impetus came originally from discussions on rights-based approaches to development as well as increasing donor requirements for monitoring and evaluation of human rights program and projects (Landman 2006). However, HRIA did not grow in a vacuum and drew significantly on the larger knowledge and practice related to environmental impact assessment and social impact assessment (Walker 2009).

Today, an increasingly significant body of methodologies and practice exists. Perhaps the most important area has been the development of HRIAs in the context of business projects and activities, in large part due to the endorsement of the *United Nations Principles on Business and Human Rights* (UNGPs) by the United Nations Human Rights Council (UNHRC 2011a). The UNGPs establish the soft-law responsibility of business enterprises to respect human rights,

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together with reiterating the State responsibility to protect human rights in the context of business activities and the right of victims of human rights violations to a remedy. As part of the business responsibility to protect, the UNGPs encourage businesses to undertake human rights due diligence to identify, prevent, mitigate, and account for its impacts on human rights as a result of its activities (UNHRC 2011a). HRIAs have a key role to play in the due diligence process by identifying the potential impact of business projects and activities as a means to prevent and mitigate potential negative effects on human rights (Götzmann 2019).

HRIA methodologies and practice have also grown in other fields. Analysis of the impact of trade agreements on human rights in the early 2000s led to calls for HRIAs of trade and investment agreements (Walker 2019). This led to the development of methodologies and practice (Walker 2009; Harrison 2010). The most significant boost to HRIAs of trade and investment agreements has been the integration of human rights into the European Commission's Trade and Sustainability Impact Assessments (European Commission 2015). As a result, HRIA is integrated into economic, social, and environmental impact assessment of all potential trade and investment agreements entered into by the European Union prior to negotiations. In addition, some civil society organizations have also undertaken HRIAs of trade and investment agreements (e.g., Braunschweig et al. 2014; Paasch et al. 2011). HRIA knowledge and practice has also developed to assess impacts of other areas such as assessment of respect for the right to food in the development context and assessment of the impact of policies and projects on women's health rights, to name just several.

There is no single definition of HRIAs. One definition describes HRIAs in the following terms: "human rights impact assessment measures the impact of policies, programmes, projects and interventions on human rights" (Walker 2011). In the business context, HRIAs have been defined as "a process for identifying, understanding, assessing and addressing the adverse effects of a

business project or activities on the human rights enjoyment of impacted rights-holders such as workers and community members" (Felner 2013; Götzmann et al. 2016). The next section expands on some of the elements of these definitions.

## Process

Importantly, an HRIA is a particular rigorous process or methodology used to assess impact of policies and other interventions on human rights. This process draws on many aspects of EIA and SIA methodologies, and in many aspects, there is considerable overlap between these various impact assessment methodologies. While the process might need to be adapted to each particular assessment, it generally involves the following steps (Walker 2009):

- Preparation – the establishment of the objectives and terms of reference of the assessment
- Screening – the identification of those aspects of a policy, program, project, or activity which should be subject to assessment, for example due to the risks they might pose to human rights enjoyment
- Scoping – the elaboration of those aspects of the policy, program, project, or activity so that it is fully understood and described in a way that real or potential impacts can be identified and measured. Where the policy, program, project, or activity is yet to be implemented, this might require establishing several scenarios to describe how it might play out
- Data collection and analysis – the collection of qualitative and quantitative data and its analysis to understand the real or potential short- and long-term impacts of the policy, program, project, or activity on human rights
- Conclusions and recommendations – the description of positive, negative, or inconclusive impacts on the enjoyment of human rights and the identification of steps to avoid or remedy negative impacts or amplify positive impacts



- Monitoring and evaluation – re-assessment of the policy, program, project, or activity after a period of implementation

## Timing

HRIAs might be *ex ante* or *ex post*. An *ex ante* impact assessment examines the potential future impact of a policy, program, project, or activity on the enjoyment of human rights. It seeks to understand the possible impact so as to influence the direction of the policy, program, project, or activity prior to its implementation (Walker 2011). An *ex post* impact assessment examines the real human rights impacts as a result of the implementation of an existing policy, program, project, or activity (Walker 2011). In some cases, *ex ante* and *ex post* impact assessments might be combined, for example, where an *ex ante* assessment makes a recommendation for an *ex post* assessment after several years of implementing a policy, program, project, or activity. Alternatively, an *ex post* impact assessment might consider some possible future changes to the policy, program, project, or activity and undertake a quick *ex ante* assessment of the likely human rights impacts of these changes (Walker 2011). The question arises whether an *ex post* HRIA is nothing other than human rights reporting on a situation following a particular intervention (Duong 2015). The overlap between *ex post* HRIA and other human rights reporting is potentially significant. However, a distinguishing factor of HRIAs, including *ex post* HRIAs, is the rigorous process employed, as outlined above.

## A Human Rights Framework

While the steps outlined above are common to many impact assessments, HRIA should apply a human rights framework to that methodology. That means that the assessment should:

- Examine the impact of the policy, program, project or activity on specific human rights, as

recognized in national legislation and in international treaties

- Examine the extent to which the process of formulating the policy, program, project, or activity respects human rights principles of non-discrimination, participation, transparency and accountability
- Ensure that the process underlying the assessment itself respects human rights principles, with a particular emphasis on popular participation

Applying the human rights framework to the impact assessment process underlines a number of important aspects of HRIAs. For example:

- The terms of reference, the analysis, and the conclusions and recommendations should explicitly refer to human rights standards. Human rights standards set out the definitions and parameters for each right which can help define a baseline below which the assessment might define a real or potential violation. For example, not all health impacts will amount to a right to health impact and human rights standards help to define what becomes a human rights concern.
- Conclusions should be clearly expressed in terms of how the policy, program, project, or activity affects human rights standards. Human rights include not only a set of freedoms and entitlements enjoyed by individuals but also a set of obligations on States and responsibilities on non-State actors. Conclusions should express how the policy, program, project, or activity affects both the freedoms and entitlements of individuals but also the capacity and willingness of States and non-State actors to meet their human rights responsibilities.
- The assessment should use participatory methodologies as much as possible. This places a particular emphasis on the use of qualitative methods, such as interviews and case studies, so as to understand the views and opinions of those affected. The assessment might also involve individuals and communities in the process of undertaking the assessment. While HRIAs emphasize the importance of



qualitative methods, quantitative methods are still often very important, depending on the object of the assessment. A mixed qualitative and quantitative methodology is generally preferred.

- The assessment should identify the diverse nature of people that might be affected by a policy, program, project, or activity. This helps to identify disparate impacts on people so as to avoid or treat discrimination and promote equality. Consequently, data should be disaggregated according to gender as well as other relevant aspects such as ethnicity, minority, disability, depending on the object of the assessment.
- The assessment should examine not only real and potential human rights outcomes resulting from the policy, program, project, or activity but also the extent to which the formulation and implementation of the policy, program, project, or activity respects human rights principles. For example, were individuals and communities consulted in the formulation of a business project proposal? Have policy-makers been transparent in sharing information about a policy with individuals and community members?

## Assessment Tools and Measurement

The scoping step should identify the relevant impact assessment tools. Given the nature of the human rights framework, data collection and analysis tools should span both quantitative and qualitative methods. These include statistical methods, economic modeling, surveys as well as participatory assessment methods, and expert analysis (Walker 2009).

The identification of indicators is a crucial way to focus data collection and analysis and provide a basis for statements on human rights impact (Walker 2011). Indicators help to guide measurement as well as promote transparency in measurement (Braunschweig et al. 2014). Where indicators are not referred to explicitly, or are referred to inconsistently through the assessment, measurement becomes “opaque and disconnected” (Walker 2018). Each HRIA therefore should identify an appropriate set of indicators,

in relation to the policy, program, project, or activity under examination. The human rights indicator framework developed by the Office of the High Commissioner for Human Rights provides a helpful framework to be adapted to each assessment exercise (OHCHR 2012).

The OHCHR framework sets out three categories of indicators, namely:

- Structural indicators that measure *commitment* to a particular aspect of a right – an indicator might be the time frame and coverage of the national policy on sexual and reproductive rights
- Process indicators that measure *effort* to achieve a particular right – for example, the proportion of births attended by skilled health professionals
- Outcome indicators that measure the *result* of the commitment and effort combined on the enjoyment of human rights – for example, the maternal mortality rate

## Actors Involved

A range of different actors have been undertaking HRIAs to date (Götzman 2019; Walker 2019). These include:

- Business enterprises – where business enterprises carry out an assessment in-house. One issue that has arisen here is the question of transparency, both of the process of the assessment but also the results which are not always made public.
- Commissioned assessments – where a State, a group of States such as the EU, or a company commissions a group of experts to undertake an assessment. By commissioning external experts, this can help promote greater independence and transparency in the assessment process, and ideally greater reliability of the results.
- Community-based assessments – where a civil society organization or a community itself evaluates the impact of a policy, program, project, or activity. These assessments are generally characterized by a high level of community participation although those undertaking the assessment do not always have

sufficient access to State and business actors when undertaking the assessment and disseminating the results.

- Multi-stakeholder assessments – where a combination of community, business, and/or State actors engages in a collaborative process to design and implement the assessment. While having great potential, the approach has not been tried in practice.
- States – where a Government agency carries out an assessment such as an impact of a particular policy on promoting equality.
- Regional organizations – where a group of States such as the European Union requires assessment of policies and other interventions prior to their adoption.

## Opportunities and Challenges

The growth in HRIAs continues and there is a growing impetus to encourage HRIAs. Most notably, the due diligence provisions of the UNDPs have led business enterprises and civil society organizations to invest more significantly in undertaking HRIAs. In the area of HRIAs of trade agreements, the requirement that the EU's Trade and Sustainability Impact Assessments (TSIAs) must integrate human rights analysis has also been an important impetus to undertake HRIAs. This has led to an increase in both methodologies and guidance but also practice (Gotzmann 2019; UNHCR 2011b; Harrison 2010; Walker 2009). Today, there is comprehensive guidance on undertaking HRIAs and a growing pool of practice (Gotzmann 2019).

However, HRIAs also face challenges. First of all, HRIAs tend to be involved and therefore timely and expensive to do convincingly. Much will depend on the focus of each particular assessment exercise, yet to take the example of the European Commission's TSIAs, the assessments take some 2–3 years to complete with budgets in the realm of several hundred thousand Euros (Walker 2019). In addition, HRIAs require a range of skills, including not only human rights lawyers but also often economists and social scientists so that expertise covers human rights as

well as qualitative and quantitative methods (Walker 2019). This requires sufficient resources to ensure the commissioning of a team with the requisite qualifications.

Even with adequate resources, HRIAs, particularly in the policy field, can be challenging to identify the human rights impacts. Human rights impacts from policies can often be indirect. When assessing the possible impact of a trade agreement, the first level impacts will often be economic which could have flow-on implications depending on whether a range of other factors (solid institutions, strong civil society, human rights legislation in place, and so on) is available to mitigate impact (Buerger Bonanomi 2017). Consequently, reliable statements of human rights impact might be challenging given the number of variables to take into account. In turn, policy-makers could explain away possible human rights impacts as the impacts might be difficult to trade to the policy (Walker 2019).

A further challenge is the use of participatory approaches to data collection and analysis. HRIA methodologies emphasize participation as a fundamental principle that should underlie assessments. Yet approaches differ significantly from consultations with key actors and the use of expert judgment, to undertaking public and online consultations and workshops while others have engaged communities, undertaken household surveys and semi-structured interviews with community members (Walker 2019). While differing methodologies between HRIAs might not be a problem in itself, there is some indication that the level of participation is related to the entity undertaking the assessment, with civil society organizations engaging more closely with communities and inter-governmental organizations engaging in higher-level public consultation processes. Further, the integration of the results of participatory processes is sometimes not rigorous with little explanation of how qualitative analysis gained through participatory processes is reconciled with quantitative analysis (Walker 2018). More work is needed to identify frameworks to guide and assess participation in HRIAs.

A further challenge is whether HRIAs do have an impact on the policies, programs, projects, or

activities that have sought to examine (Walker 2019). There is a risk that assessments requirement by government agencies or businesses might simply become a bureaucratic step in the process of agreeing a policy, program, project, or activity. Alternatively, sincere efforts by a civil society organization might result in a credible HRIA but policy-makers or business enterprises might not be open to discussing the results due to several reasons such as a lack of ownership of the assessment or engagement in the process or a lack of prioritization of the issues raised in the assessment. In this regard, more study is needed to examine the extent to which HRIAs have influenced changes in policies, programs, projects, or activities.

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- Corporations as Moral Entities
- Development Ethics
- Human Dignity and Business Ethics
- Human Rights

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## Human Rights, Capability Approach, and Corporate Responsibility

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## Synonyms

Business ethics; Corporate social performance; Functionings; UNGP

## Introduction

The UN Guiding Principles for Business and Human Rights (hereinafter, UNGP) (UN 2011), aka the Ruggie's Framework, has become the dominant framework to understand the ethical obligations of business. Even though the principles provide some guidance, there is still a number of challenges that companies face when they set out to instantiate their human rights obligations, including, but not limited to, what specific rights apply to their operations, how to establish priorities among them, and how to instantiate their claims – which sometimes can be very general.

The capability approach (hereinafter, CA) has already gone a long way toward supporting the theory and practice of human rights in a way that can aid in answering these questions. The field of development economics has seen the most progress in this regard, up to the point that the UN Independent Expert on the Right to Development (1998–2004) set out a development framework based on human rights, which objectives should be achieved through the expansion of capabilities. Nussbaum and Sen, the leading figures in the CA, view also human rights as entitlements to capabilities. Nussbaum, in particular, argues that capabilities can conceptually accommodate in an effective way the key normative dimension of human rights, i.e., dignity.

Furthermore, much scholarship is being carried out on the relationship of CA and corporate responsibility and business ethics. Thus, some corporate responsibility and business ethics scholars are developing the idea that human rights responsibilities of business – as gathered in the UNGP – must be ultimately discharged in the way of securing capabilities.

## Capability Approach and Human Rights-Based Corporate Responsibility

### Summary of the Capability Approach

The notion of human capabilities was first introduced by Amartya Sen, who developed his framework largely in the 1980s and 1990s in the context of his work on development and welfare

economics. Equally credited with developing it is Martha Nussbaum.

CA suggests that well-being and development should be conceptualized in terms of people's capabilities to function or to have functionings. Capabilities are different from functionings, in the way that potentiality and actuality differ. Functionings are effective opportunities for people to pursue actions and activities in line with their own conception of a good life. By "effective opportunities," it is meant a person's specific achievements. Examples of functionings may range from simple states like "being well nourished or avoiding preventable morbidity" to more complex ones, such as "appearing in public without shame or achieving political efficacy" (Sen 1985). What is relevant for individuals is not having equal access to whatever goods may be available in a society but whatever he or she is able to do or to be with the goods they come to possess.

According to Sen, in order to understand the ability to do or to be something, two aspects of freedom must be considered: opportunity freedom and process freedom. Opportunity freedom has to do with "whether the person is free to achieve one outcome or another" (Sen 1985), in the sense that there are options available for her to choose from, i.e., it refers to the size and scope of the set of individual and collective options. Process freedom, for its part, is about "whether the person is himself exercising control over the process of choice" (Sen 1985), i.e., freedom from coercion.

A further key qualification for effective functioning is its being underpinned by reflection, which is another way of saying that people's choices are, as mentioned above, based on their own conception of the good life. In this sense, capabilities allow someone "to achieve those things she has reasons to value" (Sen 2002). This typically means for goals of action to be able to withstand rational scrutiny – the highest form of it being a process of open discussion in the public arena.

Ideally, for Nussbaum, this reflection process will procure a set of capabilities that are central for human life: life; bodily health; bodily integrity; senses, imagination, and thought; emotions; practical reason; affiliation; other species; play; and

control over one's environment. Basic as they are, albeit interrelated in many complex ways, there is no substituting for or slacking on them.

The last CA's basic element described by Sen is the notion of "conversion factors." They are necessary conditions that must be met for capabilities to convert into functionings, which Nussbaum refers to as "material and social aspects" of human life. According to Sen (2005), there are four types of conversion factors that both constrain and channel human life and activities. The first is physical environment, such as climatic circumstances, floods, etc. The second is social climate, such as political institutions, availability of healthcare, educational arrangements, prevalence or absence of crime and violence, community relations, etc. The third is relational perspectives, which include standards for community life, social norms, etc. Finally, the fourth is personal heterogeneities, such as disparate physical characteristics linked to age, gender, disability, proneness to illness, etc. Conversion factors may go beyond its instrumental role to become part of capabilities themselves, as when getting into good shape (part of personal heterogeneities) may play a role in keeping someone's life longer and more satisfactory.

### **Dignity as Normative Core of Human Rights**

The adoption of the Universal Declaration of Human Rights (UDHR) in 1948 was the international community's first successful attempt to identify a set of human rights that are universal. "Yes, we agree about the rights, but on condition no one asks us why" (Glendon 1998). The lack of agreement on the theoretical foundations of rights agreed upon was not viewed as a substantial obstacle for moving forward with the project. However, those involved could foresee future difficulties that this might have in arriving at a common understanding of the meanings of rights, in reconciling tensions among the various rights, and in integrating new rights. To mitigate possible future tensions, the drafters had to think of a "key" that would help to create harmony between rights. This key was the principle of "human dignity" (Glendon 1998).

Carozza (2011) notes that the idea of human dignity has emerged as "the single most widely recognized and invoked basis for grounding the idea of human rights generally" and that it is used "as an exceptionally widespread tool in judicial discourse concerning the content and scope of specific rights." Dignity is protected by an array of legal prohibitions that suggest four categories of substantive areas (Carozza 2011): (1) prohibition of inhuman treatment, humiliation, or degradation; (2) individual choice and conditions for self-fulfillment, autonomy, and self-realization; (3) protection of group identity and culture; and (4) creation of necessary conditions for individuals to have essential needs satisfied. However, as will be seen below, the notion of dignity is not free from conceptual and practical challenges itself.

### **Human Rights as Entitlements to Capabilities**

Capabilities encompass what must be protected in human life, i.e., dignity. Based on Nussbaum ideas about dignity, two tiers can be distinguished in it: "status dignity" and "achievement dignity" (Formosa and Mackenzie 2014). The latter refers to the aforementioned basic set of potentialities "that already have dignity in the sense that they are already worthy of respect and care" in unconditional fashion; the former points to "a more advanced set of developed human abilities that make a person's life and action worthy of full human respect" (Nussbaum 2013) and can be subject to change. While the absence of basic capabilities can indicate the absence of human life, the presence of basic capabilities without a minimum level of functionings hints at a life that is too impoverished to make the claim of dignified.

Any human right can be seen as securing for someone the possibility to function in the area covered by that right. Human rights cover both the spheres of opportunity freedom and aspect freedom. Opportunity freedom refers to the substantive and positive freedoms that are the content of many rights, such as the right to a living wage or the right to privacy. The process aspect is related to instrumental and negative dimensions of freedom, such as autonomy and non-



interference by others, as contained in such rights as the right to a fair trial.

### How CA Addresses Challenges to Dignity

Dignity is the normative core of human rights but is met with several challenges to produce actionable conclusions. While controversies rarely arise in relation to the hard-minimum core of dignity, they are frequent where the requirements of human dignity are more contested. As a result, the concept of dignity was not very helpful in interpreting abstract human rights of evaluative nature, leading international human rights bodies to adopt a series of purely descriptive subsidiary rules to guide States on how to meet their international obligations. Lack of discussion, or even identification of the moral principles embodied in abstract human rights norms and their substitution with highly descriptive subsidiary rules, simply opens the door to the emergence of incoherent case law and, at worst, allows arbitrary use of the abstract language and its political manipulation. For instance, the prohibitions collectively referred to as CIDT (cruel, inhuman, or degrading treatment) – which are particularly relevant, for instance, in the context of manufacturing operations – lack any definition in international law, even though they constitute one of its central tenets.

Second, this “checklist” view favors fragmentation, in which specific rights can be targeted while making abstraction of the individual person and their link to her community. Human rights should enshrine the intrinsic value of the human person as a whole that is contained in the notion of dignity. However, dignity’s lack of foundation obscures the connection to the person as a whole and, therefore, rights’ ultimate meaning as well as the interrelations between them – which may result in conflicts and overlapping between rights’ demands.

CA can provide that much needed foundation. In respect to the first challenge – vagueness – basic capabilities beef up dignity with rich content about what it means to have a dignified life. As a set of evaluative standards, they serve as a basis for the thoughtful reflection that is necessary to avoid the potential incoherence of descriptive

lists. Furthermore, CA provides practical guidance to flesh out those normative requirements, as has been proven by CA’s contribution to cross-disciplinary theoretical integration and development in many fields and across cultures – including global poverty and human rights, inequality, living standards and development, gender and feminism, disability, education, etc. As was discussed above, the relevant notion in this regard is “conversion factors,” which offer a variety of specification levels ranging from the physical world down to personal idiosyncrasies.

In respect to the second challenge – fragmentation – CA provides a holistic and universal view of the person through its focus on empowerment, which is presumably shared by all human beings, regardless of sex, race, or cultural background. This is greatly helpful in harmonizing human rights’ demands amidst the tensions arisen in the intersection of their urgency and the feasibility of their realization. Alkire (2010) aptly highlights this contribution: “[t]he empirical analysis that is naturally undertaken by human development analysts can help to specify the most effective sequence of policies, the causal connections between different human rights and the instrumental value that one capability has in advancing other capabilities.” CA contributes to these goals in three ways. First, basic capabilities form a hierarchy that naturally gives priority to the rights that are more closely related to those basic capabilities in a certain moment. Second, in case of overlap between rights, it also helps to avoid confusion by drawing attention to the ultimate goal of human rights: to empower people and collectives to lead a life which value can be rationally justified. Third, Sen (2005) and Nussbaum (2000) have separately addressed the issue of how to rank capabilities according to their importance and urgency and identified four aspects of the reasoning process that can help with that determination of “sequences,” “causal connections,” and “instrumental values.” The four aspects are evolution of capabilities and needs, evolving understanding, target-dependency, and timing.

The two first aspects refer to the fact that social priorities may vary over time and, in the same fashion, human rights priorities may too. For



instance, the capability to learn can mean now something very different from 100 years ago, given the new disciplines brought about by technological advances. Consequently, nowadays, to ensure the right to education may imply to secure access to a tablet or smartphone. Furthermore, the understanding of equality had, for the most part of history in many places, included only free male people; today, that very same statement would be considered discriminating.

The third aspect (target dependency) is related to the prioritization of specific capabilities – and, therefore, specific human rights – based on the relative importance of one goal at a particular point in time. For instance, in a period of transition to democracy in a country, the rights to justice and reparation can be given priority over others. The fourth aspect (timing) is about prioritizing actions based on circumstances such as an audience's receptivity, availability of resources, etc. This is particularly relevant for corporate actions, where typically human rights actions must consider different stakeholders' competing interests and budget constraints, opportunity costs, etc.

### Capabilities as Framework for Human Rights Responsibilities of Business

In the last years, corporate responsibility and business ethics scholars have utilized CA to understand and specify corporate ethical obligations. Their contributions cover three main areas. First, “foundational” accounts seek to cast light upon the anthropological underpinnings of economics and business from a capabilities-inspired perspective. Second, contributions meant to develop business ethics theory. Third, works focused on the applicability of the CA to specific issues, such as employee motivation, gender equality, labor rights, etc.

As discussed above, CA supports a principled, holistic, and universal view of dignity and human rights. This makes CA well-suited to act as a framework for human rights-based corporate responsibility for the same reasons that were discussed in respect to the challenges to dignity. According to the UNGP (UN 2011), corporate activities leave no right unaffected and need a holistic and universal understanding of their

obligations. Furthermore, CA supports UNGP's recommendation to engage in a reasoning exercise that avoids a “checklist” approach. Finally, the CA features enormous flexibility of analysis that can apply to virtually any issue at any point in time to determine priorities and aspects of specification by drawing on the four factors of conversion – physical environment, social climate, relational perspectives, and personal idiosyncrasies – and the four aspects of the reasoning process: evolution of capabilities and their understanding, target-dependency, and timing.

### Cross-References

- [Business and Human Rights](#)
- [Corporate Social Responsibility](#)
- [Ethical Decision-Making Process](#)
- [Ethics and Corporate Social Responsibility](#)
- [Human Dignity and Business Ethics](#)
- [Human Rights](#)
- [Normative Ethics](#)
- [Role of Philosophy in Business Ethics](#)
- [Sen, Amartya](#)
- [UN Guiding Principles and Transnational Business Governance](#)

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## Humanistic Management

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### Synonyms

Human-centered management; Leading with dignity

### Description

Humanistic management is a notion used for organizing practices *that protect dignity and promote well-being* and human flourishing within the planetary boundaries (Mele 2003, 2009; Dierksmeier 2015). The cornerstones of dignity, well-being, and flourishing differentiate humanistic management from traditional economic management in which all that matters is related to having a price. In humanistic perspectives, there are many things in life that are intrinsically valuable, including human beings – who possess dignity – and, on a different level, other living beings. The ultimate purpose of humanistic management is to create sustainable flourishing on Earth rather than short-term wealth.

Within humanistic management, different philosophical traditions can be included. Thus, this term is used as an umbrella to point to the fact that wealth creation, productivity, and material gain is not the ultimate goal of human organizing.

## Ontological Foundations

Humanistic management builds on scientifically grounded, philosophically reflected, and culturally robust ontological foundations (Pirson 2017). The dominant, economic theories of management, in contrast, build on a theory of human nature that is assumption based. Agency theory, for example, assumes human beings to be rational utility maximizers without morals (Mele and Canton 2014). Ample research is making the claim that these assumptions are misleading because they are only partially accurate (Ghoshal 2005).

The humanistic management perspective which sees human beings as service-oriented stewards is often criticized for being naïve and unscientific. However, research in evolutionary biology, neuroscience, and psychology has since added insights about human nature and the survival of *homo sapiens* which allow the humanistic perspective to meet the challenge of being both more scientifically accurate and more relevant to managerial practice (Pirson 2017).

The humanistic management literature posits four evolutionary drives that need to be balanced to allow people to survive, experience dignity, and thrive (Pirson and Lawrence 2010; Lawrence and Pirson 2015). These drives are the drive to acquire (dA) things we need like food and the drive to defend (dD) the things we acquire. In addition, our species is said to have survived because of two independent additional drives: the drive to bond (dB) as an evolutionary stepping stone to *Homo erectus* and the drive to comprehend (dC) as evolutionary stepping stone toward becoming *homo sapiens*. Various empirical insights confirm that human beings flourish and are most productive when they have what they need in terms of money (dA), friendships and community (dB), purpose and direction (dC), as well as emotional and physical safety (dD). Organizing practices in this perspective are geared to balancing the four drives and not maximizing either one.

This evolutionary perspective coincides with much of the ancient wisdom shared by the global cultural and religious traditions (Kueng 1998, 2004). Scholars suggest that all global religious and spiritual traditions share the notion that

human dignity needs to be protected. Accordingly, the golden rule serves as baseline for moral stewardship and is advocated by most ancient wisdom traditions as key to the good life (Dierksmeier 2015, 2016). In the humanistic management perspective, good managers achieve a balance of the four drives for themselves as well as others.

This fundamentally different perspective on human nature results in two cornerstones for humanistic management. The first cornerstone is represented by the notion of dignity and the emanating dignity threshold. The second cornerstone is represented by the notion of the common good as the ultimate organizing goal of humanistic management.

### **Dignity as a Pillar of Humanistic Management**

Ultimately, in the context of humanistic management, dignity represents a category of everything that has an inherent value and cannot therefore be part of an exchange logic, that is, categories that are intrinsically valuable, like human dignity, the dignity of character, or the dignity of aesthetics. Importantly, applying this “categorical” dignity to human relationships is the crucial difference between humanistic and economic perspectives on organizing (Pirson et al. 2016). It is important to note that dignity typically is connected to human dignity. As such it has been the reference point for any conversation on human rights and has informed global governance conversations on the political level especially throughout the latter part of the twentieth century. Dignity is increasingly applied to life in general including the intrinsic value of the environment.

### **The Common Good as the Ultimate Organizing Purpose**

In the humanistic conception of management and organizing, the central aspiration is a contribution to the common good, being understood as human flourishing (Aristotle) or a well-being

(utilitarianism). This aspiration is not new but has been marginalized in the past 200 years as far as the economic context is concerned (Dierksmeier and Pirson 2009; Pirson 2017). An increasing number of positive psychologists take it as a given that human beings wish to be well and flourish. While the goal of the common good, often understood as well-being, may be uncontested for individuals, as well as governments of nation states, the humanistic management perspective suggests it can be equally relevant at the organizational level (Pirson 2017).

### **Implications for Research, Practice, Pedagogy, and Policy**

The humanistic perspective of management has far ramifications for organizational research, management practice, pedagogy, and public policy (Pirson 2017).

In terms of research, the humanistic perspective changes the overarching research questions: rather than exploring the outcomes of wealth, economic performance, or shareholder value, the dependent variable is the organization’s contribution to stakeholder well-being. Another question derives from the notion of dignity. Rather than exploring how human resources can contribute to economic performance, the core question becomes how dignity can be protected or promoted throughout the organizing process.

In terms of management practice, this shift is quite radical. While many organizations and managers are centrally concerned with the protection and promotion of stakeholder dignity, especially in the context of social enterprises, most traditional businesses lapse into viewing human beings as mere resources (i.e., human resources). Similarly, many businesses are not measured by their contribution to the common good but by profitability (Kamakowicz et al. 2010). This has been changing in the recent decades, and many enlightened business leaders claim to pursue more conscious business practices that advance a higher purpose. The rise of social enterprises, the increasing popularity of shared value creation, and the heightened visibility of conscious capitalism are cases in point.

Humanistic ideas are gaining increasing relevance in business schools, and many business schools are embedding social innovation pedagogy in their curriculum (Amann et al. 2011). While this is mostly happening in an add-on fashion to complement the traditional curriculum, some universities are regaining societal legitimacy by educating students as positive changemakers.

In terms of public policy, the humanistic perspective informs practices that protect human dignity and promote common good or well-being, such as reporting standards that explore contributions to the common good. These reporting practices can lead to tax incentives that reward those with high common good contributions and increase taxation on those organizations that hurt the common good. Other policy ideas could be the creation of alternative corporate governance standards or social stock exchanges that allow social enterprises to access more funding to scale up their practices.

## Conclusion

The humanistic management perspective suggests that researchers, practitioners, teachers, and policy makers need to refocus on perspectives and practices that honor all the things that make life worthwhile and serve the common good. Humanistic management embraces dignity as a notion that represents all the things that have intrinsic value in addition to those elements that have a price. It also espouses the aspiration to organize for higher levels of well-being which includes wealth.

## Cross-References

- [Adam Smith's \*Theory of Moral Sentiments\*](#)
- [Business and Society](#)
- [Catholic Social Thought](#)
- [Core Values](#)
- [Corporate Governance and Values-Based Management](#)

- [Corporate Social Responsibility](#)
- [Development Ethics](#)
- [Empathic Leadership](#)
- [Ethical Leadership](#)
- [Ethics in Workplace Mental Health](#)
- [Human Dignity and Business Ethics](#)
- [Humanitarian Ethics](#)
- [Human Rights](#)
- [Leadership Theory](#)
- [Notion of Personhood from a spiritual perspective](#)

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## Humanistic Marketing

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### Synonyms

Values-based marketing

### Introduction

Could marketing practices and processes, while staying true to marketing's stated goals and desired outcomes, center human individuals and thereby improve human life? Could some distinctive aspect of marketing respond to human desires and human potential and increase opportunities for bettering society and human existence around the globe? These are basic assumptions, perhaps aspirations, of humanistic marketing.

Some might argue that this is indeed marketing's promise and that marketing research and marketing departments aim for this already, attempting to meet deep-seated human needs and wants. Proponents of humanistic marketing have articulated the hope of moving away from ideologies of growth at all costs to champion a human-centered set of values, goals, and futures. To this end, the potential of humanistic marketing is to form a vision for marketing practice and processes, in addition to marketing research, which attends to human being, human dignity, and human flourishing beyond profit-

making protocols and business benefits so often isolated from larger, but also everyday, human concerns.

However, given longstanding appeals for shareholder benefit and profit-making above all else, it is unclear whether the well-being of anything other than the market can be prioritized in marketing practices and processes. Unless one believes that, at all moments in time, the well-being of the market is identical to the well-being of humanity, marketing's founding assumptions and the related requirements for producing, and reproducing, the conditions for the market appear unlikely to provide the foundations for humanistic marketing.

A key challenge is to bring business and human welfare into balance and perceive human value creation and human recognition of self and others outside a narrow understanding of humans as consumers (Firat and Dholakia 1998). Consider that "marketing," according to the American Marketing Association, involves institutions, processes, and exchanges, but no mention of human beings through which these are in part constituted, materialized, and valued. Moreover, research on the absence of "people" in marketing emphasizes the difficulty of transforming a marketing perspective and a "consumer" orientation into a human-focused endeavor (Wooliscroft 2014). From the consumer as "citizen" to the commodification of childhood, a consumerist reductionism, militates against reactivating alternative, which is nonconsumer, human roles.

### The Human in Humanistic Marketing

A *humanistic* version of marketing begins with a sense of what it means to be "human." A notably human trait, or a distinctive human means of engagement, lays a foundation for humanistic marketing. Given that a number of competing visions of what it means to be human, to live as human, and to engage with others as human, exist, from the beginning, humanistic marketing enters territory fraught with every day but also powerfully ideological disagreements.

### Reason, Autonomy, and Intersubjectivity

It has been argued that humanistic marketing is “guided by reason in caring about others as well as the self” (Varey and Pirson 2014, p. 6). As articulated here, then, humanistic marketing builds upon notions of self and the apparently unique human capacity for reasoning. While this is an obvious choice, it is not a simply “natural” one. Making reason the key to defining the human has been shown to deemphasize many other crucial, if related, human qualities, for example, emotional intelligence and empathy. Insofar as humanistic marketing promotes centering the human, and especially the reasoning autonomous self, questions arise regarding the place of the human individual within a community of human others.

A number of criticisms have been leveled against perspectives that take “reason” as the basis of human ethical action and inclination. This may sound odd; but many have pointed out the ways in which human reason, often concatenated with notions of objectivity, demonstrates short-sightedness, self-interest, and an inescapable subjective bias. Alternative ethical systems, for example, emerge from philosophers, such as Emmanuel Levinas (1985), who have based ethical action in response to others who, at least potentially, share the world with us. In other words, ethical considerations and response are founded not upon reason and decision-making but upon the very notion of others being part of who we are and here in the world with us. Not surprisingly, then, a Levinasian ethical response that addresses the ways in which individual identity begins with engagement with others in the world represents precisely the kind of intersubjective conceptualizing that many humanistic marketing proponents want to avoid, claiming loyalty, instead, to notions of individual autonomy. One thinks as well of work in care ethics, wherein philosophical interpretations of Kantian duty have declared ethical reflections based on care, and the resulting actions, amoral, as care ethics is said to fail to refer to rational principles that emphasize individual decision-making and therefore individual autonomy (Borgerson 2017). In contrast, one might say an ethical act of caring cannot “wait” for decision-making.

The refusals and tensions around the human that manifest in humanistic marketing have deep philosophical roots. Still, conflicting aspects of intersubjectivity, caring, and autonomy-based ethics need not suggest an unresolvable conflict that derails demands for centering greater human flourishing in marketing and business practices and processes more generally. However, as researchers reflect on a future in which marketing educators, practitioners, and researchers make as their cause the building of a more just world and act to create this world, they may be compelled to recognize a variety of human responses other than reason in the activities that resonate with the actions and attitudes necessary for attending to human well-being. Those who have begun to animate the potential of humanistic marketing demonstrate awareness of these complications.

### Founding a Functioning Field

*Humanistic Marketing* (2014), a book published as part of the Humanism in Business project, suggests the intentions, and biases, of those hoping to create the field and thus the potential trajectories of humanistic marketing. In promoting a form of marketing that does focus upon human well-being and human dignity, the project of creating humanistic marketing through innovative research programs could contribute to “a human-centered transformation of the socio-economic system” (Varey and Pirson 2014, p. 6).

The project of Humanism in Business promotes critical reflection upon the “exchange paradigm,” overconsumption, and unhindered profit seeking and moreover the failure to focus upon human flourishing.

### Ideological Tensions

Beyond taking the human individual as its starting point, humanistic philosophy “emphasizes the human capacity for reasoning. It is therefore equally hostile to any form of collectivism, including socialism and communism” (Varey and Pirson 2014, p. 3). Here is an announcement of antipathy toward certain concepts and theory, loyalty toward others, and a puzzling assumption



that socialism stands against a “human capacity for reasoning.” The eschewal of “socialism” implicitly addresses the potential blurring of theoretical boundaries and sympathies when approaching ethical issues of market capitalism.

Clearly, there is some anxiety about the humanistic marketing project in a culture of business school leaders who tout such wisdom as “our only loyalty is to the share holders” and deem ethical inquiry of marketing and business practices anti-business, perhaps, Marxist but, most certainly, irrelevant. Humanistic marketing’s concerns do overlap with perspectives taken by critical management scholars who have raised questions around the failings of various economic arrangements (e.g., Alvesson et al. 2009). However, critical management study scholars often, but not always, draw upon traditions of post-Hegelian thought, or, for instance, labor process theory, in pursuing these concerns.

To put this another way, humanistic marketing, as imagined and worked on by the Humanism in Business project, must operate from the ideological and conceptual limitations built into its very origins. Clearly, some humanistic marketing proponents will accept no answer to the question “What is the human?” which contests notions of autonomous reason or suggests an affinity for conceptual aspects of the so-called socialism, perhaps perceived in versions of intersubjectivity. In sum, battle lines are drawn around understandings of the relationships between the individual and society as these are typically constructed in an ideology of capitalism versus socialism. To be sure, this will constrain the kinds of innovations – toward attending more fully to the human at the center of marketing inquiry – that might be asked for, as well as determine, boundaries that must be adhered to in imagining a future for humanistic marketing.

### **Human Dignity, Human Purpose, and Dehumanizing Marketing Practices**

A main tenet of humanistic marketing posits a vision and implementation of marketing that supports core human qualities, for example, dignity, where dignity relates to a “human capacity to define autonomously the purpose of its existence.” Along these lines, social cooperation rests upon reasoning and negotiation and a keen

sensitivity to inequalities of power and position, as well as terms of agreements. Community emerges through chosen engagements of autonomous individuals, in contrast to understandings based on intersubjective identity.

Cultures guided by belief systems that accept the purpose of human existence to be defined by some form of higher power will likely see a weakness in humanistic marketing. However, the emphasis on “human capacity” addresses the free will to choose, on one’s own, the purpose the higher power has defined and made available. In sum, a humanistic marketing ethic, regardless of the emphasis on human choice, is not in necessary contradiction with God’s will.

Based on the definition of dignity, dehumanizing marketing practices and processes might include marketing communications, and other forms of representation, that disrupt a particular group’s potential future opportunities or possibilities and thus the represented group’s capacity to define their own purpose. Researchers have noted that dehumanizing marketing practices are likely to arise when market conditions become more competitive.

If competitive marketing conditions are seen as a basic, even necessary, part of economic growth, then apparently such conditions, and related practices, are unavoidable and indeed an everyday part of growth and a competitive market (Stoeckl and Luedicke 2014). In sum, ethical interrogation and intervention would be a continuous, and arguably mostly ineffectual, effort on the part of humanistic marketing. In this sense, humanistic marketing fails to address the kind of “critical” scholar who sees the only hope of a better, more dignified, future for humankind in the tempering, or in the end, of market capitalism.

### **Human Responsive Marketing or the Commodification of Human Experience?**

Some researchers have suggested that a more humanistic marketing project requires bringing human practices into marketing, including aspects of emotional experience, self-extension, community participation, and consumption as meaning (Gopaldas 2014). Others argue for using

marketing practices and processes to bring awareness to topics and issues related to human well-being and aspects of global justice (Yu et al. 2014). Perhaps, there is a core aspect of marketing that might offer qualities for a more human-responsive market.

### The Social Power of Marketing

It has been suggested that human centeredness might be accomplished through “the social power of marketing,” in contrast to a process of “integrating morality (in the form of social responsibility and sustainability) into marketing” (Varey and Pirson 2014, p. 6). From this perspective, concepts of social responsibility often entail prescribed modes of interaction motivated by broader notions of what people owe to each other or what attention to shared life-worlds demands. Notions of sustainability might employ a vision of maintaining certain standards of benefit or protection in the face of development, industrialization, or resource exploitation. Such prescribed modes and standards for sustainability may be perceived to import *shoulds* that reach beyond what the machinations of so-called marketing systems or marketing innovation themselves enable around the humanistic center. Not surprisingly, eschewing the “integration” of social responsibility or sustainability into marketing resonates with the familiar, highly criticized, if not undemonstrated, claim that the market unhindered will allow and enable the “right” aspects of human life and the human community.

Moreover, turning to the “social power of marketing” will require a sense of what makes for “the betterment of society.” Understanding “betterment” itself will require an analysis within marketing of that from which the values of sustainability or “protecting human dignity” emerge, implicating, if not a broader “moral” perspective than at least, an ethical one. Researcher Fuat Firat argues that as marketing is necessarily an agent of economic growth, only if economic growth is also the core of humanistic values can marketing become humanistic. If marketing can be defined as “the institutionalized practices of the modern institution we know as ‘the market’,” then the essence of marketing is linked to the market,

meaning that either the market must become humanistic or the associated institutionalized practices, which is marketing, must “humanize” the market (Firat 2014, p. 126).

### Human-Driven Demand and Push Versus Pull

Those who turn to the power of marketing to deliver a better world often express hope in human-driven demand. Consider the possibility that “if one were to tap into underlying human desires for connectedness and dare we say, love, then it becomes possible to appeal to a mind space of human-driven demand for service and goods rather than market-driven supply” (Vos and Varey 2014, p. 251). However, in turning to basic concepts related to principles and practices of marketing, a technology developed, for example, to stoke demand for a new innovation or meet requirements for gaining the attention of people going about their daily routine.

There is a common distinction in marketing strategies between pushing product out the door onto consumers, marketing what you need to sell – what has been supplied and needs to be gotten rid of – and marketing scenarios where consumers are pulled in by a desire to seek out, and demand, what they want. In other words, one might take to heart that marketing holds an important skill set that includes connecting people – as well as connecting people with the things they want and need– connecting ideas, and thus promoting happiness and adding value for the firm. However, even with a pull strategy that purports to meet consumer demand and make available what the consumer calls for, marketing wisdom demands the creation of awareness of products and services and the steering of consumers toward certain of these.

“Human-driven demand” versus “market-driven supply” marks a contrast, but most of what can be recognized as “marketing” interprets “human-driven demand” as an opportunity to research eye movement and other neurophysiological indicators of attraction to increase the likelihood of product appeal and purchase. Human desires that are unhealthy or damaging to overall physical, mental, and even environmental well-being are often those desires to which marketing

research and practices most hope to appeal. Addictive desires are powerful, and marketing practices and processes reveal the temptation to draw upon these to achieve “loyalty,” hence continued purchasing and thereby profit. Whether a human demand is made explicit and marketing responds or, with selling always in sight, marketing aims to discover, or remind people of, what they could demand remains a tangled question.

### Limits of Humanism: Essentialism Versus Lived Reality

As typically understood, humanism places the human at the center of concern, looks to human choice in the creation of value, and potentially places emphasis on a shared human condition. When a notion of the human is at the core of an undertaking, such as humanistic marketing, the dangers of essentialism, or a narrowness of definition that excludes swathes of those that do not meet the definition, raise crucial concerns. Further, with notions of human needs and human wants at the core of humanistic marketing, distinguishing needs from wants poses a key tension (Dirksmeier 2014).

Certain philosophical approaches and commitments may bring into question the substance-based metaphysics emerging particularly from Aristotle that serves as a foundation for an essentialist notion of the human, or human nature, which then might be expected to ground essentialist notions of “needs” and “wants.” Philosopher Lewis Gordon points out that “a good reason to be anti-essentialist is that essentialism goes against the grain of reality” (Gordon 2012). In other words, researchers may bring a conception of lived reality – and the contexts reality grants us for understanding various needs and wants – to bear upon our perceptions and understandings but at the same time continually undermine essentialist closures around what human being *is*. In another instance, philosopher John Dupré has argued for a processual understanding of the human, wherein rather than “being” understood in a traditional substantial, even static, sense, or as a thing, living beings are

a kind of process (Dupré and Nicholson 2018). Such notions open up alternative ways to understand humanity, human wants and needs, and, thus, what a humanistic marketing could be.

Forms of humanistic marketing that are wedded to notions of individual autonomy and reason risk a limited understanding of humanity and, further, the ways by which humans become what they are in their relationships to themselves and human others, as well as to other sentient beings and the wider environment. Crucially, loyalties to a hierarchically dualistic contrast between capitalism and socialism may continue to undermine possibilities. Whether marketing practices can detach from origins in technologies of competitive and growth-dependent profit-making and escape processes of commodification to champion human connection and dignity toward a more just human reality remains an open question core to humanistic marketing’s future work.

### Cross-References

- [Advertising Ethics](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethics in the Media](#)
- [Humanistic Management](#)
- [Values-based Consumption](#)

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After a series of humanitarian failures, humanitarian organizations came together in the 1990s to forge a number of agreements designed to strengthen the sector and improve its capacity to meet extreme human need. Forming a humanitarian canon, the core points of agreement are:

- The *Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief*, also developed collaboratively and agreed in 1994
- The Humanitarian Charter, developed through an extensive collaborative process in the late 1990s and published in the *Sphere Handbook* (2000, 2004, 2011)
- The Protection Principles, developed alongside the Humanitarian Charter, also in the *Sphere Handbook*
- The humanitarian principles, enshrined in the UN General Assembly Resolutions 46/182 (1991) and 58/114 (2004)

These documents communicate a strong core ethic and, together with the international humanitarian law, form the foundation of ethical thinking in humanitarianism, which has a long history, from Jean Pictet (1960, 1975) in the early twentieth century to Hugo Slim (2007, 2015) today.

Humanitarian action is distinct from development or foreign aid in that it responds to extreme human need, with the aim of saving lives, reducing suffering, and promoting dignity. Development, in contrast, is focused on maximizing opportunities and resources for those most marginalized and impoverished. While there are many similarities between the two (and periods of transition in which both labels are applicable), they are grounded in distinct ethical approaches.

## Humanitarian Ethics

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## Synonyms

Human needs; Human rights; Humanitarian aid; Humanitarian principles

## Introduction

The field of humanitarian practice is clearly delineated and much more restrictive than the broad sense of helping found in dictionary definitions of humanitarianism. This distinction rests largely on the shared ethical principles that underpin professional practice.

## Description

Humanitarian practice and ethics are solidly founded on four “humanitarian principles”: humanity, neutrality, impartiality, and independence. The principle of humanity is that every person is entitled to assistance. This is grounded in Article 1 of the *Universal Declaration of*

*Human Rights*, which states that “all people are born free and equal in dignity and rights” (UN 1948). Humanity forms the core of humanitarian ethics and practice, with a clear focus on the worth, dignity, and basic human rights of all people affected by conflict. It leads to the concept of the humanitarian imperative that nothing overrides the fundamental requirement to prevent and respond to human suffering resulting from conflict and disaster.

Neutrality is the commitment not to take sides in a conflict or in “controversies,” and this stance enables humanitarians to make nonpartisan calls for assistance and restraint. Impartiality specifies that humanitarian assistance is offered to all people affected by crises, with priority being given according to need alone, unaffected by factors such as participation in the conflict, political beliefs, gender, sexuality, ethnicity, or religion. Finally, independence is the undertaking that humanitarian objectives and action remain independent of political, economic, military, and other motives. One function of this principle is to enable humanitarians to reject funding conditions seen as promoting political or other non-humanitarian goals.

As such, humanity and impartiality guide actions around who is to be assisted (all people affected by a crisis, according to need), while neutrality and independence relate to actions related to politicization of humanitarianism with respect to local conflicts or external objectives. In expressing the virtues of humanity and impartiality, these principles enable practitioners to make moral claims on others and to make decisions regarding focus and action in situations of extreme need and high pressure. Similarly, through the virtues of neutrality and independence, the principles can confer (limited) protection and security and facilitate access to those in greatest need.

The voluntary code of conduct adds six principles to the above four core humanitarian principles, namely:

- Respect for culture and custom
- Building on local capacities

- Participation of beneficiaries in aid management
- Reducing vulnerability
- Accountability
- Representation of affected persons as “dignified humans”

These additional principles are focused on the impact of humanitarian action and the way it is conducted. Aimed at maintaining “the high standards of independence, effectiveness, and impact,” the code is consistent with development ethics in that it promotes full humanity through concerns with dignity and power, both now and into the future.

Dignity is another central concept in humanitarian ethics. It is named in the Humanitarian Charter as one of the three core rights of all affected people: life with dignity, humanitarian assistance, and protection and security. The focus on dignity expresses the core value that mere survival is not enough; even in the face of disaster, trauma, or enduring displacement, people must be able to live with a sense of their innate human value. This is expressed in minimum standards of humanitarian response (see Sphere 2011), which seek to ensure adequate living arrangements; support for social, religious, and economic activities; and other factors that underpin people’s sense of self-worth.

As a whole, the humanitarian canon sets high ethical standards. However, in the messy reality of humanitarian action, there are always challenges to this ideal. These challenges may include the necessity to negotiate with warlords or other participants in violent conflict to gain access to affected communities, the reality that humanitarian assistance may be appropriated in support of conflict or may prolong a crisis by allowing governments and others to concentrate resources on conflict or enrichment, and extreme danger or physical barriers that prevent access to those in greatest need.

These and other challenges point to the importance of context in humanitarian ethics, in which idealism must be held in tension with pragmatism in order to ensure that lives are saved and can be continued with dignity. Humanitarian ethics are

thus aspirational, and this is precisely what enables humanitarians to continue their work in the face of funding levels that fall far short of mounting demand and which may appear more responsive to political motives and media attention than to real human needs.

## Summary

Humanitarian ethics is grounded in a set of guiding principles broadly accepted within the humanitarian community. They are aspirational but nonetheless central to how the profession views itself. This canon and the ethics embodied within it form a critical framework for action that saves lives in the most dire environments, according to greatest need, and with a central focus on human dignity. In addition to serving the needs of people in extreme need, these principles aim in part to protect humanitarian actors and action from violence and disruption, by setting them apart from politics and conflict.

## Cross-References

► [Development Ethics](#)

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## Humiliation and Dignity

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## Synonyms

Abasement; Degradation; Ignominy; Indignity; Regard; Respect; Value; Worth; Worthiness

## Introduction

Although dignity has a positive connotation, it has often been understood and theorized through contraventions that have negative connotations. Such contraventions are indignities that comprise a range of actions or omissions that neglect, disregard, or violate the inherent worth of individuals or groups, or otherwise constrain or diminish their possibilities, opportunities or likelihood of fulfilling their human potential. Although the concept of indignity is often used interchangeably with the concept of humiliation, various scholars have identified that indignity is not necessarily synonymous with humiliation. For example, not all indignities involve humiliation (Bal 2017).

Humiliation has dual meanings. It refers to actions taken against another individual or group, which can be capricious or systemic in nature. It also refers to the deeply painful emotional experiences that others suffer in response to those actions (Hartling and Linder 2018).



Humiliation is an inherently relational (rather than intrapersonal) process involving the unjust use of power in ways that control the other. Ironically, perpetrators of humiliation might not consciously perceive their actions in negative ways, as acts of humiliation might reflect attempts to transform others from those who are deemed to be unacceptable for inclusion in their present form, into those who are deemed to be at least somewhat acceptable in their humiliated form (Klein 1991).

### Characteristics of Humiliation

As alluded, defining characteristics of humiliation include the forceful exercise of power over another that occurs with seeming impunity, in ways that devalue, degrade, and convey the abject and encompassing inadequacy of the other, and which result in ostracism of the other (Klein 1991; Hartling and Linder 2018; Kożusznik 2017; Smith 2001). Those who are humiliated are precluded from refuting the claims through which they were ostracized, and are often denied opportunities for reinstatement or recovery of their lost status within their reference group (Smith 2001). Humiliation typically involves one or more witnesses, who in the absence of objection and challenge to the humiliation of another authorize and sanction the humiliation of that other. Therefore, humiliation is a form of social control in relation to those who are targeted, as well as to observers (Czarniawska 2008; Kożusznik 2017). Because humiliation violates the identity, boundaries, and dignity of those upon whom it is inflicted, those who are humiliated often experience humiliation as a traumatic and moral violation and injury (Klein 1991). Sufferers also often perceive that socially accepted norms, values, conventions, or laws that typically guide human interaction will no longer be upheld in the interactions of others with them (Czarniawska 2008). This can lead to a sense of helplessness and demoralization, as well as further losses of agency and voice. Those who suffer humiliation often perceive no path through which to recover from the damage caused to their identity, boundaries, status, worthiness, or even

adequacy. Reclamation of their lost humanity might well require establishing association with a different reference group (Smith 2001). Those who feel humiliated often experience intense, negative emotional responses such as sadness, anxiety, and rage. If rage is turned outward, against the perpetrator, this can result in a retributive and escalating cycle of harm and even violence between two parties (Hartling and Linder 2018; Smith 2001).

### Humiliation Within Business and Organizations

Within business and organizations, humiliation might be enacted through various forms of discrimination, inequity, harassment, and abuse, as well as through unsafe workplace practices. Humiliation can also be enacted through disbelief or denial of observable employee mistreatment; failures to act in good faith with respect to workplace accommodations; and, actions that unjustly diminish the possibilities or opportunities of certain employees, such as marginalization or stigmatization of employees or work roles (see, e.g., Czarniawska 2008; Kożusznik 2017). It might also be enacted through the exploitation of employee needs or vulnerabilities, including those associated with precarious, part-time or no contract work (Smith 2001). Similarly, humiliation might occur through unattainable productivity requirements or situations in which employees are held responsible for things that they cannot control (Lucas et al. 2013). Unwarranted monitoring, surveillance, or restrictions of personal autonomy; requirements to deny, disparage, silence, or disavow the self; or requirements to endorse certain pro-department or pro-organizational thoughts or feelings are also potential examples of humiliation (Lucas et al. 2013). Businesses might also unjustly exercise power and domination over the vulnerable natural environment, through destructive practices in which other living beings or other natural entities are subject to degradation, mistreatment, exploitation, or violence (Bal 2017; Pirson 2019).

## Role of Business in Systemic Humiliation

Humiliation occurs at various levels in human systems. It is not limited to interpersonal or group levels. Rather, humiliation often inheres the broader sociopolitical and economic systems such as colonialism and capitalist globalization in which business operates (Bal 2017; Hartling and Linder 2018; Smith 2001). Within such systems, the enactment of exploitative and humiliating policies and practices has served as tools of oppression, control, and attainment of profitability goals. Historically, this has occurred through the forced and violent separation of Indigenous persons from their families, homes, languages, cultures, and governance systems; forced assimilation or enslavement; the “use” of humans as sources of inexpensive labor in order to reap very large profits; and the pillaging of natural environments and resources.

## Dignity in Business and Organizations

Historically, dignity has been a peripheral or contextual, rather than focal area of research within business ethics. Several factors have likely contributed to this. For example, and as alluded above, within a conventional economic framework, the focus on profit maximization often relegates employees to instrumental and dehumanizing roles and functions, through which they are used as means to achieve end goals. Such a focus also involves the commodification of products and services. In contrast, dignity is intrinsic to living beings, processes, and creations; and entities with intrinsic value cannot be commodified for efficient economic exchange (Pirson 2019; Pirson et al. 2016). Hence, dignity is inconsistent with the classical economic framework.

Additionally, conventionally, business and management have privileged individualist rather than relational orientations to practice and research. Individualist perspectives emphasize separation, self-sufficiency, and competitive achievement in the self-interested pursuit of material wealth and consumption, rather than interdependence, mutuality, and cooperation

aimed at value creation, and ultimately, wellness for broader groups of stakeholders. Within an individualist context, relational concepts such as dignity are easily obscured, omitted, or discounted (Hartling and Linder 2018).

Although legal regulations might offer some protection to the human rights and dignity of vulnerable employees or other stakeholders, dignity is not simply an issue of legal or human rights. Rather, dignity exists as a foundational ethical construct for both the protection and advancement of individual and collective rights, responsibilities, and well-being.

In the twenty-first century, dignity has become an increasingly focal area of research, particularly among scholars and practitioners of humanistic management (Pirson 2019). In contrast to economistic management that privileges profit maximization and shareholder wealth, humanistic management is a field aimed at fostering a good and well society. Within humanistic management, dignity serves as a rationale, a method, and a goal for overcoming dehumanizing and ecologically destructive business frameworks and management practices.

## Types of Dignity

Within business and management, three types of dignity have been discussed (Lucas 2015). The first type of dignity, called unearned or unconditional dignity, is considered universal. It derives primarily from a Kantian perspective in which individuals have inherent worth, and are seen as ends in and of themselves, rather than means to achieving ends (Pirson et al. 2016; Pirson 2019). The intrinsic value associated with unearned dignity implies the importance of personal autonomy or freedom of self-determination, and capacities to exercise that freedom in moral ways, that recognize and respect the inherent worth of self and others. Given that vulnerabilities are present for human and other living beings within ecological systems throughout life cycles, safeguarding of their inherent dignity is considered vital.

The second form of dignity derives primarily from an Aristotelian perspective. It is a form of

dignity that is conditional upon, or earned through, one's virtuous behavior (Pirson et al. 2016; Pirson 2019). It refers to the respect and value achieved through activities that expand one's capacity for, and ideally, fulfillment of, good or right actions. Earned dignity implies that that one has the capacity (conditions and opportunities) to take competent actions. The advancement of earned dignity is vital for enabling individuals to fulfill their human potential, including making a difference to others.

Through empirical research, Kristen Lucas (2015) identified a third type of workplace dignity, called remediated dignity. Remediated dignity refers to restrictions placed upon, or reparations made in relation to, indignities suffered by employees (or other stakeholders) by virtue of their subordinated positions or their treatment as instrumental means to achieve organizational goals. Remediated dignity occurs through organizational practices or interpersonal interactions that affirm the uniqueness or worth of employees outside of subordinated work roles, as well as through workplace demonstrations of care without expectation of reciprocal exchange and through words and actions aimed at inclusion within the workplace.

## Theory of Workplace Dignity

Matthijs Bal (2017) has begun the work of developing a theory of workplace dignity. Central to this theorizing is the Confucian notion that the workplace itself has inherent worth. In other words, workplace dignity is a form of organization that is not simply instrumental in nature; but rather, as a form of organization through which individuals can develop and enact capabilities that will enable them to contribute creatively and meaningfully to the wellness and sustainability of the human and natural communities and systems in which they are parts. Hence, this framework decenters humans and organizations by placing them as elements within larger webs of interconnection. Dignity therefore occurs in relational interaction and includes both rights and

responsibilities for individuals in terms of how they are treated and how they treat others.

Within this model, enhancements in workplace dignity and the broader social and ecological spheres develop through dialogue and self-reflection among stakeholders, rather than through the unilateral imposition of corporate policy (Bal 2017). Modes of enhancing dignity include self-directed individual efforts to abstain from violations of dignity; and, other-directed individual efforts to proactively respect and support the dignity of other living or inanimate entities. These also include informal and formal, individual and collective efforts to create values, norms and standards aimed at protecting the dignity of diverse stakeholders; and, the active cultivation of dignifying conditions and opportunities for diverse stakeholders, as well as the reparation of past harms (Bal 2017).

## Cross-References

- [Business and Human Rights](#)
- [Child Labour and Child Slave Labour in the World of International Business](#)
- [Corporate Social Responsibility](#)
- [Development Ethics](#)
- [Harassment in the Workplace](#)
- [Human Dignity and Business Ethics](#)
- [Humanistic Management](#)
- [Incivility in the Workplace: A Call for an Ethical Analysis Approach](#)
- [Individualism](#)
- [Networks of Complicity and Persistent Unethical Behavior](#)
- [Respect and Business Ethics](#)
- [Workplace Bullying](#)

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## Identity Politics and Ethics

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### Synonyms

Ingroup-outgroup conflict

### Introduction

The term “identity politics” seems to date back to the 1970s. The phenomenon itself could certainly be found at earlier times, but around then it became most clearly distinguished as a form of political dynamics. The term had a focus “on groups that are defined by a common experience of exclusion or oppression, thus on identities that are often secured in direct opposition to some ‘other’” (Phillips 1993, p. 17). These may be referred to as “identity groups.” Particular examples included African-Americans and women. Identity politics revolved around social and political movements based on such groups.

In the time since then, application of the term has expanded as a wider variety of groups have also used shared identity as a basis for political action. Opportunities to do so may have increased as a result of emerging technologies of electronic communication and social media. In recent years,

identity politics offers an explanation for widespread polarization of views on many topics and extremes of intolerance for different views.

Ethical issues of identity politics are tied to the way that shared identities can provide a basis for collective action. Typically, they do so because, as Phillips points out, the identity they share is made salient in contrast with the identity of some “other,” typically another group, and motivation for action is provided by belief that in some respects or others the other group is unfairly better off or has acted in ways that restrict or disadvantage the first. Such claims of unfairness, restriction, or disadvantage are inherently ethical claims, and therefore invite ethical scrutiny in themselves. In addition, the process by which collective action is motivated by group identification invites ethical scrutiny.

### Ethical Issue About the Claims

In regard to the claims of unfairness and disadvantage made by identity groups, the difficulty is that since the 1970s, many other groups have also come to see themselves as disadvantaged or restricted. In the USA by 2018, Chua notes not only blacks and women, but ethnic groups such as Latinos and Asians; religious groups including Muslims, Jews, and Christians; gay people; and many others all make such claims and use them as the basis for some form or other of collective action (Chua 2018, p. 9).

In addition, the fact that a group identifies itself in opposition to some other group automatically gives salience to the identity of that other group. The action taken by the first group in opposition to the other group can then equally be perceived by members of that other group as restriction or exploitation.

While it may well seem that some claims are clearly well-founded, and others poorly founded, nevertheless the overall effect is for extended, deep contestation about the merits of many claims, sometimes including extremes of violence. The situation is made more difficult by the inherent philosophical difficulties in judging some aspects of the claims that are made. These may include not only claims about the disadvantage and restriction suffered at present by individual members of the group, but also claims about disadvantage and restriction suffered by past members of the group, and claims about effects on the group that are not necessarily effects suffered by individual members so much as effects on the culture of the group (for discussion, see Appiah 2005).

One problem is assessment of counterfactual claims. This can be a basic part of the arguments, but can also be very difficult. For example, there may be claims about the extent to which individual members of a group at present can reasonably claim to be worse off than they would have been if in the past members of their group had been better treated by members of other groups. Another problem is that of relating effects on groups to effects on individuals. It may be that on average members of group A are worse off than members of group B, but that many individual members of group B are worse off than many members of group A (for example, on average black American are worse off than white Americans, but many white Americans are worse off than many black Americans). What action then may compensate members of group A without unfairly disadvantaging the worst-off members of group B?

Clearly, it is also a problem to what extent account should be taken of effects on groups as wholes, regardless of effects on individuals. In particular, for example, to what extent are adverse

effects on a group's culture or language effects that may count as adverse effects on individuals, or even deserve to be taken account of quite regardless of effects on individuals? It is here that issues of group identity can become especially pronounced: it is arguable that it is only insofar as a group has an identity separate to that of its individual members that it can merit consideration separate from that of its members.

All of these and related issues have been the subject of discussion; some, of very extensive discussion. Some have been the subject of court action in various jurisdictions. Some are more complex than others. For some, there seem to be clear answers. However, there are enough questions that are complex and difficult, and still theoretically contested, that they form the rationale for group conflict, especially when there are other bases for such conflict as well as the merits of such arguments. Often, the dynamics of such conflict emerge from other factors.

### **Ethical Issues About the Process**

Most especially, identity politics can revolve around aspects of ingroup-outgroup conflict. Such conflict is well known. Cases have been fictionalized in famous works, ranging from *Romeo and Juliet* to *West Side Story*, and can easily be found in historical accounts from the Greek city-states to Northern Ireland. However, it has received its most careful empirical study from the middle of the twentieth century onward.

From that time, research has shown surprising results about the extent to which we categorize ourselves as members of abstract groups, and the major effects on our behavior when we do so (see, e.g., Forsyth 1990, chap. 13). In so-called "Minimal Group Experiments" researchers constructed groups where individuals were allocated to one group or another on the basis of some irrelevant factor, but had no contact with other members of the group. Despite the fact that the groups had no substantial existence as groups with shared experiences among their members, members nevertheless tended very strongly to favor members of their own groups when allocating resources to



other individuals: they showed marked “in-group bias.” It seems as though often in seeing ourselves as group members we are abstractly categorizing ourselves, rather than apprehending genuine relationships we have with other individuals. What is striking is that even such abstract categorizations seem to have major effects on our behavior, as great in many ways as membership of groups of other individuals we know well, such as family members or work colleagues. We show pronounced tendencies to favor members of our own groups over others, and to see our own groups as more deserving than others, even when these groups are purely abstract categorizations.

It is because such group membership has such motivational effects that it is such a potent force in politics, and is the basis for identity politics, where summoning up people’s self-categorizations as members of one group rather than another can impel them toward defense of the first and derogation of the other. To summon them up is not hard. It seems only necessary to make salient the fact that people are members of one group rather than another: men, rather than women; Christians, rather than Muslims; Protestants, rather than Catholics, are all obvious examples. But identity groups can also emerge from people’s positions and commitments on specific issues: whether people are for or against gun control, or action on climate change, for example. Whatever the basis for group identification, simply calling to people’s minds such membership can be enough to prompt the instinctive motivation that goes with abstract group identification. Then, the motivation people have may not be based in genuine apprehension of injustice or disadvantage, and several ethical problems result.

One problem is that the ease with which group identification can be aroused invites its use as a tool of political manipulation. That this can be done was forecast in the early days of identity politics. Hobsbawm commented that especially in countries where parties compete for votes, “constituting oneself into such an identity group may provide concrete political advantages” (Hobsbawm 1996). People’s support for a cause on the basis of their identification with an abstract

group can be used for ulterior purposes quite removed from the well-being of the group or the real justice of its cause. Getting support in this way is a form of manipulation, drawing people into commitments and action that they might not support on the basis of reflective decision-making. A straightforward example not confined to electoral democracies can be a government’s stirring up jingoistic patriotic fervor to reduce opposition.

Another problem is the exaggeration of group differences and hostility on the basis of relatively minor cues. The oldest well-known example is in the Book of Judges, chap. 12, which recounts Gileadites identifying Ephraimites and killing them on the basis of their pronunciation of “shibboleth.” (A pity about Gileadites with a minor speech impediment.) Nowadays, similar hostility can be generated by expression of a view that is taken as contrary to the ideas that characterize a particular group. Just like a person’s color, or gender, or accent, expressing a particular view can be taken as a sign of outgroup membership. The result may be that the individual who expresses the view is immediately stigmatized, and no effective discussion is possible of the merits of the ideas expressed. Further still, apparently trivial acts by others may be seen by group members as expressive acts giving offence through impugning group identity, and the responsive hostility can further impede discussion and expression of ideas.

In that case, there is room to question the respect and consideration that is deserved when offence or indignation is born out of abstract group identification. More generally, it is not clear how much respect people deserve for commitments they have as the result of abstract group identification. In cases like the Minimal Group Experiments, where the groups in question were essentially fictional, the positive feelings individuals have toward the groups seem to merit no more respect and consideration than their feelings of sympathy and concern for fictional characters in a novel. That is not to say that they should be ignored or ridiculed, but feelings for a fictional character do not seem to have the same status as someone’s sympathy and concern for another real individual. Part of the reason seems to be that the

respect and consideration that ought to be given to people's feelings depend partly on the basis those feelings have, and the extent to which those feelings are proportionate to that basis. Along those lines, there is at least an arguable case that feelings of commitment and support that people feel for a group on account of abstract group identification deserve less consideration and respect than feelings that have a more concrete basis.

Argument along those line can be supported by making a distinction between individuals' narrative identity, on the one hand, and their social or group identity, on the other hand (Provis 2019). The idea of individuals' narrative identities has been emphasized in modern virtue ethics. Individuals' narrative identities are the stories their lives embody: the experiences they have, their relationships, successes and failures, and so on. Individuals anticipate the future and recall the past. Their hopes and fears and expectations, their regrets and successes, their friendships and families, make up a narrative, and that story offers a basis for respect and consideration. Such an identity can be seen to offer a basis for others' respect and consideration, to an extent that individuals' social or group identities may not seem to, when those latter identities are formed simply by the individuals' cognitive identification with a particular abstract group.

## Forms of Identity and Mingling of the Issues

Here, however, it becomes difficult to separate the two sets of ethical issues, issues about the processes of identity politics and issues about the claims made by opposing groups, because it can be difficult to separate individuals' narrative identities from their social group identities. Individuals' narrative identities can often incorporate aspects of their social identities. Their identification with abstract social groups can affect their fears and aspirations, and can affect their perceptions both of the present and the past. A wide variety of literature documents ways in which this can happen, and can then derivatively affect

individuals' decisions and actions, and their successes and failures. "Stereotyping" is a prominent example, where individuals may be treated (by others, or by themselves) on the basis of features that characterize membership of an abstract identity group, regardless of real characteristics of the individuals.

It is therefore not possible to push aside claims simply because they reflect people's identification with an abstract identity group. Their membership of such a group may affect their lives in concrete ways, and claims that reflect membership of the abstract group may also be grounded in those concrete effects. What may still be possible is to separate well-grounded claims from appeals that trade on the unreflective motivation associated with group identification, and from exaggerated responses that stem from it. It will be necessary to consider quite complex details in each individual case of identity politics. There is the issue first of identifying groups involved, what types of claims they are making, and how their various claims are related to one another and to those of other groups. Then, also there is the issue of determining to what extent the claims are authentic and grounded in genuine experience, or are unreflective responses to abstract group identification. Those steps may assist in working out what claims warrant consideration, but it will remain to be determined what actions can be taken in regard to them.

## Cross-References

- [Boycotting as a Social Movement](#)
- [Compensatory Justice to Groups](#)
- [Racism in the Workplace](#)
- [Social Identity Theory](#)

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## Immigration and Business Ethics

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### Synonyms

American Indians (Native Americans); Borders; Business; Humanitarianism; Immigration; Indigenism; Protectionism; Racism; Unemployment; US blacks (African-Americans)

### Introduction

Immigration has various impacts on business and vice versa. For instance, oftentimes immigrants provide cheaper labor for businesses which can be passed down to consumers in the form of lower costs for goods and services. But immigrants often displace or create unemployment opportunities for otherwise working citizens in an economy. Does a government have either a right or a duty to close or otherwise control its borders? Or does it have a duty to open them in service to immigrants seeking better lives for themselves?

### Approaches to Immigration

There are various general positions on immigration. This discussion focuses on immigration in the USA, though it is hoped that the basic points made herein would apply generally to many other countries. One approach to immigration in

the USA is that reform is needed in that the borders of the country are overly porous such that the country's security and economic well-being are threatened. Given the real threats to the USA (and the rest of North America) and Central and Latin America in terms of global terrorism, and the violent illegal drug trade, the international borders of the USA, both north and south, must be secured. Furthermore, in light of the various economic costs of many recent immigrants to the US economy in terms of many such immigrants drawing from public assistance programs without contributing to the public economic good by way of paying significant income taxes, there must be boundaries as to whom and how many immigrants are permitted into the USA. I shall refer to this as the "protectionist" approach to US immigration policy. This protectionist approach has variants. But I shall discuss the approach in general terms.

While many advocates of protectionism seem to fixate on the southern border and the "browning of America," there is no reason why protectionism ought to adopt such a limited and apparently racial<sup>1</sup> standpoint. Undocumented immigrants can and do more easily enter the USA from the Canadian border than they can cross the US-Mexican border given the vast differences in US Border Patrol resources allocated to the protection of said border. Nonetheless, economics and safety are significant concerns of protectionists who seek reform of the current US policy of immigration and its enforcement.

But humanitarians are in the end less impressed by such concerns, arguing that the vast majority of those immigrating to the USA are honest, hardworking people who deserve to be granted the same sorts of opportunities which so many other immigrants were granted throughout US history. To fail to do so would be

<sup>1</sup>I use "racial" instead of "racist" in that it is more obvious that this approach to US immigration policy reform recognizes such immigrants as racial or ethnic persons, yet unlike the oft repeated yet unsupported charges of this approach being racist, we do not have sufficient reason to think that such a view, though racial, is necessarily or always racist.

discriminatory in an unacceptably morally arbitrary way and would fail to understand that economic and public safety arguments against further immigration or in favor of drastic reductions in the size of the recent immigrant population in the USA are outweighed by moral considerations that are compassionate and humanitarian in nature. It would be a kind of pulling up of the immigration ladder, as it were, a closing of the “floodgates” to the rest of those seeking better opportunities for themselves and their families. And this holds true even if the net cost of such immigration to the US taxpayer is significant. As in the case of protectionism, humanitarianism admits of variant positions.

However, while the protectionist and humanitarian approaches are the most popular lines of thought on US immigration issues, I seek to resolve the apparent dialectical stalemate by developing for consideration a more nuanced analysis. I prefer to think of this approach as a kind of responsible humanitarianism, one which is anchored in an indigenous perspective. Immigration indigenism is the approach to immigration which recognizes the either occupational or ownership moral right to territory an indigenous group has to the extent that the group has a valid moral claim to or interest in the territory in question. It is grounded in a kind of territoriality thesis according to which the moral right to control its own territorial borders accrues to a state to the extent that that state is not in violation of the “principle of morally just acquisitions and transfers” with regard to the territory it claims as its own. The principle of morally just acquisitions and transfers states that whatever is acquired or transferred by morally just means is itself just, and whatever is acquired or transferred by morally unjust means is itself unjust, and it implies that to the extent that a state resides on territory that it has acquired without violating the moral rights of others is the extent that that state has a moral right to that territory (Corlett 2010). Likewise, to the extent that a state has violated the rights of others in the acquisition of the territory on which it resides is the extent to which that state has no overriding moral right to the territory on which it resides. More specifically, to the extent that

American Indians<sup>2</sup>, for instance, still possess moral ownership or occupational claim rights to the territory within the USA given the history of US-Indian relations, and to the extent that those rights to at least singularly occupy as sovereign nations such territories have been violated by the flood of morally unjust “immigrants” into what is now called the “USA,” it would appear that, morally speaking, indigenous rights must be respected by any viable immigration policy of the USA. And if American Indians still possess their moral rights to the lands in question based fundamentally on the principle of morally just acquisitions and transfers, then it would appear that their well-being (including the moral right of American Indians to without impedance numerically flourish in their own space) must become a central feature of any moral rights-respecting policy of immigration.

Moreover, it would appear that American Indian rights to compensatory justice for the evils experienced by them at the hands of the USA ought to be respected, and part of such a reparations policy would be for the USA to discontinue its policies which would threaten American Indian rights thereto (Corlett 2010). These include American Indian rights to flourish culturally, absent further significant environmental damage to the territory that is genuinely and morally theirs. Put simply, US population growth must be curbed in order to in turn better ensure

<sup>2</sup>By “American Indian” is meant those peoples indigenous to what is currently referred to as the “United States of America.” Even though historically such peoples were misidentified by certain explorers as being Indians from India where the explorers thought they landed at the time, most peoples indigenous to the USA refer to themselves as “Indians” (as well, of course, by way of tribal affiliation), and out of respect for them I do so here as I do elsewhere in my published research. This linguistic custom differs from some other regions of the world wherein indigenous peoples are referred to as “First Nations” (Canada), “Aborigines” (Australia), etc. Indeed, in the USA, many non-indigenous people refer to indigenous peoples as “Native Americans,” a label, much like “Hispanic,” which is rejected by several to whom the labels refer in that the labels originate from out-group members (e.g., the USA government). I am indebted to Professor Deborah C. Poff for urging clarification of this matter.

the quality of life for those Indians and others already in the USA in terms of adopting more demanding antipollution standards in order to combat further adverse climate change, increase food production, protect and improve the quality of water and air supplies, decrease waste disposal, etc., each of which addresses significantly the improvement of wetlands, quality and length of service of various aspects of the country's infrastructure, and the like. Yet human population control in the USA is rarely taken sufficiently seriously. These and whatever other concerns affect the well-being of American Indians, and their abilities to regain their proud cultures and significant portions of their lands are vital to this indigenous perspective.

There are those who assert that "it is far from self-evident that the United States is overpopulated..." and that overpopulation concerns with immigration amount to "scare tactics" (Johnson 2007: 158–159). It represents the environmental argument against immigration to be one of protectionist egoism. It even avers that the USA is by and large an environmentally friendly society. And immigrants, in becoming residents or citizens of the USA, would adopt US customs of environmental respect, thereby alleviating to some extent the more global problem of environmental problems. These factors militate in favor of a liberal US immigration policy (Johnson 2007: 158–159).

On the contrary, the USA is one of the world's most harmful societies to the environment (even if it is true that, comparatively speaking, the USA is more environmentally friendly than many other countries). One need only point to the US policies permitting offshore drilling by oil companies and the many disasters resulting from it that is fueled in large part by US citizens' demand for oil as one of the several examples of how US citizens just do pollute and use more natural resources than most other peoples throughout the world. Also problematic for the environment is the US practice of "fracking" in order to extract natural gas. The USA is considered by most to be a "throwaway society" in terms of consumer waste disposal. So the idea that immigrants to the USA would in general become more environmentally conscious

than they would be in their home countries does not serve as a justification for liberal immigration policy in the USA, that is, if it is reasonable to expect that immigrants would generally emulate environmentally problematic lifestyles. Second, the presumption that the USA is not overpopulated is problematic insofar as overpopulation is construed in terms of the ratio of the human population to available sustainable resources. The USA is crippled with overcrowding in not only its ten largest cities but in several others as well. And the idea that a liberal immigration policy would be a way to populate less populated areas seems to presume that most such immigrants would desire to reside in such areas. The claim that the USA is overpopulated is a mere scare tactic, is itself a counter scare tactic of a humanitarian bent, and refuses to listen to the scores of ecological scientists who have repeatedly cautioned of the US population crisis during the past half-century. Increased population translates directly into increased usage of bridges and roadways, buildings, and such, requiring increases in employment and natural resources to sustain such people, all of which is highly questionable in the case of the USA as it is currently populated. An open door policy, or even a liberal immigration policy, is irresponsible because it fails to see that unrestricted human population growth of any society can eventually contribute to societal destruction as no territory has unlimited natural resources to support unlimited growth. Even if, as is currently the case in the USA, human population birth *rate* is in decline, it does not follow that there is no human overpopulation in the USA, especially when one important issue to consider is the future level of well-being for both the current human population and its immediate offspring and their impacts – both positive and negative – on the global environments. I shall refer to this as the "net effects of human overpopulation over time." And it should be noted that even if it were true that such effects seem not to pose problems for immigrant peoples in the USA, it is difficult to countenance the idea that those effects have not often adversely affected American Indian peoples.



Joseph H. Carens has recently argued that “Irregular migrants should be granted amnesty—allowed to remain with legal status as residents—if they have been settled for a long time. Some circumstances—arriving as children or marrying citizens or permanent residents—may accelerate or strengthen their moral claims to stay, but the most important consideration is the passage of time” (Carens 2010: 5–6; also see 50–51). Carens notes that the “crux” of his argument is that “irregular immigrants” form social relations within the states to which they immigrate and become social members by way of forming bonds with others: “People who live and work and raise their families in a society become members, whatever their legal status” (Carens 2010: 18). Due to this fact, “over time, the circumstances of entry grow less important. Eventually, they become altogether irrelevant” (Carens 2010: 19).

However, in response to Carens’ points, it might be argued that it is problematic to understand how “irregular immigrants” become socially related to the state by breaking one of its basic laws and by disrespecting the state’s right to restrict its own borders. This is a curious kind of social relationship. So while it is plausible for Carens to point out that irregular immigrants become socially involved within the state to which they migrate, this does not equate to their becoming socially involved with the state itself, especially in light of the fact that illegal immigration disrespects the state in such fundamental terms, as noted. Carens’ argument for amnesty for irregular immigrants is an intuition-based one wherein he constantly resorts to *ad hominem* rhetoric, referring to deportation or restricted borders policy as “a moral absurdity” (Carens 2010: 9), “morally wrong” (Carens 2010: 11), “unreasonable” and “cruel and inhumane” (Carens 2010: 12), “a harm done to someone in forcing him or her to leave” (Carens 2010: 25), “simply wrong” (Carens 2010: 47), etc. (Carens 2000). Yet he uses these as reasons when they are in fact conclusions for which he is supposed to supply independent and non-question-begging supporting argument. Thus Carens’ argument for a kind of “rolling amnesty” (Carens 2010: 49) regarding irregular immigrants collapses. An approach to US

immigration is not supposed to essentially constitute both the premises and conclusion for one’s position. It is a conclusion that is supposed to be grounded in independent reasoning.

To be clear, Carens’ thinking is not intended to repudiate a state’s right to control its borders but rather to place constraints on that right (Carens 2010: 27). On his view, the state has a right to deport those who immigrate illegally so long as that deportation occurs early in the stage of the immigrant’s stay in that country (Carens 2010: 27). And Carens recognizes the moral arbitrariness in stating just how long it must be before an illegal immigrant is rightly deported when caught. This latter point leads Carens to claim that the USA is somewhat “complicit in irregular immigration” (Carens 2010: 27), thereby making the moral case for amnesty for such immigrants in that its “failing to enforce immigration laws and controls when it could do so, the state bears considerable responsibility for the results of its inaction” (Carens 2010: 28). Now Carens is quick to point out that “one cannot charge the state with complicity simply because of its failure to deter unauthorized immigration” (Carens 2010: 30). However, “[a]ctual complicity, in the form of deliberate lax or fluctuating enforcement, does undercut the state’s right to deport irregular migrants” (Carens 2010: 31). But it might be argued against Carens’ point that this is a rather fine distinction, perhaps overly so such that the burden of moral argument rests with Carens to demonstrate that, say, the USA has been genuinely lacking in its attempts to control its borders.

Indeed, the USA perhaps spends more than any other country on border enforcement, and its fluctuant border enforcement can easily be traced to political factors as US citizens and their politicians wrestle with the morality of immigration. Carens goes on to assert that “[t]he laws restricting immigration are a lot more like traffic regulations than like laws prohibiting murder and theft” (Carens 2010: 43). And he likens his desire to institute a moral statute of limitations on deportations of long-settled irregular immigrants to the legal statutes of limitations on various crimes in US law (Carens 2010: 44). But the reason he provides for this parallel is that “it is not right to make



people live indefinitely with a threat of serious legal consequences hanging over their heads for some long-past action, . . ." (Carens 2010: 44).

However, there are at least two problems with this line of thought. First, it wrongly places the burden of coercion on the state which Carens already concedes possesses a right to restrict its own borders. Why not construe the irregular immigrant as the one who in most cases and to a significant extent knowingly, intentionally, and voluntarily places herself in this predicament instead of blaming the state for restricting its borders? Secondly, Carens' statement does not capture some of the particulars of why there are legal statutes of limitations on certain crimes. It is because over time, evidence, whether physical or testimonial, becomes problematic. Physical evidence can be lost or damaged and no longer usable in a court of law; witness testimonies can become blurred due to memory loss. Yet none of these factors applies in the typical cases of irregular immigrants. Immigration status can be readily verified, and there is therefore no excuse for being in a country wherein one has not gone through the legal procedures of entry and stay. It is not only illegal, but morally speaking, it is disrespectful toward those who are legal citizens as one effectively enters their "home" without their permission. It is a form of trespass. And unless it is a genuine case of one's escaping their homeland to save their life from immediate physical persecution and highly probable or certain death wherein certain version of good Samaritanism might well apply (I understand such cases to constitute ones of refugees), it is difficult to construe even the irregular immigrant as one who is not just a potentially thieving trespasser: a trespasser for obvious reasons, a would-be thief to the extent that the likelihood of her displacing a citizen from an employment prospect or her actual job is significant, and an actual thief to the extent that she as an irregular immigrant displaces a citizen from her reasonably potential employment. Thus Carens' attempt to draw a parallel between legal statutes of limitations on certain crimes, on the one hand, and a moral statute of limitations on irregular immigrants and their deportation, on the other, fails, as does his try at

shrouding irregular immigrants' unconcern for US citizens struggling to combat their own unemployment or dubious current employment future with such immigrants' struggles with their own personal betterment.

But there are deeper problems with the notion of open or minimally restricted borders as a moral duty of countries such as the USA. Just as John Rawls' separateness of persons objection (Rawls 1971: 23f.) to classical utilitarianism serves as a reason to reject classical utilitarianism's attempt to aggregate social utility over rights, an immigration policy which seeks to open US borders with few or virtually no restrictions for the good of the world or of most others runs the serious risk of violating this vital Rawlsian ethical concern. And it may do so in one of at least two ways. First, it may do so by violating the rights to freedom and privacy of US citizens as individuals. Second, it may do so by violating the rights of certain collectives within the state to freedom and sovereignty, or even the state itself, for each individual and group within the state has rights that include the valid claim to or interest in self-development and the pursuit of projects that might well not encompass the claims of others to immigrate to the territory in which they live. Indeed, such projects and interests of such peoples may well clash, posing a threat to those in the target state. It is for this reason that the concept of restricted borders by morally legitimate societies must be written into the very essence of any plausible immigration policy.

What is being argued here can be put in another way in order to highlight the kinds of moral values which underlie the argument for an indigenist approach to immigration. The argument is a conditional one which assumes some propositions which receive independent argumentative support elsewhere, as indicated above. Assuming that moral rights are valuable, including such rights as privacy and property rights and autonomy and sovereignty rights, it is argued that open borders approaches to US immigration essentially pose threats to such rights by trumping them with a utilitarianism which seeks to make the world better for the greatest number of humans. It is *not* that a pro-immigration stance *necessarily* poses

threats to the rights of those in the USA. Rather, it is that whatever else a plausible immigration policy does, it must not undermine the valid moral claims or interests of those already in the USA, such as American Indians who are its most indigenous inhabitants. For given the history of migration into North America, immigration policy must seek to and achieve at least this much: It must not continue the undermining of the rights and welfare of American Indians.

While it is true that indigenism of the strict variety would adopt a zero human population growth policy of immigration concerning the USA, implying a zero tolerance for immigration, more moderate (realistic and integrationist) indigenism might opt for a more inclusivistic approach to the problem, working on the assumption that American Indian rights can realistically be respected by the USA in terms of its reformation of its immigration policy. But exactly what might such reform look like? In answering this question, it is important to provide some principles of justice with regard to immigration policy. These vital questions remain to be addressed elsewhere.

## Conclusion

Amidst the confusion that often accompanies debates about immigration, there is a great deal of presumptuousness on the parts of humanitarians and protectionists. One presumption that neither side has taken seriously is the moral fact that and how the territoriality thesis and the principle of moral just acquisitions and transfers apply to and ought to figure into the discussion. When they are taken seriously in immigration discussions, they point to the importance of the rights to American Indians to their lands and their cultural preservation, rights which are violated under current US immigration policy and rights which are likely to continue to be violated or ignored under an open borders “humanitarian” approach to immigration. Whatever else a sound immigration policy must support, it must adequately support indigenous rights to what are, morally speaking, their territories and cultures. And while this is especially the case with regard to matters of

immigration in the USA, it is likely to have an effect on the complexities of discussions of immigration in many other geographical locations throughout the globe.

## Cross-References

► [Aboriginal Ethics: Traditional and Contemporary](#)

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## Impact of Board Diversity on CSR Practices

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## Synonyms

Inclusivity and Diversity on Corporate Boards

## Introduction

There has been increased interest in the impact of board diversity on corporate social responsibility (CSR) across heterogeneous business disciplines

and by expert academics. The research has grown from focusing mainly on the impact of gender diversity to various other aspects of diversity, including observable (e.g., age and race) and non-observable (e.g., education and occupation) characteristics. This chapter will provide an overview on board diversity theories, definitions, diversity trends, CSR, the relationship between board diversity and CSR, and various aspects of board diversity. Additionally, the chapter will present future research recommendations in areas pertaining to board diversity and CSR.

## Board Diversity

Board diversity research has gained much momentum in recent years, causing a myriad of research papers to emerge in the field. Several governments of countries have recognized the growing importance of diversity reflected in the mandating and regulatory reporting of gender quotas on the board. This has fueled an even greater range of studies, along with more contextually focused contributions. In this section the definitions of diversity, board diversity theories utilized by researchers and the various impacts of board diversity will be explored.

### Board Diversity Definitions

Countless definitions exist for board diversity. Simply put, the term “board diversity” signifies an array of “constructive differing” among members on the board. An analysis of board diversity definitions by Kagzi and Guha (2018) found that board diversity entails three classifications: (1) observable (e.g., gender, age, and race) and non-observable characteristics (e.g., functional background and education); (2) diversity of board structure (e.g., size of the board tenure and CEO duality); and (3) functional related diversity (e.g., education and work background) and non-functional related diversity (e.g., gender, age, and nationality).

Harrison and Klein’s (2007) definition of diversity has become highly recognized and esteemed in the field, as a broad-brush and yet relevant, applicable and workable meaning. The authors suggest that diversity construct consists of

three types: separation, variety, and disparity. Separation refers to inconsistency in opinion while variety refers to inconsistency in kind and classification, and disparity refers to an imbalance in level of authority and in backing (Harrison and Klein 2007).

### Board Diversity Theories

Evident in the scholarly debates, researchers often encounter contradictory positions and opposing findings in examining impact as outcomes of board diversity. Kagzi and Guha (2018) highlight that this could be attributed to selection of underpinning theory. Generally, the board diversity theories that more often demonstrate a positive impact of board diversity consist of resource dependence (RDT), upper echelon, signaling, networking, and behavioral theory. On the other hand, agency, social identity, and social characterization theory have more often demonstrated negative impacts of board diversity. Kagzi and Guha (2018) note that each theory can be engaged to explore different ethical attributes or duty of the board. Comparatively, resource dependence theory explores the positive impacts of board diversity from the availability of resources viewpoint while agency theory looks at the impact of board diversity from a board monitoring outlook.

### Diversity Trends

Beyond the widely reported 2008 financial crisis, the failures and concerns about larger private companies and their dependencies and affects have persisted, for example, Thomas Cook, VW, and Facebook. The public awareness and accountability aspects have led corporations, regulators, and governments to carry out extended research on enhancing the effectiveness of board, to the board directors themselves. Initially, the bulk of research focused on the impacts of board gender diversity. Since discovering some promising results, researchers have attempted to advance these early research trends by examining additional aspects of observable and non-observable board diversity attributes (Harjoto et al. 2015). The more recent studies have delved into

unexplored surface level and deeper non-observable and more personal attributes of diversity, including growing interest in foreign diversity (Velte 2017), board members' occupational backgrounds/expertise (Harjoto et al. 2015), and their age and tenure influences (Feng et al. 2020).

## CSR Trends

The concept of corporate social responsibility has existed for many decades and has evolved over time to accommodate a rise of cross-cultural influence and changes. CSR is underpinned by ethics as deontological, normative (moral), and utilitarian. In recent times, calls for greater transparency and higher standard of ethical conduct are being shaped by pressing environmental concerns, and calls for anthropogenic sustainability and attention from governments, intergovernmental organizations (e.g., the United Nations), and unions (e.g., the EU) have driven changes in the type of CSR in which companies engage (ElAlfy et al. 2020). ElAlfy et al. (2020) maintain that this has led to the trend of adopting transparency to an unparalleled degree, as well as attention to balancing shareholder and stakeholders through higher levels of disclosure as a step toward more eco-friendly sustainable accountabilities of business/corporate activities.

To better comprehend the development of CSR, it is integral to realize the influence of sustainability trends and goals set by unions and intergovernmental organizations on CSR practices (e.g., reporting), strategy, transparency, and regulation. ElAlfy et al. (2020) believe that the Sustainable Development Goals put forth by the United Nations have substantially impacted the way companies engage in CSR into sustainably and strategically aligned approaches. This change has been particularly prevalent in research on CSR. Using a scoping review, ElAlfy et al. (2020) discovered that papers analyzing CSR and Sustainable Development Goals (SDG) have increased by about 55% from 2015 to 2019. Some papers take a blanket approach to CSR and SDG, for instance, analyzing board diversity and

sustainability, while others look at specific SDGs (ElAlfy et al. 2020).

Furthermore, there has been a trend to converge the definitions of corporate sustainability (CS) and corporate responsibility (CR) in recent literature, obscuring the differences between the two. Bansal and Song (2017) discovered that former definitions of CS and CR are more pronounced than recent definitions. Initial research on responsibility revolved around social issues while initial research on sustainability centered on environmental concerns; however, the differences have converged over time as responsibility researchers recognize that management of the environment is a social issue and sustainability researchers acknowledge that society contributes to environmental concerns.

## Relationship Between CSR and Board Diversity

Researchers draw consensus that there is a positive relationship between CSR and board diversity (Harjoto et al. 2015; Feng et al. 2020; Bear et al. 2010; Velte 2017). A diverse board brings diverse experiences, backgrounds, information, understanding, expertise, and viewpoints together in regard to corporate decision-making. Therefore, diversity boosts competence on the board when dealing with stakeholder needs and CSR performance (Harjoto et al. 2015) and the ability to connect the corporation with its CSR resources (Feng et al. 2020). The following subsections will examine the relationship between CSR and various aspects of board diversity, including observable characteristics such as gender, nationality, race, and age and non-observable characteristics such as occupational background, education, board independence, and board tenure.

Researchers use both qualitative and quantitative methods to study board diversity, with quantitative research being more predominant (Kagzi and Guha 2018). To measure CSR, some researchers use CSR ratings or CSR performance indicators such as the KLD (Bear et al. 2010; Harjoto et al. 2015; Feng et al. 2020) while others utilize CSR reporting (Velte 2017). Researchers

can also measure CSR by examining the number of companywide CSR initiatives, the frequency of CSR discussion on the board, the prominence and degree of CSR policies, and more.

The measurement of board diversity also varies for different researchers. Some measure diversity in terms of categorizing a board with diversity as heterogeneous and a board that lacks diversity as homogeneous instead of looking at a specific diversity characteristic such as gender; others measure diversity by looking at various diversity indexes (Kagzi and Guha 2018). Diversity can also be measured by studying each board diversity aspect individually, allowing researchers to differentiate between and compare various diversity characteristics.

### Gender

Gender diversity on boards is by far among the most researched topics in the field of board diversity. Broadly, researchers have found a positive relationship between board gender diversity and CSR (Harjoto et al. 2015; Kagzi and Guha 2018; Bear et al. 2010). While many studies on the impact of gender diversity have found positive linkages, they differ in methodology. For instance, Feng et al. (2020) explore the link between board gender diversity and CSR scores. Researchers also assess the relationship of board gender diversity to different outcomes. For instance, Bear et al. (2010) examine the relationship between the number of women on the board, board resource diversity, and the overall reputation of the corporation. Researchers can then examine CSR with the different outcomes assessed. Bear et al. (2010) utilize this method when assessing the relationship between CSR ratings and corporate reputation (stemming from the theory that board gender diversity enhances board reputation).

Each of the above studies found a positive relationship between CSR and board diversity (Bear et al. 2010; Feng et al. 2020) and CSR and reputation (Bear et al. 2010). Additionally, Bear et al. (2010) discovered that institutional and technical strengths act as mediators to the relationship between corporate reputational and board gender diversity.

### Occupational Background

As with many of the non-observable diversity characteristics, occupational background is relatively understudied. Harjoto et al. (2015) provide research on various aspects of board diversity, including occupational background. The researchers acquired data on board diversity in terms of expertise utilizing a heterogeneity index and categorized the directors' expertise by the scope of services they offered and employment groupings. These were split into five fields consisting of legal, financial, management, consulting, and other (e.g., the medical profession, researchers, information technology).

The researchers discovered that boards were generally more diverse in terms of occupational background, board independence, tenure, and age of board members than for other diversity measures. Additionally, diversity in terms of expertise positively impacted the overall CSR of the company because it reduced CSR concerns (Harjoto et al. 2015). Although this research does a good job of tackling the occupational background aspect, it fails to account for directors that have a number of different areas of expertise, such as those that possess expertise in both finance and law, management and research, etc.

### Race

Race, an observable characteristic, has often been studied in the context of board diversity in the Western context. Harjoto et al. (2015) examine whether board race diversity has an impact on CSR in the United States. The researchers define race using a heterogeneity index as being one of five categories: Caucasian, Asian, Black, Native American, or Hispanic. They found that race does impact CSR practices by reducing concerns in the areas of environment, corporate governance, human rights, employees, community, and product (Harjoto et al. 2015). However, the research indicates that diversity of race is more strongly correlated with minimizing concerns in regard to CSR than increasing the CSR strengths of the company. It should also be noted that during the second stage of regression analysis (two-stage least squares) conducted by Harjoto et al. (2015),

the results suggest that there is no relationship between diversity of race and CSR concerns.

### Age

Age diversity is rarely examined by board diversity researchers. This could be because board members are usually close in age due to the level of experience required to serve on a board. However, modern boards are changing, and this area needs closer examination. The existing research typically points to a negative impact of age diversity on CSR (Harjoto et al. 2015; Feng et al. 2020).

For instance, Harjoto et al. (2015) examined age diversity by categorizing director age into five groups using a heterogeneity index: under 40, 40–49, 50–59, 60–69, and 69+. The researchers found that diversity in age had a negative relationship with CSR. Similarly, Feng et al. (2020) measured age diversity with the help of an index and found a negative relationship between age diversity and general CSR scores. To take it a step further, Feng et al. (2020) examined the influence of age diversity on various components of CSR and discovered that age had a negative impact on six areas of CSR (human rights, product, employees, environment, and corporate governance) but had a positive impact on the area of CSR diversity. The researchers believe that people coming from a variety of generations might have dissimilar values, norms, knowledge, experiences, and goals, resulting in decision-making handicaps. However, this argument is not believed to be compelling, and future researchers need to dig deeper to understand the impacts of age diversity.

### Education

Educational diversity, a non-observable form of diversity, can be studied in many ways. Researchers could analyze this by looking at the board members' fields of education (e.g., law and engineering), the variations of degree level (e.g., MBA, PhD), or any other educational variety indicators. Harjoto et al. (2019) analyzed the impact of educational diversity in terms of the regions in which the directors earned their undergraduate and graduate degrees. The researchers

split the regions into eight groups: Africa, Asia, Australia, Eastern Europe, Europe, North America, and South America. Furthermore, the directors were split by the regions in which they earned their degrees as a percentage of board size. Harjoto et al. (2019) found that there was a significant positive relationship between regional diversity in which directors received their degrees and corporate social performance.

### Nationality

Board national diversity refers to the diversity of nationalities of those serving on the board. National diversity is generally considered an observable diversity quality. Only a handful of papers have looked into national diversity; one of the most notable is conducted by Harjoto et al. (2019). Much like in their study of educational diversity, Harjoto et al. (2019) categorized the board members by nationality based on eight regions and measured director nationality by region as a percentage of board size. Similar to the research on educational diversity, there was a significant positive relationship between national diversity and corporate social performance.

### Board Tenure

Board tenure refers to the number of terms served on the board. Harjoto et al. (2015) measured tenure using a heterogeneity index to categorize the number of terms on the board from one term to more than five terms. The researchers found that board tenure diversity improved the total CSR scores because it minimized CSR concerns (Harjoto et al. 2015).

### Board Independence

Board independence, defined as the proportion of independent directors on the board, is heavily referenced in the board diversity literature. Velte (2017) believes that board independence and gender are increasingly used as placeholders in favor of board effectiveness. It seems that firms with more board independence benefit from external monitoring, making them more conscious of CSR (Harjoto et al. 2019). Harjoto et al. (2019) found a positive relationship between board independence and corporate social performance.



## Future Research Recommendations

Future research could look into improving the literature on both observable and non-observable board characteristics. A literature review by Velte (2017) found that most of the research in this field focuses on aspects such as board independence; factors such as board expertise and occupational background were infrequent. Velte (2017) predicts that from a quantitative standpoint, it would be tedious for researchers to examine the resumes of each board of directors and then code the data; however, he notes that financial expertise or CSR expertise suggest suitability for a capable CSR reporting system. Future researchers could look into directors with backgrounds in PR, branding and marketing, CSR, corporate governance, etc., to identify whether a relationship exists between occupational background and CSR. Additionally, future research could look into directors with an occupational background in more than one area and explore the impact, if any, on the company's CSR practices.

Additionally, more precise research can be achieved in relation to race diversity. Harjoto et al. (2015) divide race into five categories: Caucasian, Asian, Black, Native American, and Hispanic. While this definition is suitable for the United States, it would not hold up well in different contexts. For instance, if this study was conducted in the United Arab Emirates, grouping Arabs as Caucasian and both Japanese and Indians as Asian would not indicate the true level of diversity present on the board. However, in the context of the United States, where the definition of race is generally standardized, this definition is satisfactory. It is recommended that future researchers look at a more precise definition of race that includes subcategories, such as splitting Asian into South Asian and East Asian. This could be achieved by examining ethnicities rather than race.

Furthermore, future researchers could look at the impact of executive education on the board on CSR practices as it is believed that the nature/agenda of executive education in business schools shape future leaders perspectives of CSR/ethics.

This field of research has adequately demonstrated the relationship between board diversity

and CSR but has yet to discover why or how these relationships exist. This could be achieved in future research by opting for a qualitative or mixed methods approach. If executed correctly, a qualitative approach would delve deeper into the relationships between diverse board members and CSR.

## Conclusion

Research on board diversity is growing rapidly. Researchers are shifting from a focus on the impact of gender diversity to researching various aspects of diversity. Additionally, research on CSR now often includes sustainability and Environmental Social Governance trends. New board diversity theories are continually being developed and refined. Research on the impact of board diversity on CSR has yielded positive results; nevertheless, gaps in the research persist, such as the lack of qualitative research, which could be explored further.

## Cross-References

- ▶ [\(Managing\) Diversity](#)
- ▶ [Age Diversity and Generational Ethics](#)
- ▶ [At the Intersection of Diversity and Ethical Leadership](#)
- ▶ [Corporate Governance](#)
- ▶ [Corporate Personhood and Corporate Responsibility to Race](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Female Chair: Moving Away from Shareholder Primacy](#)
- ▶ [Racial and Ethnic Diversity in Business](#)
- ▶ [Women on Corporate Boards and Sustainable Development](#)

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## Implications of Mindset Theory for Ethical Decision-Making

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## Synonyms

Mindset theory of action phases; Motivated reasoning

## Introduction

The Nintendo Switch is one of the fastest-selling video game consoles in history, with more than 14 million units sold within its first year of release (Nintendo Co., Ltd. 2018). Contrast that with Nintendo's previous console, the Wii U, a sales disappointment, with less than 14 million units sold during its four-year life cycle (Mochizuki 2017; Nintendo.co.jp 2018). Nintendo management experienced difficulties accurately estimating demand for both consoles, but the excess supply of Wii U consoles likely presented the

more challenging accounting decision – namely, the appropriate amount to write-down inventory to account for a decline in value due to lower than expected sales.

As with many amounts presented in company financial statements, inventory write-down is an accounting estimate that is based on management's assumptions about uncertain future events and conditions. Accounting estimates are important to users' (e.g., shareholders') understanding of company financial performance not only because the reported amounts are material to the financial statements but also because they are highly sensitive to changes in management's assumptions (Christensen et al. 2012).

To estimate the decline in the value of its Wii U inventory, management would have considered, among other factors, their plans to stimulate demand for the console and internal sales forecasts. The management recognized early in the Wii U's life cycle that a price reduction would be necessary to stimulate demand and responded by dropping the US retail price by \$50 per unit (Nintendo.com 2013). Anticipating that the price drop and other plans to stimulate demand would succeed, management's financial forecast included the assumption that nine million Wii U consoles would be sold in fiscal year 2014 (Nintendo Co., Ltd. 2014b).

Actual sales of 2.72 million units would fall far short of management's expectations and, largely to account for a decline in the value of the Wii U console, Nintendo ultimately recorded a \$222 million USD inventory write-down in its 2014 fiscal year end financial statements (Nintendo Co., Ltd. 2014a). The unanticipated low demand for the Wii U provides a striking example of the challenges involved in making accounting estimates that appropriately capture the impact of uncertain future events and conditions.

Many challenging accounting decisions are also ethical decisions as financial statement users are vulnerable to making economic decisions on the basis of misleading information, including estimates that depend on unrealistic or biased assumptions by management. Management's assumptions are subject not only to cognitive bias, such as the tendency to believe that their

plans are less likely to fail compared to others' plans, but also to incentive-driven bias to avoid disclosing bad news as their compensation is based to a large extent on meeting short-term income-based performance targets (Kothari et al. 2009).

Bias in management's assumptions can persist even when they are developed in consultation with outside experts whose actions are bound by a professional code of conduct, such as actuaries and accountants (Gunz et al. 2009). The conditions are right for bias to persist when such experts are also engaged by management to provide advisory services that place them in a conflict of interest position – one that impairs their objectivity by incentivizing them to arrive at assumptions that correspond with management's preferences (Gunz et al. 2009).

Users recognize that financial statement information is susceptible to management bias and that management has more information about the company's true performance than they do. This information asymmetry engenders distrust, putting the efficient functioning of financial markets at risk.

As independent public accountants, auditors serve a key role in bridging the trust relationship by providing users with comfort that management's financial statements are free from material misstatement (Pentland 1993). However, auditors can be fallible; like management, auditors' judgments are subject to cognitive biases that limit their ability to objectively evaluate management's accounting decisions. Also, like other professionals, auditors can be placed in a conflict of interest position (Bazerman et al. 1997, 2002; Moore et al. 2006).

Even in a regulatory environment that promotes auditor independence by prohibiting management from engaging the auditors to provide certain advisory services (Nelson 2006), auditors still seek to establish positive working relationships with management to ensure they secure the audit contract (Bazerman et al. 2006; Fiolleau et al. 2013). The desire to maintain such relationships makes auditors susceptible to influence from management, even when they have every

intention of being impartial (Bazerman et al. 2002; Moore et al. 2006).

The remainder of this entry focuses on how the mindset theory of action phases (Gollwitzer 2012) can be used to explain why auditors are subject to one particular cognitive bias that influences how they evaluate management's accounting decisions – goal-oriented motivated reasoning.

### Auditors' Motivating Reasoning

Auditors are susceptible to many of the same cognitive biases as the general population. For example, auditors' judgments reflect anchoring stemming from the fact that they typically have knowledge of the amounts contained in management's draft financial statements before beginning their audit work (McDaniel and Kinney 1995). However, unlike anchoring documented in the general population, auditors' judgments reflect a form of anchoring that is more attuned to, and more resistant to adjustment from, negative information as compared to positive information (Smith and Kida 1991). In other words, auditors give more consideration to information that calls into question management's accounting decisions than they do to information that supports such decisions. This form of anchoring is referred to as conservatism (Smith and Kida 1991).

Auditors' conservatism reflects their training as public accountants, which promotes a skeptical mindset that is alert to information that could call into question the appropriateness of management's accounting decisions and conditions, such as whether management is under intense pressure to meet short-term performance targets, that could give rise to materially misstated financial information. Despite a duty to act in the public interest, and training that promotes an unbiased mental attitude and a conservative disposition, auditors engage in goal-oriented motivated reasoning – the tendency to search for, process, and evaluate information in such a way that allows individuals to arrive at their preferred conclusions (Kunda 1990).

Auditors' motivated reasoning stems in part from their incentives to maintain positive working

relationships with management. If auditors are highly critical of management's accounting decisions, then they risk damaging the relationship and potentially losing the client. Researchers surmise that the possibility of losing a client over an accounting dispute becomes unthinkable when the auditor is engaged not only to perform the audit service but also non-audit advisory services (Bazerman et al. 1997, 2002; Moore et al. 2006). Thus, many financial statement users are concerned that the joint provision of audit and non-audit advisory services creates an economic bond between the auditor and the client (Firth 1997) – one that impairs auditors' ability to objectively evaluate management's accounting decisions.

Until high-profile accounting scandals in the early 2000s (e.g., Enron) stimulated regulatory action (e.g., the Sarbanes-Oxley Act) that prohibits audit firms from providing their audit clients certain advisory services, there existed a perception that auditing is a commodity service that audit firms offer to their clients at a loss as a foot-in-the-door technique to secure profitable consulting contracts (Zeff 2003). Even with regulation in place that prevented audit firms from treating the audit service as a stepping stone to grow the advisory practice, the 2008 global financial crisis renewed users' concerns that auditors cannot be expected to maintain their independence from management if audit firms are permitted to build long-term relationships with their clients (CPA Canada and CPAB 2013).

For example, KPMG has audited General Electric (GE) for over 100 years and received \$140 million in fees for all services provided to GE in 2017 (Erickson 2017; Fino 2018). Shareholders are concerned that the long-term relationship between KPMG and GE and the high fees that it generates are a threat to audit effectiveness (Egan 2018). It is not that the auditors are motivated to intentionally collude with management to mislead users. Rather, the concern is that the desire to maintain the relationship (i.e., to keep the client) motivates auditors to adopt a goal of supporting management's preferences, even when they have every intention of being objective (Bazerman et al. 2002). This unintentional bias has been referred to as moral seduction (Moore et al. 2006).

To achieve their goal, auditors process information in such a way that they arrive at management-preferred conclusions (Kadous et al. 2003). For example, when evaluating management's estimate to account for a decline in the value of inventory, auditors who adopt a goal of supporting management's estimated write-down amount might seek out information (e.g., internal reports) that supports management's potentially unrealistic sales forecasts and discount any information (e.g., industry reports) that calls into question the reasonableness of management's assumptions.

Auditors cannot arrive at just any management-preferred conclusion as they are bound by reasonableness constraints (Kadous et al. 2003) – they cannot support accounting decisions that violate generally accepted accounting principles (GAAP). However, accounting standards do not always provide precise guidance on how to account for uncertain future events and conditions, such as the most appropriate method to estimate an amount to write-down inventory. Ambiguous guidance feeds into auditors' motivated reasoning – it offers auditors flexibility to interpret the guidance in such a way that they arrive at management-preferred conclusions (Hackenbrack and Nelson 1996). Hence, auditors can engage in goal-directed motivated reasoning while still maintaining a semblance of objectivity because a wide range of estimated amounts would be considered acceptable under the prevailing accounting standards.

### **Auditors' Motivating Reasoning and the Implemental Mindset**

The nature of auditors' motivated reasoning reflects what the theory of action phases would characterize as an implemental mindset (Gollwitzer 1990, 2012). Individuals adopt implemental mindsets when they are at the post-decisional action phase – when they are no longer actively deliberating the desirability and feasibility of the different alternatives or goals in their choice set. The implemental mindset facilitates task completion by focusing individuals' cognition on achieving a chosen goal. This focus on

task completion motivates individuals to, among other things, engage in selective information processing – seeking out information in support of the chosen goal and discounting information that does not support the goal.

Auditors who adopt a goal of supporting management's accounting decisions will quickly move from the pre-decisional to the post-decisional phase – in other words, from a deliberative mindset to an implemental mindset. While the implemental mindset helps individuals focus on efficiently acting on their chosen goal, auditors are required by professional standards to evaluate information impartially, to consider more than one perspective, and to seek out disconfirming information, all of which necessitate intense deliberation.<sup>1</sup>

Auditors' susceptibility to motivated reasoning raises the concern that they prematurely progress to the post-decisional phase arising from a tendency to default to the goal of supporting management's accounting decisions. Auditors are particularly likely to default to this goal when they have knowledge of management's accounting preferences before beginning their audit work (McDaniel and Kinney 1995).

When evaluating management's accounting estimates, auditors typically focus their audit work on the process management followed to develop the estimate, such as the data management used and the assumptions they made (Griffith et al. 2015a). Auditors' narrow focus on testing management's process creates the conditions for an implemental mindset to manifest because their choice set may contain only one accounting alternative – namely, management's. However, if auditors are prompted to develop independent expectations, then they expand their choice set and create the conditions for deliberation focused on the desirability and feasibility of

the alternatives to management's preferred accounting (Pike et al. 2013).

## Interventions to Stimulate a Deliberative Mindset

Auditors' tendency to focus their audit testing on evaluating the process management follows to develop their accounting estimates rather than on developing independent expectations promotes an implemental mindset that is not conducive to the skeptical mindset they are required to demonstrate as public accountants (Nolder and Kadous 2018). To address this concern, a deliberative mindset can be stimulated with interventions that encourage auditors to engage in critical thinking focused on an impartial analysis of the available information (Griffith et al. 2015b).

Auditors are required by professional standards to think critically about the quality of management's accounting decisions. However, even if such interventions prompt auditors to seek out more information about alternatives to management's preferred accounting, they will still arrive at management-preferred conclusions when they evaluate information through the lens of an implemental mindset. In fact, if auditors' implemental mindset focuses them on information that is consistent with their goal, then the outcome of prompting auditors to deliberate could be that they confidently conclude that the alternative preferred by management is the most appropriate (Kadous et al. 2003).

Another way to stimulate deliberation is to enhance auditors' accountability. For example, accounting firms that provide audit services to publicly traded companies in the USA are inspected by the Public Company Accounting Oversight Board (PCAOB) – an oversight authority that has the power to impose sanctions if the audit work performed is not in compliance with professional standards. The presence of a powerful audience could stimulate a deliberative mindset, but it could also motivate auditors to adopt a new goal – to perform audit work that would satisfy inspectors that the auditors challenged management's accounting preferences

<sup>1</sup> According to the auditing standards "The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements" (CPA Canada 2010). Thus, when evaluating management's accounting decisions, auditors are bound by professional standards to consider not only the perspective of management but also that of users.



(Westermann et al. [Forthcoming](#)). In other words, accountability could prompt auditors to adopt an implemental mindset focused on information that disconfirms the appropriateness of management's preferred accounting.

## A Takeaway

Auditors are required by professional standards to be skeptical of management's accounting decisions but also to be impartial when planning and performing audit work. It is important to address concerns that auditors default to a goal of supporting management-preferred conclusions, but interventions that promote a goal of disconfirming the appropriateness of management's preferred accounting may simply serve to trade efficiency for effectiveness, resulting in higher quality but more costly audits. Hence, interventions that stimulate auditors to engage in intense deliberation likely work best, if practicable (McDaniel and Kinney 1995), in the pre-decisional phase, before auditors learn the preferences of the audiences to which they are accountable (Griffith et al. 2015b).

A long line of research has investigated whether auditors can satisfy their professional responsibilities (i.e., whether auditors can be independent) in an environment where they have incentives to maintain positive working relationships with management. This research shows that auditors' judgments are susceptible to bias even when they have every intention of making objective judgments. In fact, the mere knowledge that management prefers a particular accounting alternative is sufficient to activate a nonconscious goal in auditors' minds – one that impairs their ability to objectively evaluate management's accounting decisions. It is now well understood that auditors are not infallible and that their judgments are susceptible to cognitive bias. Researchers continue to investigate why auditors engage in goal-oriented motivated reasoning and how to mitigate its deleterious effects on ethical decision-making in auditing. This entry focuses on a relatively new approach to understanding auditors' goal-oriented motivated reasoning – one that investigates this

reasoning process through the lens of mindset theory (Griffith et al. 2015b, 2016).

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Agency Theory](#)
- [Ethical Blind Spots and Accounting](#)
- [Professionalism Versus Commercialism in Audit](#)

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## Impression Management and Business Ethics

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## Synonyms

Self-presentation; Social performance

## Introduction

“Impression management” figures in business literature in a variety of contexts, from corporate reports through marketing to material on job interviews and staff recruitment. It raises ethical issues because it is a means of influencing people, either through giving them true or false impressions or in other ways. In management literature, “impression management” often refers to efforts from individuals or organizations to have people see them in a favorable light. In sociological literature derived from work by Erving Goffman, the term generally has a different sense, referring to individuals’ joint participation in a performance that conforms to a social script. However, there is some overlap between the sorts of ethical issues that arise in the two sorts of impression management.

## Conveying a Favorable Impression

With regard to efforts from individuals or organizations to have people see them in a favorable light, there is a distinction to be made between cases where this is achieved by getting people to see things in one way rather than another, where there is not an obviously true or false way of seeing them, and cases where it is achieved by conveying beliefs that are actually true or false.

It is important to note that in the latter sort of case, impression management is not always deceptive. It may just be publicly conveying accurate information (e.g., Leary 1995: 4). For example, a leader might offer evidence of past achievements to foster support. If the past achievements are real, then there is nothing deceptive about what is done. However, it is easy to find cases where impression management involves giving people impressions that are false. I might wear the tie of a particular school or college to convey the impression that I attended it. You might through your manner and bearing convey an impression of friendliness and sympathy, concealing a hostile intent. A company might through its branding and publicity imply

commitment to environmental causes, contrary to its actual processes and products. In each case, others could be caused to have false beliefs, through a process of suggestion or implication rather than through explicit statement.

When impression management does deliberately convey impressions known to be false, it often seems ethically problematic for all the same general sorts of reasons as outright lying. When someone deliberately gets another person to believe something false, there does not seem to be much ethical difference whether or not the means is an explicit statement.

However, there is one qualification that needs to be made. Sometimes, the person who gains the false impression may have to take some responsibility for doing so. If a company produces documents on recycled paper, giving you the impression that they are more generally responsive to environmental concerns, it may be your own responsibility as much as theirs that you have come to that conclusion. If you wear a tie that gives me the impression that you served with an elite army regiment, it may be my responsibility that I came to that conclusion without looking at the tie more closely.

This does not necessarily mean that the person or company that gives the impression is freed from responsibility or blame. Responsibility does not come in fixed amounts, so that one party’s responsibility necessarily diminishes the other party’s. We still need to consider the first party’s intentions and expectations: perhaps you relied on my laziness to impart that impression. However, it does mean that the situation can be more complex than that of outright lying and may need more careful scrutiny in particular cases.

## Impression Management and Ways of Seeing

In other cases, the issue of truth or falsity does not arise. Sometimes, we can see things in one way rather than another, without one way being true to the facts and the other untrue. Wittgenstein’s

famous “duck-rabbit” picture can be seen as either a duck or a rabbit, and neither way is more correct than the other. Impression management of this type is the sort of thing we do if we get someone to see a glass as being half-full rather than half-empty. An example might be leaders getting others to see them as firm rather than stubborn or as flexible rather than indecisive. Quite possibly, neither description is more factual than the other.

Despite the fact that neither description of a situation is more factual than another, accepting one rather than the other can still influence people’s behavior in significant ways. Similarly for many other such processes, such as giving accounts for actions: providing reasons or excuses for some action or outcome (Higgins and Snyder 1989; Rosenfeld et al. 1995, Chap. 4). Accounts and excuses often involve drawing people’s attention to new aspects of a situation and thereby getting them to frame it differently. There is no general reason to consider this problematic. Higgins and Snyder give an example where it seems quite proper, “the routine trotting out of safety statistics comparing airline and highway travel following air tragedies” (Higgins and Snyder 1989: 79). People’s inclinations to see focus on dangers of air travel may be allayed by the statistics. Such a process of impression management might be commended as encouraging people to “see things in perspective,” and the phrase would emphasize the framing aspect of the exercise. However, such processes are still liable to ethical evaluation and possible criticism in particular cases, on a whole variety of grounds.

## Varieties of Ethical Considerations

So far as relevant ethical considerations go, there are some that are most plainly relevant when impression management conveys true or false impressions. Most obviously, to give someone a misleading impression, inducing false beliefs, may lead them into decisions that have bad consequences for them or others. Investors may be harmed by giving them the impression that an

investment is safer than it really is, for example. But other considerations are also relevant.

We often use various other ethical criteria to evaluate communications, apart from their veracity. My words can wound you, your letter can make me anxious or worried, a company’s announcement can panic investors, and in each case there may be an ethical problem, whatever the truth of the matter. Respect and compassion, sensitivity and wisdom, and many other qualities are relevant to ethical evaluation of communications and can often apply where we are getting people to see things one way rather than another, even if there are no applicable criteria of truth or falsity.

In particular, fairness and respect can be especially important considerations. There are other ways of leading people into poor decisions besides directly inducing false beliefs, and so doing may not only do them harm, but it can be unfair and show clear lack of respect for them as decision-makers. Impression management may impair people’s ability to make good decisions by triggering psychological mechanisms that run counter to balanced deliberation. One quite common example is to summon ingroup bias. In applying for a job, someone might wear a lapel pin of a society to remind interviewers of their own membership of the same society. There may be no genuine relevance of the membership, but it might influence interviewers even so. It is common for people to use speech to activate ingroup-outgroup dynamics, as they use accents, terms, and phrasing to exhibit membership of one group rather than another. Ingroup bias is a very well-known phenomenon and can certainly draw us into problematic decisions.

## Impression Management as Social Performance

That sort of impression management starts to become the sort of impression management that Goffman considers in detail in a variety of contexts. Goffman emphasizes the social performances in which two or more people follow

some established script to produce a shared public impression. These collaborative social performances are everywhere in social life. Very often, we have some understanding of people's shared expectations in a particular social context and together act on that basis. If we act contrary to shared expectations, we shatter the impression of consensus and mutual understanding (Goffman 1971). Our impression management can sometimes be to show membership of a particular ingroup, by emphasizing aspects of our speech or dress, for example, which then may be reciprocated by others. More generally, however, one person can initiate a social script which expects a complementary response by another. Offering an outstretched hand invites another person to do the same, to complete the social ritual of shaking hands. Declining the first person's hand is awkward and embarrassing. There is substantial pressure in favor of the complementary response. Such processes can be used to influence others in ways that unfairly disadvantage them, ranging from cases that are on the borderline of ethical sales techniques to outright confidence trickery.

Fairness seems to be a major consideration in many such cases, alongside possible harm and lack of respect (Schlenker 1980). It can figure in all sorts of impression management. In cases where one party gives a deceptive impression to another, there is an unfair imbalance of information and awareness. In those cases also, but equally in cases where one party gets another to see things in one way rather than another, the other party can be influenced toward decisions that unfairly advantage the first. Similarly in these cases where individuals experience social pressure toward a particular action.

However, in these cases of social impression management, fairness can be prominent in another way as well. Satisfactory participation in a social performance can demand resources that are more readily available to some people than others. Employment interviews are one sort of example. Often, in an employment interview, individuals are expected to show appearance and demeanor that conform to certain expectations. In doing so, they demonstrate an awareness of the expectations that their potential employer

may have of them, together with willingness and ability to conform to those expectations. But to show that appearance and demeanor requires a whole range of resources. These include straightforward material resources, such as appropriate clothing. For people on limited incomes – as currently unemployed people well may be – an expectation to wear upmarket clothing may be difficult to meet, and they are unfairly disadvantaged. The resources needed may also be experience of the social environment that people with better-off backgrounds may be more likely to have.

## Cross-References

► [Deception and Research](#)

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## Incivility in the Workplace: A Call for an Ethical Analysis Approach

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## Synonyms

Uncivil conduct; Workplace ethics

## Introduction

Incivility in the workplace is an almost universal phenomenon that is prevalent in all sectors of the economy. It occurs in all types of workplaces. Some professions seem especially ripe for incivility: medicine and nursing, journalism, universities, and the military, to name a few (Vasconcelos 2020). While the presence and impact of incivility have been studied in multiple geographies, the United States remains the region most investigated (Vasconcelos 2020). Incivility is estimated to affect 98% of employees, 50% of whom have experienced incivility on a weekly basis, and the monetary cost of incivility to organizations is estimated to be \$14,000 per employee per year (Schilpzand et al. 2016).

## A Brief History of Incivility Research

Academic attention to incivility was initiated just over 20 years ago by Andersson and Pearson (1999). They defined it as low-intensity, deviant workplace behavior in violation of the norms of respect and basic moral standards, and they noted that it was characterized by an ambiguous intent to harm. Behaviors described as uncivil include acting rudely or discourteously, belittling, interrupting, or ignoring others, making rude jokes, or spreading rumors and gossip verbally, via e-mail, or through social media (Akella and Lewis 2019). Incivility, a form of microaggression, is often intertwined with other types of inappropriate workplace conduct such as bullying, ridicule, work sabotage, physical threats, vandalism, slander, and ostracism (Berdahl and Raver 2011).

In their comprehensive literature review, Schilpzand et al. (2016) stressed that incivility has been differentiated from other forms of mistreatment because the actions and outcomes related to incivility are viewed as less severe, the intent is ambiguous and hard to detect, and it may be enacted by managers, coworkers, or external stakeholders such as customers. These authors noted that while incivility was initially conceptualized as an escalating spiral of behavior that occurred within dyads of employees who work

closely together within an organization, there has been little empirical evidence that the severity of the behavior increases or escalates over time.

Schilpzand et al. (2016) organized the literature into three categories based on the actor (s) involved: (1) those who experienced incivility (e.g., studies of the impact of incivility on victims), (2) those who witnessed incivility (e.g., the impact of incivility on people who see or hear about incivility such as bystanders), and (3) those who instigated incivility (e.g., the actions initiated by perpetrators of incivility). They drew attention to the fact that the majority of the extant research has examined experienced incivility (82%), followed by studies of instigated incivility (14.5%), and studies of witnessed incivility (7.5%). The paucity of research on witnessed incivility and a call for research in this area were also emphasized in a recent special issue of the *Organization Management Journal* (Akella and Lewis 2019).

Despite its low intensity, incivility harms both employees and their organizations in significant ways. Negative outcomes experienced by employees include lower satisfaction with work, supervision, coworkers, and the job in general; reduced organizational commitment; declines in a sense of distributive justice; poorer psychological well-being (e.g., posttraumatic stress symptoms and panic attacks); higher levels of anxiety and depression; declines in physical health (e.g., headaches, disrupted eating habits); early retirement; and lower morale (Cortina et al. 2001). Victims of incivility are more often women and minority groups (e.g., Taylor and Pattie 2014), which provides evidence of discrimination. Organizational harm arising from incivility includes the creation of unpleasant office environments, increases in aggression and retaliation against the organization, greater absenteeism, and heightened intention to leave the organization. These negative outcomes, in turn, impact company performance and profitability, reputation, and image (Akella and Lewis 2019).

Despite the presence of a growing body of work, research on incivility to date is fragmented. It has used overlapping, poorly defined constructs (Herscovis 2011), and it lacks an overarching

theory to help researchers and practitioners alike understand and take action against it (Schilpzand et al. 2016).

### **A Paucity of Incivility Research Using Ethical Lenses**

Despite the fact that incivility has been defined as a failure of moral standards that violate norms of respect, surprising little research on incivility has used ethical lenses to understand the causes of incivility, important moderators or mediators that increase or decrease it, or the consequences of it such as degradation of organizational climate, organizational trust, or organizational pride. One exception is research on ethical leadership that suggests that leaders who model appropriate conduct in their relationships with others can create and foster positive norms of respect that reduce incivility (Taylor and Pattie 2014).

The paucity of research applying concepts from the ethics literature to the topic of incivility presents a major research opportunity that may provide insights into why incivility is a persistent and pervasive problem. Such research could enhance the sparse literature on why people act in uncivil ways and the impact of incivility on those who witness it or are victims of it. Application of ethical lenses also may promote more civil workplace behaviors among various parties since professionalism in the workplace is founded on an understanding of ethical conduct. In addition, ethical analyses may provide a much-needed theoretical underpinning for understanding incivility and integrating the variables associated with it into valid explanatory models that will better explain this detrimental workplace behavior.

### **Promising Ethical Lenses**

Surprisingly, a fundamental question has yet to be addressed in the extant literature – is incivility an unethical behavior? The three major normative ethical theories – deontology, teleology, and virtue ethics – can be used to address this question.

Because of shortcomings in each normative theory, some ethicists believe that an analysis of behavior must account for both deontological and teleological aspects when evaluating alternatives or actions, while others stress that assessments of behavior must deploy all three approaches. Using the three-pronged approach, deontological theory demands that the inherent rightness of the behavior be examined. This would require an evaluation of incivility based upon principles, duties, rights, rules, and norms. Incivility, for example, violates the principle of beneficence and results in harm to victims, witnesses, and their organizations. Thus, it would be classified as unethical behavior. The duty of respect is also violated by those behaving in an uncivil manner. Respect is based on an understanding of the moral value of all humans as an end and never merely as a means (human dignity formulation). Uncivil behavior violates human dignity, and it treats individuals as a means to meet someone else's agenda rather than as an end in themselves. If an assessment of human rights is deployed as the standard, incivility would also be condemned since people have a right to work in an equitable, respectful, and safe environment free of incivility. They have the right to be heard when they object to incivility and the right to redress if they are subjected to it. The concept of the Golden Rule, another deontological approach present in virtually every world religion, argues that people should treat others in the manner that they would like to be treated. Few people would want to be subjected to uncivil behavior.

Teleologists examine the consequences of potential actions and see the most ethical course of action as the one that produces the greater balance of good over evil. While there is debate as to whose "good" is to be promoted, one form of teleological theory, utilitarianism, requires that the aim of any behavior should be the creation of the greatest good for the greatest number of people. Furthermore, utilitarian approaches see actions that promote happiness and well-being as right, and those that promote unhappiness or harm as wrong. Since uncivil actions involve discrimination, a form of harm, and since it increases



unhappiness, incivility would clearly be viewed as wrong or unethical. Virtue ethics, the third major normative approach, emphasizes moral character when assessing behaviors. It asserts that decision makers should habitually practice virtues such as respect, fairness, and justice irrespective of the outcomes. Certainly, an individual behaving uncivilly does not exhibit these virtues so he/she would be labeled unethical.

Since normative ethical analysis condemns incivility, research could be conducted to test if a better understanding of the normative ethical approaches that incivility violates would help leaders and followers alike better detect incivility, recognize the harm it causes, increase reporting and take action to halt it. Research could also be undertaken to test the power of better educating both employees and managers about their rights and ethical obligations in the workplace. This type of education may be a helpful tool in motivating workers to detect and ultimately reduce incivility. More generally, such studies may provide stronger frameworks for leaders to develop workplace and professional codes of ethics prohibiting uncivil behavior.

Carol Gilligan's ethics of care (1993) may be an alternative, fruitful approach to providing more insight into the causes and effects of incivility. Gilligan noted that people experience themselves in relation to others and that the origins of morality lie in human relationships since they give rise to concerns about injustice and carelessness. Stressing that humans are hardwired for cooperation, she argued that instead of asking questions about how people gain the capacity to care, a more important and interesting question was how people lose the capacity for empathy, understanding, and care. Acts of incivility clearly lack these characteristics, and research to unveil how people lose the ability to care could help counteract incivility.

Using network theory and behavioral ethics research to better understand workplace relationships and decision-making, Drumwright and Cunningham (2020) provided some initial insights into why people lose the ability to care and behave uncivilly. In particular, they studied persistent unethical behavior in newsrooms and found that perpetrators of uncivil behavior were able to

persist in their bad behavior because they formed "networks of complicity" that protected them from sanction. Perpetrators were excellent networkers inside and outside their organizations. They used benefits, perks, and rewards – and sometimes fear and intimidation – to draw people to their networks and maintain their loyalty. Ultimately, the importance of maintaining relationships with the perpetrator of incivility and others in the network of complicity trumped network of complicity members' concerns about uncivil behavior and its effects on others.

Drumwright and Cunningham (2020) also found that this lack of caring was aided and abetted by behavioral ethics factors. Behavioral ethics posits that most decisions are made instinctively, not rationally, and that cognitive errors, social and organizational pressures, and situational factors often undermine ethical decision making in subtle ways. For example, members of the network of complicity fell prey to the social pressures related to the conformity bias – for example, the assumption that incivility was acceptable because everybody was doing it. Likewise, they succumbed to the obedience to authority bias – for example, incivility was justified because their superiors or others with power were not intervening to stop it. Network of complicity members also suffered from the framing bias – a cognitive error – when they perceived incivility as harmless or even a necessary rite of passage. As such, incivility was normalized despite the fact that it contributed to, and perpetuated, a toxic organizational culture that was absent of empathy and care.

Paradoxically, Drumwright and Cunningham (2020) also found that uncivil workplace behavior, which was supported by networks of complicity and behavioral ethics factors, persisted even among journalists who closely adhered to codes of ethical journalism in creating content. In other words, even individuals who were morally sensitive to some ethical issues suffered from moral blindness with respect to incivility. As such they lost their ability to care about others who were subjected to unethical behavior. Further research is needed to better understand how and why such paradoxes arise. Questions need to be asked about whether this finding is generalizable to other

workplaces, and if so, what moral logics, philosophies, or approaches are most likely to cause these paradoxes. In other words, questions need to be investigated about how people with high ethical standards related to one aspect of work can support unethical behavior in other aspects of their workplace relationships.

The extant research has suggested that unethical behavior often arises because of unprincipled uses of power by supervisors and organizational leaders. While incivility can occur among all levels of employees, not just managers and leaders, Drumwright and Cunningham (2020) also found that perpetrators of incivility had various forms of power (e.g., coercive, charismatic, informational, legitimate, relational, and reward power). They used their power in self-serving, inappropriate ways to form and maintain their networks of complicity and to abuse employees through their uncivil behaviors. This research could be extended in two ways: (1) investigations of how misuse of different types of power affect occurrences of incivility, and (2) how misuse of various types of power impacts organizational culture and climate. Such research would further the understanding of the prevalence, persistence, and impact of incivility on employees and organizations.

Not only must leaders, managers, and workers understand the problematic nature of uncivil behavior, they must be enabled, motivated, and empowered to take steps to halt it in their organizations. There is some evidence that training can help leaders and followers alike learn to identify uncivil workplace behaviors, give voice to their values, and prepare themselves to intervene in effective and ethical ways when they encounter uncivil behavior; however, much more needs to be learned. Given that incivility lacks a clear intent to harm, questions need to be asked about whether there are other organizational cues that employees and leaders can use to help them detect incivility and act to stop it within the workplace.

Incivility, by definition, may initially appear less harmful than other forms of unethical conduct, and for that reason, it often has been under the radar. Since incivility is more subtle in nature

than other types of unethical conduct, rates of reporting likely are much lower than for other forms of unethical behavior. Moreover, even when there are complaints of incivility, organizational units, such as legal or human resource (HR) departments, may be less likely to take them seriously or to act to enforce policies. Everyone within work organizations must understand the harm that incivility causes. Only then will organizational leaders and managers within HR and legal departments make the changes to policies, procedures, training, and organizational climate and culture needed to deter uncivil behavior. Likewise, because of its low intensity and its ambiguous intent, incivility has not received the research attention that it deserves from ethics scholars. Much remains to be learned in terms of how to ensure that workplaces are civil, safe, equitable, and just.

## Cross-References

- Behavioral Ethics and Rationalizations
- Business, Law, and Codes of Ethics
- Corporations as Moral Entities
- Ethical Climate and Ethical Culture
- Ethical Engagement: Observer Obstacles
- Ethical Leadership
- Online Employees and Employer Relations

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## Inclusivity Management Research: Persons with Disabilities and Self-Employment Activity as an Exemplar

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### Synonyms

Entrepreneurship; Equity and access; Persons with disability; Self-employment

### Introduction

Persons with disabilities (PWDs) are increasingly recognized for their potential economic and social integration worldwide. Estimates suggest 14% of the OECD population has a disability (Honig 2021). This figure is expected to grow along with aging populations, highlighting the important nature of this challenge. It also presents an opportunity, considering the social, health, and economic benefits that accrue to individuals actively engaged in economic activity. Historically, society's view of the disability

rights has changed radically in the past 30 years, from a marginalized population under threat of institutionalization and forced sterilization, to a growing disability rights movement that continues to advocate for de-institutionalization and for guaranteed equal employment opportunities (Youtube 2021).

Issues of discrimination or “abelism” including eugenics and forced sterilization policies provide a troubling historical background of marginalization (Ronen et al. 2009). Historically, considerable effort has been extended toward vocational education, typically trapping or funneling PWDs into limited careers that are deemed “acceptable,” but otherwise lack opportunity (Boman et al. 2015). Entrepreneurship is an increasingly important opportunity for PWDs to gain economic independence, develop self-efficacy, political and social voice, and enjoy career opportunities previously denied to them due to abelism (Martin and Honig 2019).

### Entrepreneurship and Persons with Disabilities

Recognizing the rights of persons with disabilities (PWDs) has come a long way in recent years. The UN's sustainable development goals and the rights of citizens with disabilities in numerous countries have been codified to ensure full and effective participation on an equal basis. The Americans for Disabilities Act, signed in 1990, became an important global model for revising existing stereotypes and enhancing rights and opportunities. Outcomes worldwide include well-designed programs that encourage self-employment and entrepreneurship for PWDs, can be economically sustainable, and provide positive outcomes to economic and psychological health (Halabisky 2014).

The COVID-19 pandemic of 2020–2021 served to highlight many opportunities for PWDs by shifting much work from the office to the home, a factor of significance for PWDs that have mobility issues or require targeted devices to ensure accessibility. As society opens up to these growing home-based work opportunities, self-employment for PWDs is likely to accelerate. Assistive technologies have increased in

capabilities and decreased in cost, allowing better Internet access for various PWDs (e.g., overcoming sight and auditory constraints (Halabisky 2014)). Efforts documented by members of the OECD, for example, show a vast and increasing array of programs and support for PWD entrepreneurship (Martin and Honig 2019; Honig 2021; OECD/European Commission 2021). Unfortunately, support workers, career guidance counselors, occupational technologists, and employment officers are frequently unprepared for supporting PWDs in advancing entrepreneurship and may be ill prepared to advise clients on this innovative career trajectory. Existing institutional norms do not necessarily support active PWD integration (De Clercq and Honig 2011). Thus, there is a need for greater research, training, mobilization, and effective role models in order to open up opportunities for more PWDs in entrepreneurship in the disability and work placement arena.

As well, there is a need for specialized targeted training and research that enhances programs and supports incubators and entrepreneurship advisors engaged in helping PWDs (Halabisky 2014). One opportunity for supporting PWDs in entrepreneurship consists of entrepreneurial incubators. These are dedicated institutions designed to encourage collaboration, share meeting spaces and office, and provide training, exposure, capital, and mentoring services, as well as marketing and general public awareness. Incubators have traditionally avoided PWDs, focusing instead on early stage businesses with high potential. However, opportunities are growing, particularly with innovative support designed for PWDs. For example, a recently launched “virtual incubator” ([www.reframery.org](http://www.reframery.org)) obtained funds to begin work with targeted PWD entrepreneurs.

Public policy should provide incentives for PWD entrepreneurship. Unfortunately, many contemporary policies discourage such activity by, for example, clawing back financial and institutional support for PWDs that engage in early stage entrepreneurship, and by presenting obstacles for individuals whose entrepreneurial efforts fail to return to pre-start-up support, including clawbacks from other support programs (Halabisky 2014). This is unfortunate, as

entrepreneurship is based on learning from failure; indeed failure is an important aspect of entrepreneurial trajectories and should be both accounted for and integrated into promotion efforts. Other important aspects of support include developing appropriate financial and mentoring activities within a local entrepreneurial ecosystem (Samila and Sorenson 2017). Targeted loan programs may offer opportunities that are otherwise closed off to PWDs in usual banking channels due to ableism and other biases and constraints.

Research has highlighted the importance of developing social capital for entrepreneurs (Davidsson and Honig 2003), a factor of particular significance for PWDs. Research regarding how best to develop PWD entrepreneurial social capital is still in its infancy. It was found that PWDs faced numerous barriers compared to the nondisabled and had lower incomes, smaller startup investments, and smaller teams (Renko et al. 2016). Other early findings suggest that even engaging in nascent gestation behaviors (e.g., writing plans, developing prototypes, and meeting potential customers) offers important psychological benefits, not necessarily aligned with the success or failure of the actual emergent enterprise (Martin and Honig 2019). It should be noted that PWD entrepreneurship may take longer to initiate due to the complications in obtaining required support tools and possibly reduced time invested during the startup phase due to physical limitations. Notably, this research suggests that returns to investment in PWD entrepreneurship need to go beyond a focus on the economic returns from commercial activities, to include health expenditures, wellness evaluations, and quality of life considerations. Thus, careful assessment and program development should evaluate the various contingent factors that impact the dynamic environment of entrepreneurship for PWDs. Longitudinal research examining health and psychological benefits are required, in addition to the economic assessments typically applied to program evaluation.

The field of PWD entrepreneurship is still in its infancy; however, global attention has begun to focus on both the necessity and the opportunity to

improve the quality of life of PWDs facilitating their economic and social integration.

## Cross-References

- (Managing) Diversity
- Affirmative Action in Business
- Business and Society
- Disability Management
- Equality of Opportunity
- Ethical Citizenship and Business Ethics
- Ethical Performance and Health
- Human Rights
- Identity Politics and Ethics
- Meaningful Work
- Social and Economic Mobility
- Social Norms
- Human Resource Management
- Wealth Equity

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## Indian and Business Ethics

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## Synonyms

Ethics; Interdependence; Management education; Self; Stakeholder; Values; Wisdom

## Introduction

With accelerating and unpredictable change in every aspect of life and work in our new millennium, business leaders are compelled to grapple with uncertainty and paradoxes. It is time to take a deep look at some of the fundamental principles and dominant assumptions of management thinking and practices and redefine the roles and competencies of future leaders starting with their ability to address some unsettling questions. The whole notion of ethics and the understanding of values and culture need to be revisited in a spirit of inclusiveness and integration amidst

myriads of diversity. This calls for transition from the dominant obsession with techno-economic imperatives towards expanding perspectives that include social, ecological, and humanistic issues within our domain of concern. At a microlevel, it also marks a transition from our limited notion of the self as an economic entity to a deeper understanding of our true human identity and viewing ourselves deeply interconnected in an organic relationship with others in space and time. Learning to live with uneasy questions that challenge the conventional mental models and stereotypes and finally embarking upon an adventurous odyssey into search for the real answers are the characteristics of this unsettling transition. The journey that begins with search for light from new horizons also demands a transformation of the mind-space from a mad, “brave new world” of speed, information, and numbers towards a sustainable earth with a passion for excellence, commitment to quality, concern for harmony in relationships, a quest for enduring values and ethics, and an earnest seeking for wisdom.

### Embracing the Challenges

In his famous poem, “The Rock,” T S Eliot had lamented:

“Where is life we have lost in living?  
 “Where is wisdom we have lost in knowledge?  
 Where is knowledge we have lost in  
 information?”

Future business leaders must be ready to venture into a learning odyssey – from information through knowledge to wisdom for the sustenance and well-being of humanity and planet at large. Powerful insights from the millennia old classical wisdom literature of India may throw light on new and unconventional sources of learning like stories and parables, lessons from nature, learning from insightful and engaging conversations, and also learning through immersion in silence and solitude. Relevant inputs from great masters in the west need to be shared in the right context to make this journey truly global. It is also important to explore the art of asking questions that break

the barriers of linear thinking and binary logic in our thoughts, perception, and communication. It helps us to re-examine life afresh, anew.

Millennia ago, Socrates had remarked: “An unexamined life is not worth living.”

### Emerging Ethical Imperatives for Business in India and World

As the world is marching ahead at an incredible speed towards economic progress through technological development, the socio-economic and the cultural fabric in the global landscape as well as the Indian milieu is also increasingly showing ominous signs of rupture because of mega-instances of decline of values resulting from ethical violations and breach of trust at all levels of our life-world – from family to society, from government to the business, covering all areas of human endeavor. Shocking news of large-scale corporate scandals have hit the headlines across the globe over the last few decades. Cases of mega-scams amounting to multi-million dollars like Enron and WorldCom in the West or “Parmalat globally or PMC Bank scam,” “DHFL scam,” “IMA ponzi scheme,” 2G Scam, Coal Scam, and of course Satyam in India have shaken up conscientious individuals who are questioning the very foundations of management education and corporate training world over.

All this signals an urgent need for a radical paradigm shift of business and management, questioning the sole motive of business to make profits and provide returns to its owners or shareholders as a practice that has become outdated and dysfunctional at a time when stakeholder engagement and inclusive growth are increasingly assuming vital significance for long term survival and sustainable growth of business. Be it from legal or socio-economic considerations, corporate organizations have been mandated with the imperative of performing business activities with high priorities on ethical sensitivity, social responsibility, and environmental consciousness leading to responsible and enlightened governance.



## Changing Face of Business Education in India

Thus, all stakeholders are called upon to pay serious attention towards the interdependence between business and society for all-round socio-economic development with a human face. This has significant implications for business and management education that will shape the mindsets, develop the perspectives, and enlighten the perception as well as vision of the students and business executives to understand the symbiotic relationship between business and society, ethics and governance, environment and management, and engage in responsible decisions and action. Business ethics as a subject in business schools and institutes of management has assumed critical importance worldwide and has also been highlighted as an integral part of corporate training and executive education modules since the last few decades. The academic and business scenario in India is no exception. Across business schools, institutes of management, and corporate entities, the importance of imparting value-based education has been emphasized and considered to be essential for conducting ethical business practices. The prime objective of management education is to enable the future leaders to learn to choose the right over the wrong and make ethically enlightened as well as effective decisions in their personal and professional life for individual and collective well-being and holistic development (Arlow 1991; Rest 1988; Schlaefli et al. 1985).

The evolution of Corporate Social Responsibility (CSR) and Environment, Society and Governance (ESG) both as enlightened management philosophies and responsible practices are significant developments in this direction. The students are thus empowered with the philosophical inspiration and simultaneously equipped with the requisite functional tools for recognizing and responding to ethical issues. This has also resulted in changes in pedagogical process from one-way classroom lectures to engaging the students in dialogues to develop multiple perspectives of a business situation through analyses of both positive and negative cases of business conduct. The

goal of education is presently undergoing a much-desired change from churning out employable graduates to developing future leaders charged with a noble mission, enlightened with a holistic vision and guided by enduring values for all round and humanistic development of the self and the organization, society, and the planet.

## Effectiveness of Ethics Education in Management: Research Findings and Future Directions

At this point, it may be pertinent to highlight the summary of findings of a recent study on effectiveness of ethics education in the context of management education in India (Mukherjee and Ghosh 2022):

- (a) There is a need to enrich the existing curriculum by incorporating inputs on meaning of work and purpose of life to broaden the perspectives of students so that they can develop a big picture awareness of life and work. Insights from Indian classical wisdom will be of immense value in this regard.
- (b) It is essential to provide a strong foundation of human values and ethics at a conceptual level from deeper spiritual perspectives.
- (c) The need of the hour is to achieve the integration of spirituality into management for enriching and enlivening a rather “dry and dreary” purely academic endeavor with spiritual wisdom and insights from great Indian spiritual leaders like Swami Vivekananda for expansion of leadership consciousness beyond narrow, short-term oriented self-interest.
- (d) Finally, it is vitally important to generate and sustain the interests of students in courses on values, ethics, and spirituality by introduction of self-development methods like meditation for a more humane approach to life and business.

Time has come when scholars, researchers, and practitioners in management are called upon to give serious attention towards reinventing design

and delivery of courses on business ethics and values education in management. Pertinent insights from classical Indian wisdom have the potential to give an authentic and inspirational foundation to the pursuit of the discipline of ethics and values in business by addressing deeper issues and questions on meaning of work, purpose of life, and notion of Self. This can give a radical turn to our conventional and stereotyped notions of “success” and “failure,” “progress” and “development” and help re-shape the mindsets of millions of students to deal with uncertainty and complexity in business and overcome the barriers to holistic and sustainable development of the individual and the organizations. It has also the power to liberate the outdated existing pedagogical process from its mere intellectual discursive methods that only stimulate the brain but do not inspire the students from within (from the depth of their heart) to engage spontaneously in enlightened ethical decisions and actions.

The notion of Spirituality as presented in this chapter is an ever expanding and continuously evolving movement of human consciousness that begins from the core of the being of the individual and reaches out to include, accommodate, and engulf the organization, society, nations, and the planet at large even including the cosmos.

### **Teaching Business Ethics in India: Problems and Prospects**

Engagement in Values and Ethics education in India at the level of the premier institutes of Management (Indian Institutes of Management, the IIMs, XLRI, MDI, IMT, SPJIMR, NMIMS, etc.) about three decades helps identify some of the major pitfalls in ethics education in management. It has been observed that there is general lack of interest among the students in such courses as they have no tangible linkage to their career advancement. But this also presents a formidable challenge to the faculty instructors as it calls for devising and designing novel and creative ways to make the pedagogical inputs lively, vibrant, and practically relevant. To make the pedagogical process a creative engagement, the development and

delivery of these courses needs to encourage the culture and practice of raising deeper, critical, and often uneasy questions. This transforms the learning experience to a veritable adventure that helps students connect the inputs with purpose of life and meaning of work and transcend the limits of linear thinking and binary logic towards holistic perception of the self, organization, and society and the planet at large. That is why the concept of the Self as propounded by the age-old holistic philosophical systems of the East, especially India, becomes vitally important to the discourse on values, ethics, and sustainability in business and management.

All this calls for academic, both intellectual and intuitive, exploration of the tenets and methods of Indian spiritual wisdom as embedded in Philosophy of the Upanishads and other age-old, authentic sources. The notion of Self as Pure Consciousness (“*Poorna*”) as well as the distinction between the deficit-driven lower self that is ever craving and the surplus-inspired Higher Self that is ever giving has been the foundation of Concept of Self as promulgated in the Upanishads or the Vedanta. Moreover, the conceptual framework of “*Purushartha*” or fourfold values or goals strikes a balance of material and spiritual pursuits in life and work. This provides us not only a strong foundation to the prime driving force, impetus, or motive of our decisions and actions, individual as well as organizational, but also offers a new and radically different way of looking at reality of our life-world including business and deal with it in a manner that is ethical and responsible, creative and sustainable, and also functionally effective.

### **Towards an Alternative Worldview of Business and Management Education**

Over the last few decades, one has witnessed growing disenchantment among conscientious thinkers and practitioners with the dominant paradigm of mainstream management based on capitalism and industrial mono-culture. In the arena of management education, there has been the rise of strong critique of our existing methods of learning and an intense search of “other” or alternative

models of knowledge creation and dissemination. None less than the eminent stalwarts in this field have raised this powerful voice to challenge the proponents of the mainstream (Ghoshal 2005; Bennis and O'Toole 2005). In a system dominated by binary logic and linear thinking, there has also been a search for an alternative holistic paradigm of organic connectivity so that our head and the heart do not split knowledge into dualities of thought and being, body and mind, intellect and emotion but drawing upon lessons from nature and vibrantly resonate with the spirit of wholeness that engages every part of our being.

In their book, *Business within Limits*, Ims and Zsolnai (2006) present to us a humanistic world-view rooted in Deep Ecology and Buddhist Economics. Michael Ray (1992) made a radical departure from the dominant world-view by proposing an alternative paradigm where he advocated that vision must replace profit as the main aim of business. Chakraborty (1995), the pioneer of the movement of human values and ethics in management education in India, identified the main pillars of wholesome business transformation in his concept of "Business Ashram" based on the cardinal principles of Indian philosophy, culture, and ethos. Mukherjee (2007) has highlighted the need to explore alternative sources and methods of learning for holistic and integral development of the individual in organization. The imperative to develop a "quality mind" (Chakraborty 1995; Chakraborty and Chakraborty 2006) or "quality consciousness" (Chatterjee 1998, 2003, 2006) has been made abundantly clear by these enlightened thinkers and academics to build value-driven business organizations and create a sustainable society and planet for future generations.

The notion of Spirituality at Work (SAW) has generated keen interest as evident from the rising number of publications on Spirituality and Holistic Management (Biberman et al. 1999; Bell and Taylor 2004; Cash and Grey 2000; Mitroff and Denton 1999, Pruzan et al. 2007 etc.). The concepts of Synchronicity (Jaworski 1998) and Spiritual Intelligence or SQ (Zohar and Marshall 2000) are also significant developments in this direction.

## Why Indian View of Business Ethics?

Corporate senior management, management consultants, renowned economists, educators, etc., are still not able to find a concrete solution for coping up with this increasing uncertainty in the global business scenario. They are still trying the old way of "control, control, control" and "justify, justify, justify" which has hardly come of any substantive use. It is only leading this world to more "selfishness" in the international relations where disparity, both in economic and social terms, between the nations is increasing.

All this leads us to ask some critical questions:

"Are the existing models of modern management capable enough to cope up with this current global management crisis? Are the existing modern management practices enough to bring back sustainability in the global economy?"

The answer to the above questions lies in integrating ancient wisdom in the existing modern management frameworks. The ancient Indian wisdom which has a heritage of more than 3500 years old and which teaches something more "eternal" and timeless could be a guiding light for bringing more certainty and sustainability in our business practices.

The ancient Indian wisdom is extremely rich and contains hundreds of different scriptures based on the teachings of innumerable sages and philosophers, more unknown than known. Table 1 below lists down those scriptures and the most important idea that they contribute to the thought business ethics from an Indian perspective (adapted from Bhattacharjee 2011).

## Managing the Self – Drucker and the Indian Way

Peter Drucker, in his seminal article "Managing Oneself" which appeared in Harvard Business Review in the year 2005, wrote that every knowledge worker in contemporary organizations should learn to manage themselves by asking "Who am I?" "What are my strengths?" or "Where do I belong?" According to the great sage Patanjali, one of the afflictions of human

**Indian and Business Ethics, Table 1** Salient contribution of five most relevant scriptures in the context of management

| Period         | Scripture                | Description                                                                                                                                                                                             | Most important idea                                                                                                                                                                   |
|----------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1500–1000 BC   | Vedas                    | Oldest scriptures of India. It consists of four canonical collections or <i>Samhitas</i> viz., Rig, Yajur, Sama, and Atharva                                                                            | The Truth is One but only expressed in different ways by different sages                                                                                                              |
| 1000–600 BC    | Upanishads               | Philosophical texts considered to be an early source of Hinduism. Consists of more than 200 texts                                                                                                       | The grand interconnectedness between living and nonliving. Individual consciousness is no different from the universal consciousness (ref. Radhakrishnan 1953)                        |
| 200 BC–200 AD  | Bhagavad Gita            | An eternal song in the form of a poem which reveals important lessons on ethics through a dialogue between Lord Krishna and the warrior Arjuna who is in the midst of a major dilemma of his life       | Desire-less action is superior to work with selfish desire; Salvation attained through work is superior to that attained through renunciation of work, etc. (ref. Radhakrishnan 1994) |
| 100 BCE–500 AD | Patanjali Yoga aphorisms | Consists of 196 aphorisms showing a way of personal discipline for integrating the mind, body, and soul.                                                                                                | Ignorance and ego as the afflictions of human mind (ref. Brahmachari 2003)                                                                                                            |
| 249 BCE–100 AD | Arthashastra             | An ancient Indian treatise on statecraft and economic policy written by Kautilya who was later identified as Chanakya, the mentor-advisor ( <i>Acharya</i> ) of the first Maurya emperor, Chandragupta. | A king (or leader) should be a <i>Rajarshi</i> (a king who is wise like a sage) (ref. Rangarajan 1992; Singh 2016)                                                                    |

mind is ignorance (*Avidya*). Ignorance is a state of self-forgetfulness that is born of our naturally distorted, material perception. In ignorance, people see and accept the unreal as real and the real as unreal. One's perception of the physical starts overriding their awareness of the subtler, spiritual dimensions of existence, and consciousness. Individuals forget who they essentially are. They forget that they are a spiritual being living in a human body to have a human experience (Brahmachari 2003).

It is through practice and spiritual discipline that one can attain practical wisdom. Knowledge is created and acquired in the process and one realizes that the true individual Self (Atman) as an integral part and reflection of the Cosmic Self (Brahman). As Radhakrishnan (1953) said in his commentary on the Upanishads: "Atman is the principle of the individual consciousness... Brahman the first principle of the universe, is also known through the Atman, the inner self of the man."

Ancient Indian sage Patanjali in his famous treatise, the *Yoga Sutra*, said that ego (*asmita*) is the second affliction of human mind which has its foundation in ignorance (Sharma 2013). Some of the words which were associated with the most successful and revered companies are talent, excellence, power, consistently exceeding customer expectations (satisfying their needs), etc. But when the same companies fail miserably, management consultants, experts, and senior management people start giving a lot of economic reasons for their downfall. But what might have gone wrong in these organizational failures cannot be just traced to economic reasons or financial parameters, but it could have been wrong management decisions based on greed, lust, exploitation, rivalry, pride, or vanity, etc. Ego acts like a screen which blinds even the most knowledgeable and intellectual person and makes him take the wrong decision. Making a wrong and unethical decision is basically an intellectual failure. Mind creates the decision alternatives, but it is our

intellect which decides which one to choose. It is only by anchoring to one's Self that the negative effects of ego can be overcome.

Plato declared that only philosophers were fit to rule. So, it can be seen that only by managing the Self and acknowledging the interconnectedness through knowledge transfer and knowledge sharing, that one can be liberated from the spell of ignorance and thus overcome the desires of their senses and work for the higher cause (which in our case should be the organizational mission). In this way, one can maintain ethical leadership to steer themselves through the highly uncertain business environment. Ethical leadership also creates the right organizational climate for nurturing excellence among employees and maintaining sustainability of business.

## Indian Wisdom and Ethical Leadership

It may be pertinent here to share some of the powerful insights of classical Indian wisdom by two of the spiritually enlightened leaders of modern India who also happened to be institution builders and organizational leaders. Swami Vivekananda, the spiritual ambassador of India in the West, in his first lecture in the East at Colombo after returning from the West, pronounced in terms bold and clear: "India's gift to the world is the light spiritual" (Swami Vivekananda 2008: 8). And Rabindranath Tagore, the Nobel Laureate sage-poet from India, during his visit to China, raised the authentic Oriental voice: "In Asia, we must unite, not through some mechanical model of organisation, but through a spirit of true sympathy" (Tagore 2002: 51). What then is the essence of Indian spirituality?

Indian spirituality is ever an all-encompassing concept that includes the mundane and the temporal as well as the highest philosophical thoughts and the transcendental domains of our existence. While pursuits of money, fame, power find their respective place in the scheme of life, all these are covered within an over-arching framework that gives pre-eminence to a higher purpose in life – that is, self-realization through continuous striving for self-exploration by way of gradual

unfolding of different layers of our consciousness – physical or material, vital, mental, intellectual, and finally the spiritual. It consists in not just the revelation of the Self but also of the world in which one lives for better and clear understanding of its myriad of objects – things and beings, movements and phenomena, problems and multiple realities.

According to Indian philosophy, there are four-fold values (*Purushartha*) of life to be pursued by an individual during one's earthly existence. These are *Dharma* or righteousness, *Artha* or material well-being, *Kama* or aesthetic pursuit and desires, and *Moksha* or liberation from the multifarious bondages of the self in one's journey towards enlightenment. In the spiritual literature, the surge for *Artha* and *Kama* has been likened to the turbulent flow of a roaring river that is regulated by *Dharma* and *Moksha*, its two embankments. Down the annals of Indian spiritual history, there had been sages, seers, and monks who had advocated maintaining the balance of our life and harmony with the world around us by keeping this vibrant flow of life regulated by the higher pursuits of righteousness and self-liberation.

This framework is also valid for business organizations where the single-pointed pursuit of profits is tempered by awakening of our sense of social responsibility whereupon the enterprise attempts to give back to the world what it has received in the form of resources for its own survival, sustenance, and growth. This implies an expansion of the leadership consciousness to include all our stakeholders within our domain of concern and interests. This promotes inclusive or holistic thinking among the leaders so that they do not fall into the traps of linear thinking and binary logic that stifles our imagination and blocks our creative potential. One slowly begins to acknowledge that there is an organic linkage between the firm and all its stakeholders and that the long-term sustenance and growth of the firm is a direct function of the steady growth of all its stakeholders. The perennial wisdom of Indian spirituality has never advocated the killer instinct that is demanded in order to keep aflame the spirit of aggressive competition in the marketplace of business or life. Instead of championing the win-lose

game, it has always promoted the win-win situation for the common good and welfare of the many (“*bahujanahitaya bahunasukhaya cha*”). The sages of the Upanishads, the vast body of Indian spiritual wisdom literature, had chanted the prayer: “*Lokah samastah sukhinah bhhavantu*” (May all be blessed with happiness). Bhagavadgita, the celebrated text of Indian spirituality that is the crystallization of the wisdom of the Upanishads in 700 verses, has mandated upon the leader the responsibility of “*lokasamgraha*” (the well-being of all). It uplifts the leadership consciousness from one-pointed pursuit of money and profits towards discharging enlightened responsibility to serve the interests of all stakeholders including the community. The community no longer remains a separate entity “out there” but becomes an integral part of the organizational reality by way of acceptance, accommodation, and assimilation of the stakes of “the other” into one’s own ambit of concern. In the field of organizational strategy and processes, this finds space in the framing of the Vision-Mission-Values exercise and thus percolates down the line across all levels of the enterprise. Finally, it permeates into the DNA of the organization by making it an integral part of the life-blood of the firm through vibrant and invigorating learning methods and culture building processes. Such an enlightened and inclusive culture finds expression in the spontaneous attitudes and behavior of the employees that become naturally oriented to think beyond the physical and structural boundary of the organization and embrace the others.

### **Ethically Enlightened Management Education in India: Inspirational Initiatives**

At an institutional level, the creation of the Management Centre for Human Values (MCHV) Indian Institute of Management (IIM) Calcutta under the leadership of the late Professor S K Chakraborty can be highlighted as a pioneering initiative and movement towards integrating spirituality (based on classical wisdom of India) and

human values in the field of management education.

The evolution of the discipline of management has taken place along with constant nourishment from the global cultural mosaic and philosophical systems. Max Weber found the connection between the Protestant Ethic and the spirit of Capitalism. Oriental management principles and practices in Japan and China largely owe their roots in Confucianism and Shinto-ism. The question that naturally used to haunt the conscientious Indian mind – What can be the contribution of the millennia old Indian philosophy and culture to the domain of modern management?

The formal creation of MCHV became a reality in August 1992 through a resolution passed by the Board of Governors of IIM Calcutta that entrusted upon the Centre the mandate to engage in research and teaching on Indian Ethos and Human Values in Management. The courses offered from the Centre enriched the students and corporate executives with deep insights into Human Values in Management based on classical wisdom literature of India (mainly Yoga-Vedanta Philosophy, Upanishads, and the Bhagavadgita) as well as life and works of great modern Indian seer-leaders and institution builders like Rabindranath Tagore, Swami Vivekananda, Mahatma Gandhi, and Sri Aurobindo. The Centre was able to draw attention and participation from serious and conscientious thinkers from all over the world in this movement of Human Values and Spirituality in Management. The books by Professor Chakraborty, the Founder-Convener of the Centre, constitute a treasure house of insights and wisdom in this domain of management and beyond. Beyond intellectual and cognitive ethics, Chakraborty (1997) introduced the concept and highlighted the importance of “Consciousness Ethics” for value-based enduring transformation of the self and the collective entities. The spectrum of offerings from the Centre also included such pertinent and practical courses like Business Ethics and Corporate Social Responsibility. Later the Centre was included under the mainstream umbrella of IIM Calcutta within the academic group “Business Ethics and Communication.”



IIM Shillong, the seventh IIM and last of the old IIMs, placed premium thrust on Ethics and Sustainability since inception. At present, a separate academic group “Sustainability and Liberal Studies” has been formed to dedicate research and teaching exclusively around Business Ethics, Sustainability and Business, Corporate Social Responsibility, Wisdom Leadership, Management and Liberal Arts, among others. SUSCON, the Annual International Flagship Sustainability Conference of IIM Shillong, offers a global platform for dialogues and deliberations, research and international collaborations on the theme of Sustainability and Ethics covering its multiple dimensions and connotations. IIM Bodhgaya, one of the new IIMs, has created a Mindfulness Centre drawing inspiration from Buddhist Philosophy and Meditation to enrich modern management principles and practices.

At an international level, The European SPES (Spirituality and Ethics in Society) Forum is also an exemplary effort by a constellation of European scholars like Professor Luk Bouckaert and Professor Laszlo Zsolnai (among many others) in this direction. Global Ethics Forum by Christoph Stuckelberger in Geneva and International Society for Business Ethics and Economics (ISBEE) are exemplary initiatives in this area. The contribution of Judi Neal (1997) covering a repertoire of resources in this field of research also deserves special mention in this regard.

## Concluding Reflections

Experience with teaching of ethics and values in business and academia in general reveals a sordid and sterile exercise by and large. Instead of making the inputs vibrant and engaging, the disseminators of knowledge on ethics make the subject insipid and lifeless by reducing the immensely potent and diverse topic to dos and don'ts. Ethics is not just about going by the rules, the dos and don'ts, but having the courage to go beyond the rules when the time and the situation demands such breakthrough for a higher purpose. It is high time one must come out of the spell of

structured business school curriculum and emancipate their future generations with creative breakthroughs from being fossilized and ossified in a dark, stingy dungeon that is unfortunately celebrated today as the “real grind!” It may be worthwhile to reflect on the insights from three plays of Rabindranath Tagore who never went through the drudgery of formal school education – his powerful critique of stagnation in education in “Achalayatan” (The Stagnant Chamber), his espousal of the spirit of freedom in “Muktadhara” (The Free Flow), and celebration of joy through liberation from a mechanized life with the advent of the child of Nature (Nandini) in “Raktakarabi” (The Red Oleanders). Five centuries back, the stellar figure of European Enlightenment Leonardo da Vinci was harping on the need to cultivate “*sfumato*” – the ability to embrace paradoxes, uncertainty, and ambiguity – as a vital principle of learning for life. Truly enough Andre Gide had revealed – “The color of Truth is grey.” Truth thus prevails in the twilight zone beyond the black and white to bring in all possible colors to life perennial. Fiery and bold was the exhortation of the German philosopher Nietzsche – “If one is to live, one is to live dangerously.”

## Cross-References

- ▶ [Aristotelian Business Ethics](#)
- ▶ [Aristotle](#)
- ▶ [Leadership Development](#)
- ▶ [Leadership Moral Foundations](#)
- ▶ [Religion, Spirituality, and Business Ethics](#)
- ▶ [Role of Philosophy in Business Ethics](#)

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## Indigenous Environmental Justice

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## Synonyms

Aboriginal environmental issues; Anishinaabek law; Indigenous rights; Indigenous world view

## Introduction

Environmental justice (EJ) can be defined as the struggle for an equitable distribution of environmental burdens and benefits across racial, ethnic, and economic groups (Haluza-Delay 2007). EJ commonly refers to the problem that people of color, Indigenous peoples, women, and people with disabilities, among others, are more likely than privileged white populations to live in toxic environments that are detrimental to both human health and community cohesion. In this conception of EJ, injustice is rooted in how social institutions are structured and operationalized in ways that favor powerful and privileged populations. These same populations, in turn, influence the structures and operations of social institutions in ways that protect their own interests without taking responsibility for the disproportionate burdens on other populations and communities (Whyte 2016, 157).

Current conceptions of environmental justice emerged in the United States in the early 1980s in response to a grassroots civil rights initiative aimed at stopping the state of North Carolina from dumping PCBs into Warren County, the county with the highest numbers of African American citizens in the state. Though not the first time that hazardous waste had been situated in close proximity to people of color and the poor, the Warren County protests brought national media attention to the issue, and “triggered subsequent events that would increase the visibility and momentum of the environmental justice movement” (Mohai et al. 2009, 408). Subsequent activism and studies revealed that people of color and poor communities in general face ecological crises to a far greater extent than the general population (Bullard 2001). They consistently bear, for example, a higher burden of exposure to air, water, and soil pollution. The people most affected by these conditions were understandably outraged (though perhaps not surprised) by these findings, and the environmental justice movement was born. Initially, the EJ movement focused broadly on people of color and the poor. Within this general scope, however, Indigenous peoples soon found a place to express their particular concerns.

Following a 1994 executive order from President Bill Clinton, the United States Environmental Protection Agency (USEPA) developed an EJ policy framework for that country. Despite its intended aim of addressing EJ, it has failed to fully consider the unique considerations of Indigenous peoples and tribes in the US (Harper and Harris 2011). A specific Indigenous and Tribal EJ policy was developed two decades later to begin attending to some of the shortcomings of the original policy (USEPA 2016). Even these efforts have resulted in some spectacular failures, however, as demonstrated by events surrounding the construction of the highly controversial Dakota Access Pipeline (Whyte 2017a). The continuation of human and Indigenous rights violations, despite the development of various instruments intended to address long-standing systemic injustices, is an ongoing global issue, as documented in

the United Nations’ *State of the World’s Indigenous Peoples* report (UNDESA 2009).

## Environmental Justice in an Indigenous Context

The context and lived reality of Indigenous peoples around the world is characterized by environmental colonialism and injustice, as exemplified in Indigenous environmental and climate justice declarations released over the past 25 years. As one international example, the “Kari-Oca 2 Declaration” produced at the Earth Summit in 2012, states that:

Since Rio 1992, we as Indigenous Peoples see that colonization has become the very basis of the globalization of trade and the dominant capitalist global economy. The exploitation and plunder of the world’s ecosystems and biodiversity, as well as the violations of the inherent rights of Indigenous Peoples that depend on them, have intensified. Our rights to self-determination, to our own governance and own self-determined development, our inherent rights to our lands, territories and resources are increasingly and alarmingly under attack by the collaboration of governments and transnational corporations. Indigenous activists and leaders defending their territories continue to suffer repression, militarization, including assassination, imprisonment, harassment and vilification as “terrorists.” The violation of our collective rights faces the same impunity. Forced relocation or assimilation assault our future generations, cultures, languages, spiritual ways and relationship to the earth, economically and politically. (IEN 2012, para 3)

James Anaya, former United Nations Special Rapporteur on the Rights of Indigenous Peoples, points to a similar situation in Canada, arising from a state of continued environmental colonialism:

One of the most dramatic contradictions indigenous peoples in Canada face is that so many live in abysmal conditions on traditional territories that are full of valuable and plentiful natural resources. These resources are in many cases targeted for extraction and development by non-indigenous interests. While indigenous peoples potentially have much to gain from resource development within their territories, they also face the highest risks to their health, economy, and cultural identity from any associated environmental degradation. Perhaps more importantly, indigenous nations’ efforts to protect their long term interests in lands and resources often fit uneasily

into the efforts by private non-indigenous companies, with the backing of the federal and provincial governments, to move forward with resource projects. (Anaya 2014, 19)

Environmental *injustice*, with clear roots in colonialism, forms the basis for framing the emergent scholarship on Indigenous environmental justice as activism. While the broad concept of environmental justice has been relatively well characterized in numerous Indigenous declarations at all levels (from the local to the global), defining specifically *Indigenous* environmental justice (IEJ) is very much a work in progress. This is due in large part to the fact that those who are primarily seeking justice in this case – Indigenous peoples – are only just beginning to have their voices heard regarding the troubling colonial legacies that have led to the ongoing injustices they suffer. If the field of EJ is to have any relevance to Indigenous peoples, particularly in relation to addressing injustice, it must be developed substantially out of the experiences, perspectives, and world views of Indigenous peoples themselves.

Attempts at making the EJ field responsive to Indigenous peoples involves a unique set of considerations that necessitates the drawing of conceptions of Indigenous sovereignty, law, justice, and governance into the conversation (Westra 2007; Whyte 2011). It requires an examination of not only power relations among peoples (that tend to result in a disproportionate burden being shouldered by less dominant segments of society), but also of the colonial legacy that continues to play out in laws, court cases and policies that systematically, institutionally, and structurally enable ongoing assaults on Indigenous lands and lives (Whyte 2017b). The failure of current political and legal systems to bring about environmental justice requires that EJ scholarship must give serious consideration to the worldviews, philosophies, and knowledges of Indigenous peoples, including Indigenous legal orders, as central tenets in defining Indigenous environmental justice frameworks. The development of any IEJ policy or framework

must ground its foundations in Indigenous epistemology to truly reflect Indigenous conceptions of what constitutes *justice*.

Indigenous legal scholar Wenona Victor agrees that Indigenous peoples need to frame justice issues from their own worldview and epistemological standpoints. It is not wise, in her view, to rely on western, colonial frames of justice to address the concerns of Indigenous peoples. Justice from an Indigenous point of view differs substantially from Western views in a number of ways. For example, in Indigenous cultures, justice is not limited to relations among people alone, but includes other relatives as well. Environmental justice is therefore not just about inequitable and unjust relationships among people, but among “all our relations.” Injustices are not just about assaults on the lives of people, but on all the other beings that make up the environment (animals, plants, birds, water, etc.) as well (Victor 2007).

Such Indigenous ideas were recognized by the *First National People of Colour Environmental Leadership Summit 1991*, including the notion that all species have rights (UCC 1996). For an EJ policy framework to receive substantial Indigenous support, as it must in order to be successful in Canada, a major paradigm shift would have to occur within the EJ field. Indigenous epistemologies would need to be foundational in the development of such frameworks, rather than being limited to merely providing a “perspective” or being “included” as an “add-on” to existing EJ frameworks. Indigenous EJ frameworks would be situated within a context of Indigenous law, governance, and knowledge systems which outline the rights and responsibilities of all beings to each other. These systems already exist, and have done so for millennia.

Such a discourse takes us beyond rights to *responsibilities*. In Anishinaabe thought, for example, environmental justice requires cooperation, balance, and harmonious relationships to ensure sustainability. In an Anishinaabek context, IEJ would include obligations and responsibilities to all of Creation, including all beings, the

ancestors and those yet to come, the spirit world, etc.; it is not limited to the living or the “natural” world as seen through Western eyes (McGregor 2009). Furthermore, Anishinaabek justice would be supported by Anishinaabek law, which requires that people must cooperate with all beings in Creation (Borrows 2010).

An Indigenous EJ revitalization process, however, does not ignore the fact that Indigenous justice, laws, and governance must co-exist along with other forms of justice. In turn, the state is not absolved of its responsibilities to Indigenous nations through fiduciary and treaty obligations. In many cases, there may perhaps be simply a sharing of common concerns regarding environmental sustainability and other issues. There remains a role for nation states, such as the United States and Canada, civil society, academia, and other sectors, in that Indigenous peoples require the necessary space to renew, regenerate, revitalize, and practice Indigenous conceptions of justice (Borrows 2010).

Indigenous nations are diverse and so are their legal and justice systems. As such, there will be no single definition of Indigenous environmental justice. Indigenous epistemologies vary significantly across nations, yet similar principles emerge that bear further study. Similarly, the IEJ field is only beginning to be developed. There are numerous ideas currently under exploration.

One of the major commonalities of Indigenous perspectives in relation to justice, and a key way in which Indigenous perspectives differ markedly from their non-Indigenous counterparts, involves the conception of humanity’s relationships with the “more than human world” (Nelson 2013). Indigenous legal and justice systems draw on a set of Indigenous metaphysical, ontological, and epistemological assumptions about the place of humanity in the world which describe how people should relate to all of Creation (Borrows 2010).

These views are not radical from an Indigenous point of view, and furthermore, some of the work toward implementing such concepts in a modern

context has already begun. In New Zealand, for example, the Whanganui River is now officially recognized in the country’s legal system as having personhood, and therefore, rights. Acting on a grander scale, Bolivia has enacted a *Law of the Rights of Mother Earth*, and Indigenous peoples from across the globe have charted a renewed vision of sustainability that includes the concept of living well, or *Buen Vivir*, an idea that has regained prominence in Latin America (McGregor 2016). The field of Indigenous environmental justice concerns itself with a desirable future, which involves justice not only for peoples, but for the natural world itself as a peopled cosmos.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Environmental Conflict/Access to Natural Resources](#)
- [Environmental Ethics and Sustainability](#)
- [Indigenous Land Management: Responsibility-Based Ethics](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Resource Extraction and Indigenous Community Consent](#)
- [Resource Extraction, Ethics, and Social Capital](#)

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## Indigenous Land Management: Responsibility-Based Ethics

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## Synonyms

Aboriginal resource management; Indigenous environmental justice; Traditional ecological/environmental knowledge

## Introduction

Understanding ethics in Indigenous land management involves examining relationships between Indigenous people and “nature,” how these relationships have changed over time, and how they continue to challenge the dominant world economic order. In essence, Indigenous ancestral or traditional land ethics transcend the “human dimension” to consider land, waters, wildlife, aquatic life, etc. as possessing being and agency and needing to be related to as such (Borrows 2010). This way of relating to the natural “other than human” or “more than human” world (Nelson 2013) stands in direct contrast to dominant society’s tendency to commodify the natural world for human benefit (and only for some populations of humans at that; see the *Environmental Justice* entry).

These contrasting land management ethics often result in conflict when they come into contact with one another; for example, as part of resource development/extraction projects which are often met with widespread Indigenous opposition, as was recently seen in the Dakota Access Pipeline struggle in the United States (Whyte 2017). Current land management practices further exacerbate the false notion of the divide between humans and nature/environment.



Indigenous traditional land ethics recognize and make management decisions based on the understanding that humanity is an integral *part of* nature, not *apart from* it.

The ramifications of these divergent ethics in land management have core political implications, as noted in the following quote, taken from the *Kari-Oca 2 Declaration*, which states:

Since Rio 1992, we as Indigenous Peoples see that colonization has become the very basis of the globalization of trade and the dominant capitalist global economy. The exploitation and plunder of the world's ecosystems and biodiversity, as well as the violations of the inherent rights of Indigenous Peoples that depend on them, have intensified. *Our rights to self determination, to our own governance and own self-determined development, our inherent rights to our lands, territories and resources are increasingly and alarmingly under attack by the collaboration of governments and transnational corporations.* Indigenous activists and leaders defending their territories continue to suffer repression, militarization, including assassination, imprisonment, harassment and vilification as “terrorists.” The violation of our collective rights faces the same impunity. Forced relocation or assimilation assault our future generations, cultures, languages, spiritual ways and relationship to the earth, economically and politically. (Kari-Oca 2 Declaration 2012, para 10, italics mine)

The Kari-Oca 2 Declaration also reiterates Indigenous peoples' obligations to the natural environment, emphasizing an ethic of responsibility: “We reaffirm our responsibility to speak for the protection and enhancement of the well-being of Mother Earth, nature and future generations of our Indigenous Peoples and all humanity and life” (para 1). Discussion of land ethics, then, necessitates engagement with Indigenous rights, self-determination, and sovereignty as part of realizing these responsibilities. While it is important to remember that Indigenous nations are diverse and have over countless generations maintained their connections and responsibilities to land in varied and distinct ways, international declarations such as *Kari-Oca 2* offer collective perspectives that provide important insights into some commonalities in Indigenous land ethics that continue to shape the discussion around governance and management of lands worldwide.

The *Kari-Oca 2 Declaration* highlights a prolonged history of imperialism, colonialism, and capitalism that has severely undermined Indigenous peoples' self-determination and capacity to govern and manage their lands. As such, this contribution is focused on how Indigenous peoples are seeking to re-establish their sovereignty in the face of ongoing and institutionalized colonialism and its various expressions at local, regional, and global scales.

## Contemporary Relationship to Land<sup>1</sup>

The disruption of Indigenous peoples' relationships to Land has had devastating consequences in every aspect of Indigenous peoples' lives (RCAP 1996). As Professor John Borrows writes:

Aboriginal peoples regard their traditional lands as sacred; it is integral to their culture and identity. They want to continue living on territories that have sustained them for thousands of years. Yet the Crown now claims occupation of traditional Aboriginal lands. When the Crown claims more land, this leads to conflict. Aboriginal peoples desire to hold onto their lands and resources to be more productive and preserve their ancient relationships. They struggle to resist further removal from their territories (Borrows 2005, 3).

Contemporary expressions of Indigenous land ethics (too often requiring civil disobedience and other direct action methods) are thus best understood from a historical context that dates back centuries. This history involves the systematic and often brutal dispossession of Indigenous peoples from their lands and livelihoods. Imperialism, colonialism, industrialization, and capitalism all require land, resources, and *peoples* to exploit. They are concerned with acquiring lands and resources – often illegally (by the usurpers' own colonial laws), and certainly without consent from

<sup>1</sup> ‘Land’, from an Indigenous perspective, carries with it the idea of journeying, of being connected to, and interconnected with, geographic and spiritual space – in other words, it represents a deep sense of identification through a cosmological and ecological connection to both the ‘natural’ and spiritual worlds (Styres and Zinga 2013, 303). ‘Land’ is capitalized to denote the Indigenous understanding that Land is not a resource/commodity.

Indigenous peoples – through such notions as the “doctrine of discovery” and “terra nullius.” The original imperial nation states were purposeful and violent in their efforts to dispossess Indigenous peoples of lands, and new nation states such as Canada and the USA followed suit.

Various strategies were employed over time in Canada to dispossess Indigenous peoples of their lands and resources. In many cases Indigenous peoples were subject to outright removal and/or relocation through the establishment of the reserve system. Systematic dispossession occurred through treaty-making that sought to extinguish Indigenous title, and through the imposition of Crown-state land management systems that ignored, and in many cases aimed to directly undermine, Indigenous authority and jurisdiction over their territories (RCAP 1996). As Land is central in maintaining Indigenous nationhood through ethical relationships with it, most conflicts between Indigenous and non-Indigenous peoples involve disputes around territories and the valuable resources they hold (Linden 2007; RCAP 1996). It is important to think of these struggles as conflicts not only over the use of Land but also as conflicts between competing legal-political and knowledge systems. As Borrows (2005, 8) adds, “When non-Aboriginal peoples ventured forth from their lands into North America, they encountered peoples with well-developed laws and duties related to land and resource use.” Indigenous peoples are seeking to secure their relationship to Land in order to support their own nationhood, autonomy, and well-being.

To summarize, Indigenous land ethics are about seeking to establish (or re-establish) reciprocal responsibilities to the Land so as to ensure that future generations, and the Land itself will flourish. In most areas of the world, organizations such as governments, multinational corporations, ENGOs, and small private interests including homeowners are now seen by dominant society to “possess,” “own,” and/or otherwise control the vast majority of what were, and still are, Indigenous lands. It is within this hugely challenging scenario that Indigenous peoples seek to re-assert their connections and obligations to the Land.

Current controlling interests employ their own governance and management systems in ways that are often in direct contrast to how Indigenous peoples understand that such relationships should be engaged in. Indigenous nations challenge the dominant nation states’ conception of land-as-a-resource, as a commodity to be bought, sold, and managed. Accordingly, Indigenous peoples have internationally declared principles they say must be followed in order that relationships to Land may be re-established and maintained. These include requiring that dominant nation-states:

- Recognize and respect the self determination of Indigenous Peoples, in particular our rights to territories and natural resources, in accordance with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).
- Ensure and guarantee the full and effective participation of Indigenous Peoples at all levels, respecting the processes based on consultation and free, prior, and informed consent (FPIC) in accordance with the United Nations Declaration on the Rights of Indigenous Peoples.
- Recognize, respect, and strengthen the fundamental contribution of the traditional knowledge, innovations, and practices of Indigenous Peoples.
- Review the concepts of development based on the accumulation of wealth that emphasizes unlimited exploitation of natural resources. (FPP 2011, para 3)

The frames identified above highlight key areas for consideration in understanding Indigenous Land management ethics at every level and scale. Each frame will be briefly discussed below.

### UNDRIP and Self-Determination

In its preamble, the *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP) recognized:

the urgent need to respect and promote the inherent rights of indigenous peoples which derive from their political, economic and social structures and from their cultures, spiritual traditions, histories and

philosophies, especially their rights to their lands, territories and resources. (UNGA 2007, preamble)

UNDRIP offers an important starting point in recovering relationships to Land. It provides a guide to supporting self-determination in recognizing that Land is an encompassing concept in an Indigenous context; it is a core aspect of Indigenous freedom and autonomy. UNDRIP is heralded as a critical document for recognizing Indigenous rights, as well as for identifying the types of measures required to hold nation states accountable for respecting those rights. For example, article 26 in UNDRIP states that:

1. Indigenous peoples have the right to the lands, territories, and resources which they have traditionally owned, occupied, or otherwise used or acquired.
2. Indigenous peoples have the right to own, use, develop, and control the lands, territories, and resources that they possess by reason of traditional ownership or other traditional occupation or use, as well as those which they have otherwise acquired.
3. States shall give legal recognition and protection to these lands, territories, and resources. Such recognition shall be conducted with due respect to the customs, traditions, and land tenure systems of the indigenous peoples concerned.

UNDRIP recognizes the importance of Indigenous land management governance and management practices to achieving self-determination. At the same time, it highlights the fact that nation-states and those authorized through them have undermined Indigenous and human rights with devastating outcomes. UNDRIP seeks to support Indigenous self-determination through the recognition of rights (cultural, social, economic) primarily through recognizing land rights (Venne 1998). These rights must be recognized at every scale, from the local to the international.

### UNDRIP and FPIC

UNDRIP also requires that Free Prior and Informed Consent (FPIC) be obtained for any

activities that impact the Lands and livelihoods of Indigenous peoples. FPIC is mentioned a number of times in UNDRIP in reference to lands and is specifically described in Article 32, as follows:

#### *Article 32*

1. Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources.
2. States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization, or exploitation of mineral, water, or other resources. (UNGA 2007)

FPIC has significant implications for land management, to the extent that Indigenous peoples are able to exercise this right. As stated, it requires consent to be given before any development proceeds. Many nation-states have balked at this requirement, despite an otherwise broad endorsement of UNDRIP. As Indigenous peoples have documented in international environmental and climate change declarations, resource exploitation continues without their consent on a daily basis with devastating results. Despite reservations expressed by nation-states, other bodies have begun to determine what FPIC means for their operations (the Forest Stewardship Council, for example, has developed FPIC guidelines, see FSC Canada, nd.). Many nation-states have attempted to address FPIC through their existing consultation and accommodation processes, which clearly remain inadequate as evidenced by ongoing conflict over land and resource decisions. FPIC is a critical higher standard to which nation-states can be held accountable. How FPIC becomes fully realized will be seen in the coming years as its practical implications become clear to all concerned.

### Traditional Knowledge

Another critical frame for understanding Indigenous land management ethics is the recognition and utilization of Indigenous knowledge systems (IKS), also referred to as Traditional Ecological

Knowledge (TEK) or Traditional Knowledge (TK). Since the Earth Summit in 1993, the recognition of TK has found significant expression in various agreements such as the *Convention on Biological Diversity*, and more recently in the *Paris Agreement on Climate Change*. TK has guided Indigenous peoples' land management and governance for thousands of years. What is new is the interest in and recognition of these systems by governments, academics, ENGOs, and others. UNDRIP recognizes TK throughout and in the preamble states that "respect for indigenous knowledge, cultures and traditional practices contributes to sustainable and equitable development and proper management of the environment" (UNGA 2007). Nation-states such as Canada have recognized TK in national environmental legislation in areas such as environmental assessment and protection. TK is also recognized in co-management and co-governance processes (Bowie 2013). Indigenous nations assert that TK should be considered alongside Western science in land and resource management decision-making. TK continues to grow in importance as Western knowledge alone continues to fail to enable sustainability.

### Critiques of Development

Non-Indigenous Peoples have come to our lands and resources to benefit themselves. And to the impoverishment of our peoples. Indigenous Peoples are victims of development. In many cases Indigenous Peoples are exterminated in the name of a development program. There are numerous examples of such occurrences. (Kari-Oca Declaration 1992, 6)

Indigenous peoples have been largely critical of concepts of development that have contributed to ongoing dispossession. "Development" is often experienced in disastrous ways. It generally occurs without the free, prior, and informed consent of Indigenous peoples and has "led to destruction or loss of ancestral territories and resources, denigration of indigenous worldviews and values and of their political, economic and socio-cultural systems and institutions, ecosystem

degradation, displacement and violent conflicts" (ECOSOC 2005, 3).

If UNDRIP is to act as a frame for development that serves Indigenous peoples, it must set an agenda consistent with the goals of self-determination, namely, to empower Indigenous nations to set their own course towards a desired future. As UNDRIP states, "indigenous peoples have suffered from historic injustices as a result of, inter alia, their colonization and dispossession of their lands, territories and resources, thus preventing them from exercising, in particular, their right to development in accordance with their own needs and interests" (UNGA 2007, preamble). One of the greatest new challenges to the application of Indigenous land ethics, and one which will no doubt be the subject of forthcoming activism, is the imposition of undesired development under the guise of sustainable development or the green economy.

### Closing Thoughts

The whole model of civilization that began 500 years ago with the pillaging of the natural resources for profit and the accumulation of capital, is in crisis. The alternative is to change the system, not the climate, based on a new paradigm for civilization, Living Well with harmony between the peoples and Mother Earth. (FPP 2011)

Indigenous land ethics call for a new way of relating to the natural world. International efforts have focused on human and Indigenous rights' aspects of self-determination and rightly so. However, there is an additional important dimension to understanding Indigenous land ethics, and that is the ethic of responsibility. Indigenous peoples aspire to live up to their *obligations and responsibilities* to care for the natural world. This novel (from a non-Indigenous perspective) ethic is expressed through the *Universal Declaration of Rights of Mother Earth*, which states that "Every human being is responsible for respecting and living in harmony with Mother Earth." The ethic of upholding the rights of

Mother Earth is gaining ground and has been enacted through constitutional and legal mechanisms in both Ecuador and Bolivia. This Indigenous framework directly challenges the dominant neoliberal paradigm of human interactions with the Earth that regards nature as property and a resource (McGregor 2016). These frames call for new ethical ways of engaging with the Land. They are a call for widespread change at every level, by every nation and every human that holds responsibilities to the well-being of the Land.

## Cross-References

- ▶ [Aboriginal Ethics: Traditional and Contemporary](#)
- ▶ [Environmental Conflict/Access to Natural Resources](#)
- ▶ [Environmental Ethics and Sustainability](#)
- ▶ [Indigenous Environmental Justice](#)
- ▶ [Indigenous Peoples and the Ethics of Resource Extraction](#)
- ▶ [Resource Extraction and Indigenous Community Consent](#)
- ▶ [Resource Extraction, Ethics, and Social Capital](#)

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## Indigenous Peoples and the Ethics of Resource Extraction

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### Synonyms

Extractive industry; Human rights; Indigenous rights; Self-determination; Sustainability; Tribal peoples; Values

## Indigenous Peoples and the Ethics of Resource Extraction

More than 370 million indigenous peoples encompass some 5,000 distinct cultural identities spread across 90 countries worldwide (UN 2009). The territories upon which they depend for survival cover about 20% of global land surface, yet hold 80% of the planet’s biodiversity (Sobrevila 2008). Indigenous peoples make up just 5% of the world’s population, yet comprise upward of 90% of Earth’s cultural diversity speaking roughly 70% of the world’s remaining 6,000–7,000 languages, half of which are threatened with extinction this century and even more of which are experiencing critical attrition of the ecological contexts that keep their languages alive (Posey 1999; Toledo 2001; Sobrevila 2008). Thus, the areas of greatest biodiversity on Earth hold the planet’s greatest cultural diversity in a symbiotic relationship of ecology and culture: where those ecosystems are strong so are the languages and where the languages are threatened so are their ecosystems (Nettle and Romaine 2000). While much of Earth’s natural resources occur within their territories<sup>1</sup>, indigenous peoples continue to struggle for a determining voice in the decision-making processes that determine the stewardship and extraction of those natural resources.

Indigenous peoples are disproportionately impacted by industrial resource extraction, yet have reaped historically little benefit from it. From Europe to Asia, Oceania, Africa, and the Americas, industrial resource extraction has led to various ecotoxicological, human health, socioeconomic, and cultural impacts on indigenous peoples accompanied also by human rights violations.<sup>2</sup> For example, in the western Amazon where some indigenous peoples still live in voluntary isolation, petroleum development has been

<sup>1</sup>For example, it has been estimated that over half the world’s remaining mineral resources may be located in the territories of indigenous peoples. See the “Introduction” to Doyle’s (2015) monograph, *Indigenous Peoples, Title to Territory, Rights and Resources*.

<sup>2</sup>For a worthwhile resource, see Survival International: <http://www.survivalinternational.org/tribes>.



attended by sexual exploitation, sickness, and mortality from pollution, disease, and violence (Kimerling 2006; Napolitano 2007; Napolitano and Ryan 2007; Finer et al. 2008; Orta-Martinez and Finer 2010; Schmall 2011). The disparities and vulnerability of indigenous peoples due to social, historical, political, economic, health, and other material factors are well documented (Gracey and King 2009; King et al. 2009; Reading and Wien 2009; Reading and Halseth 2013). Thus, in spite of their contiguity with tremendous natural wealth, indigenous peoples are among the poorest, most politically and economically marginalized of peoples on the planet (O’Faircheallaigh and Ali 2008; Sobrevila 2008; UN 2009).

Indigenous peoples also provide the longest sustained examples of human use of and adaptation to the environment. Given a dependence upon healthy ecosystems for their traditional ways of life, indigenous peoples have a fundamental stake in sustainability. Their traditional ecological knowledge and resource management systems contribute to the maintenance and conservation of biodiversity, ecosystem management, and sustainable development (Posey 1999; Berkes et al. 2000; Toledo 2001; Toledo et al. 2003; Lertzman and Vredenburg 2005; Sobrevila 2008; Lertzman 2010). Yet, ongoing attrition of indigenous lands places increasing constraints on their traditional land use and its practices rendering indigenous subsistence economies less viable. A calamitous result of global industrialization is that as consumer society inexorably grows, indigenous peoples’ territories shrink.

This dynamic of consumer society growing at the expense of indigenous peoples, their territories, and ways of life underscores the basic ethical problem of industrial resource extraction and its impacts on indigenous peoples. Is it ethical to sacrifice the viability of indigenous peoples and their ways of life for the sake of industrial resource extraction driven by growing, consumer-based economic development? If not, ethics requires an approach to resource extraction in the territories of indigenous peoples consistent with their wishes and needs as they determine these to be (Lertzman and Vredenburg 2005),

based on principles of self-determination with practices of free, prior, and informed consent.

As resource extraction expands into progressively remote, ecologically salient regions where much of the world’s natural resources remain, most indigenous communities will face the prospect of industrial resource extraction on their traditional lands and what this means for their people. Some indigenous peoples have resisted the penetration of extractive industry into their territories;<sup>3</sup> others have engaged with industry.<sup>4</sup> The fundamental issue is self-determination. Respecting the self-determination of indigenous peoples stipulates that resource extraction only occurs with prior and freely determined informed consent in their territories.

The principle of free, prior, and informed consent, or “FPIC,” has received particular attention since the adoption of the United Nations (2007) *Declaration on the Rights of Indigenous Peoples*. The right to withhold or give consent for natural resource extraction in their territories, or the obligation to obtain the free, prior, and informed

<sup>3</sup>This has resulted in ongoing opposition and at times violent conflict. Examples include mining and the Bougainville Conflict in Papua New Guinea from the 1980s to 1990s; expulsion and internment of Penan peoples due to logging in Sarawak, Borneo, Malaysia, since the 1980s; oil conflict in Niger Delta with Ogoni people ongoing from the 1990s; violent conflict with indigenous Amazonians in Bagua, Peru, in 2009, in Puyo, Ecuador, in 2015, and currently in the Pastaza region of Ecuador with Shuar and Achuar peoples in response to consultation issues related largely to petroleum and mining more recently; confrontations between police and Mi’kmaq people of New Brunswick, Canada, over fracking, 2013; ongoing conflict related to palm oil expansion in Indonesia and Malaysia; ongoing opposition to the Bello Monte Dam by indigenous peoples along the Xingu River, Brazil; opposition to Site C Dam by Treaty 8 First Nations of Canada; ongoing concerns and opposition to uranium mining by Navajo people in the United States; and resistance to the Dakota Access Pipeline by indigenous peoples in South Dakota, 2016/2017.

<sup>4</sup>Examples include agreements with mining companies and Aboriginal peoples in central Australia; agreements between Dene people and diamond mining industry in Canada’s Northwest Territories; collaborative economic development initiatives with Treaty 8 First Nations and petroleum industry in Alberta, Canada; Sakhalin Island indigenous peoples’ agreements with petroleum industry in Russia.

consent of indigenous communities, has emerged as a central feature of indigenous peoples' rights. Increasingly recognized by intergovernmental organizations, international bodies, industry actors, and civil society organizations, and emerging also in some domestic legal systems, FPIC is becoming a defining issue for global extractive industry (Doyle 2015). Consequently, concurrent political and constitutional processes unfolding in various countries are advancing the FPIC agenda as indigenous peoples and their allies advocate for indigenous rights in countries around the world.

What are the implications for extractive industries? Risk increases significantly for projects carried out in proximity to the territories of indigenous peoples where aboveground non-technical risk, including stakeholder resistance, accounts for the majority of project delays in the petroleum and mining sectors worldwide (Hackenbruch and Pluess 2011; Adamson and Pelosi 2014). Such risk exposure can be mitigated through policies that recognize indigenous peoples' rights and meaningful efforts to establish positive relations with indigenous communities. Accompanying these developments is a growing awareness of the destructive impact of resource extraction on indigenous communities and the need for implementing ethical principles that should govern the extraction of natural resources in the territories of indigenous peoples.

What does this mean for companies operating in indigenous peoples' territories? It means respecting how indigenous communities wish to be consulted, and eventually involved, should they decide to collaborate with industry on resource development initiatives. It also requires that the wishes of indigenous peoples be respected should they reject extraction of natural resources in their traditional territories. As hereditary chief A-in-chut of the Ahousaht Nation and two-term chief of Canada's Assembly of First Nations, Shawn Atleo pointed out not only must industry "be prepared to speak" with the indigenous peoples in the territory of their operations, they "must be prepared to leave" (Atleo 2015).

Obtaining the free, prior, and informed consent of indigenous peoples for resource extraction in their territories may not be easy, but it is the right thing to do. Verily, ethics can be a positive influence for developing new business practices (Cragg 1997). Thus, FPIC may help companies see their relationships with indigenous peoples in new ways resulting in innovative business practices opening the door to new possibilities in collaboration and partnership for respectful long-term relationships with indigenous communities with reduced risk of conflict and enhanced social license.

The ethics of resource extraction and indigenous peoples is a global issue that speaks to the nature of industrial society, its expansion, and the persistence of colonialism. The idea that indigenous peoples, and the ecosystems upon which they depend, are somehow expendable and the inevitable, if regrettable victims of economic progress, is deeply embedded within the thinking of modern society. This thinking lies at the root of the ethical problem whereby the unsustainable consumptive behaviors of industrial societies are maintained through resource extraction, which is carried out increasingly at the expense of indigenous peoples and their traditional ways of life. We are essentially deficit spending the cultural diversity of our species and the biological diversity of the planet to maintain an unsustainable lifestyle at the expense of some of the longest standing examples of sustainable human culture. We do so at our peril.

The diminishing of indigenous peoples has implications for all humanity. With each vanishing language, we lose an identity, a culture, and a way of life, taking with it an irreplaceable example of thousands of years of human experience, knowledge, and adaptation to the environment. Adaptation is a key feature of evolution, and humans have unique capabilities that allow us to adapt and evolve culturally (Henrich and McElreath 2003). This is our competitive advantage as a species for we can choose to change; yet, the movement toward industrial monoculture amplifies shared cultural blind spots while

concurrently diminishing the collective knowledge and wisdom base of our species, thus narrowing the range of thinking that informs our decisions. In reflecting upon these dynamics, one perceives a contrast of worldviews, values, and identities. Most contemporary governments and development agencies hold a perspective described as “technological expansionism” or the “expansionist paradigm” (Rees 1995, p. 347). Founded on a perceived separation of humanity from nature, this perspective posits economic growth as essential for human fulfillment assuming that nature can be exploited without limit and with impunity to satisfy ever-expanding human wants. Indigenous philosophies, in contrast, tend to affirm humanity’s place in nature as a spiritual foundation for human identity and development.

Oren Lyons, Faith Keeper of the Onondaga Turtle Clan and member of the Council of Chiefs for the Six Nations of the Iroquois Confederacy in the Northeastern United States, suggests that indigenous perspectives encompass the long-term view of community and life with respect to nature’s regenerative laws:

The earth does not need us: we need her. She functions under these universal laws that are immense beyond our comprehension. We, the Haudenosaunee, were instructed to bind ourselves to these universal laws to ensure the survival of our people. We know that other indigenous nations and peoples understand these laws and instructions . . . This then is what we can offer humanity the basis for making long-term decisions. We are responsible to life in the future. (Posey 1999, p. 450)<sup>5</sup>

As Chief Lyons notes, such teachings exist in many indigenous cultures. Embedded in these teachings and long-term thinking are ethics of stewardship, sacredness, and respect. These teachings are exemplified in Canada’s Pacific Northwest in the Nuu-Chah-Nulth concept of *hishuk ish ts’awalk*, meaning, “everything is one,” embodying the traditional values of

“sacredness of and respect for all things.” Ahousaht elder, the late Roy Haiyupis, explained:

Respect is the very core of our traditions, culture and existence. It is very basic to all we encounter in life . . . Nothing is isolated from other aspects of life surrounding it and within it. This concept is the basis for the respect for nature that our people live with, and also contributes to the value system that promoted the need to be thrifty, not to be wasteful, and to be totally conscious of your actual needs. (CSSP 1995, p. 6)

These ethical values of stewardship and long-term thinking reflect a profound sense of individual and collective identity. Boreal Cree traditional land-use practitioner and chief executive officer for the Lubicon Lake Band, Conroy Sewepagaham, framed it the following way, “When you respect the environment around you, you respect yourself; and when you respect yourself you respect the environment . . . it’s like a child: you take care of a child, eventually that child will take care of you” (Lertzman and MacDonald 2015).<sup>6</sup> The offering here is an invitation into an Earth-based understanding of what it means to be human.

There is a growing global recognition that insights from indigenous cultures provide meaningful contributions to address the unprecedented ecological, socioeconomic, and philosophical challenges currently facing humanity. If we are to achieve a planetary ethic of sustainability that values biological and cultural diversity with socioeconomic and ecological justice, the participation and partnership of indigenous peoples will be fundamental. In the absence of such participation, it is unlikely a path to this destination will be found.

## Cross-References

- [Economics, Ethics, and the Environment](#)
- [Environmental Assessment and Resource Extraction](#)

<sup>5</sup>Listen to Chief Oren Lyons in the YouTube video, “We Are Part of the Earth: <https://www.youtube.com/watch?v=bSwmqZ272As>.”

<sup>6</sup>From the video, “*Pimachiowan: Living with the Land*.” This video introduces Boreal Cree concepts as cultural analogues for consultation and accommodation to engage a broader discussion on cultural sustainability; viewable on Vimeo: <https://vimeo.com/147150995>.

- Human Rights
- Human Rights Impact Assessments
- Resource Extraction, Ethics, and Social Capital
- Social License to Operate

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## Individualism

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### Synonyms

Agent based social theory; Agents; Liberalism

### Definition

Individualism refers to ways of thinking that consider individual agents as fundamental rather than groups, collectives, or communities. There are individualist ways of thinking with respect to values in ethics and political philosophy, with respect to economic theory and to social science methodology, and with respect to government policies and individual behavior.

### Individualism in Ethics and Value Theory

Individualism has two aspects: individualism of agents and individualism of the objects of ethical concern. Much of ethics is individualistic in both respects; that is, it concerns the moral assessment of the obligations, actions, and attitudes of specific individuals towards other specific individuals. The obligations of individuals are usually referred to as duties; viewed from the perspective of the individual that the obligations are towards, they are usually referred to as rights (human rights, civil rights, and so on). However, ethical obligations can have sources other than the rights of individuals; examples might be the love of one's children, belonging to a community, or promises made.

Sometimes the individual basis of ethics is not obvious because moral obligations can be summarized in aggregations. For example, an individual's obligations towards their family mostly consists of obligations to specific people: father, mother, children, siblings, and so on.

Moral obligations which are not those of an individual include the obligations of communities, collectives, organizations, nations, and so on. For example, conversations about corporations as moral agents, such as those concerning the ethical obligations of corporations or the social responsibility of corporations, all rely on the idea that collections of humans, viewed together as a single fictional legal entity, can in fact be considered as an ethical entity. Some people doubt this and argue that corporate moral responsibility is a shorthand way of discussing the moral responsibility of the individuals who own and or run corporations (i.e., CEOs, shareholders, managers, and so on). Many business ethicists, however, think that we can ethically assess the actions and policies of both corporations (as entities) and the individuals who determine or benefit from corporate actions and policies.

All views that do not base ethical judgment on individuals raise difficult questions about collective responsibilities (and collective guilt in cases of moral failure). For example, who was responsible for the US invasion of Iraq in 2003? George W. Bush and Tony Blair certainly bear personal responsibility but can we also say that America bears moral responsibility? Or that the American people are collectively responsible? Collective guilt and responsibility are very difficult concepts as discussions of corporate and government actions make clear.

However, there has been a long history of passing ethical judgements on societies, nations, and other large collectives. The language of justice, freedom, equality, rule of law, and other such topics allow us to ethically assess some types of collectives. All such concepts involve passing ethical judgment on some aspect of society rather than on the actions of specific individuals. It makes perfect sense to talk about (un)free or (un)just countries, although it also makes sense to talk about (un)free and (un)just individuals.

Whether or not collectives have ethical obligations, it is clearer that collectives can be the object of moral responsibility. Individuals have obligations to communities, nations, religions, and humankind. Such obligations are not always the



aggregation of obligations to many separate individuals.

## Political Individualism

The value of the individual human being is fundamental to classical liberalism (see “► [Liberalism](#)”). What is of ultimate value in liberalism is the freedom, rights, dignity, security, health, and happiness of every individual in society. And in considering these values, every individual counts equally. Groups, communities, and societies are judged according to the aggregate individual fulfilment of these values.

It is this ultimate value that liberalism puts on every individual that distinguishes it from socialism, communism, communitarianism, fascism, nationalism, nativism, sectarianism, and even green political thought. All these other systems of political value place fundamental importance on something other than, or as well as, individual people.

In pursuit of the goals of maximizing the security, liberty, and dignity of every individual, classical liberalism values democracy, rule of law, human rights, freedom of speech, and widespread public education. Liberal societies are democratic; each individual gets one and only one vote because every individual has an equal stake in society (Copp 2000). Liberal societies are ruled by law, not by powerful people, because no individual ought to have power without legitimate democratic authority. Social and political hierarchies are anathema to liberals.

Human rights, often enshrined in law as constitutional rights, are important to liberals because they protect each individual from exploitation or abuse. When the United Nations passed its Universal Declaration of Human Rights, several communist countries refused to support it on the grounds that it protected individual rights and ignored collective rights, such as the rights of the proletariat as a class. A very different example of collective rights would be the right of the people of Québec to preserve French as the language of Québec. Such preservation involves not just the freedom and right of every individual to speak

French if they wish; it also involves language laws which, for example, insist that most public education and commercial transactions be in French. Some liberals view these laws as violations of individual rights, but Québec maintains them notwithstanding Canadian federal law and constitution.

## Individualism and Society

The relationship of individualism to society has three aspects: individualism as an explanatory assumption, individualism as defining the objects of study and analysis, and individualism as a positive or negative value. For the role of individualism in explanation, see next section.

Individualism is studied in sociology often by first establishing the degree of individualism versus the extent to which people are embedded in collectives such as families, communities, organizations, or churches. The book *Bowling Alone* (Putnam 2000), for example, measured changes in individualism versus embeddedness in American civil society. The basic claim Putnam makes is that individualism is (or was) on the rise in American society, and that Americans are becoming less embedded in community organizations. The book's title comes from the decline in membership in bowling leagues, but Putnam also mentions many other organizations with declining memberships such as churches, unions, volunteer organizations, mutual help organizations, and so on.

Sociologists study also the effects of individualism on individuals and society. There is an emerging consensus that social embeddedness is vital to good human health, and that the social isolation of individuals can cause mental and physical health issues to the point of seriously shortening human life. This has major implications for government policies, especially policies in health care and those concerning seniors. But the problems with excessive individualism also have implications for families, churches, and even businesses. And such problems have implications for individual choices; for instance, seniors (and others) are encouraged, as much as



possible, to attend social events and to maintain networks of family and friends.

Such data also affects the other aspect of individualism and society, namely, discussions of the value of individualism. Many writers place high value on communities and families, and view excessive individualism as a threat to social stability, peace, order, and the well-functioning of government and business. Some such writers consider themselves “conservatives,” which makes sense since conserving existing communities and social structures is an obvious way to encourage social embeddedness. Creating communities from scratch is difficult. David Brooks in his *New York Times* column frequently views excessive individualism as a problem and emphasizes the need for traditions and socially agreed values, stories, and myths (for example, see Brooks 2018).

The downside of individuals embedding themselves deeply in communities is sectarianism – a community can become exclusive, bigoted, and narrow-minded. Some sects proselytize for outsiders to join their group, try to impose their ways on other people, or try to exclude nonmembers from government, resources, and society. Much violence, wars, and terrorism come from an excess of individual embeddedness in a sect-like community. Sectarian violence is one of the worst disasters that can afflict a society.

However, individualism may not be a viable solution to sectarianism. It is a more promising idea to create open, welcoming, tolerant communities in which individuals feel free to choose to be or not to be embedded. Social harmony requires a balancing of individualism and community.

## Individualism in Social and Economic Explanation

Individualism in social explanation is often referred to as agent-based theory. For example, an agent-based theory of the incarceration rate in a country would explain that rate based on the motivations, emotions, and actions of the individuals who are criminals, judges, police and government prosecutors in that country. A non-agent-based theory would explain the incarceration rate

using social factors, not just the aspects of the individuals involved. For example, a non-agent-based theory might explain the incarceration rate using the county’s Gini-coefficient, historical trends, hierarchies of power, or other social or economic conditions. Such explanations can be referred to as system-based explanations.

An example from biology might make the generality of this distinction clearer. Some species of termites build temperature-stable mounds. A scientist might try to explain this outcome based on the rules that each ant follows assuming the individual ant knows nothing about the temperature-moderating outcome – which would be an agent-based theory. Or, on the other hand, the scientist might explain the outcome based on the evolution of the termite species in its particular environment – which would be a systems-based explanation.

Some methodologists argue that systems-based theories and explanations are incomplete unless they can be reduced to agent-based theories and explanations. Others argue that systems contain emergent qualities that cannot be reduced to the behavior of the individual agents in the system. The impossibility of reductionism might be based on epistemological theory (we can never know enough to understand the reduction), on ontological theory (emergent qualities of systems are part of the nature of the universe and even in theory they cannot be reduced to agent-based explanations), or on scientific methodology (one assumes nonreductionism as a method of proceeding without committing one way or the other to reduction’s possibility or reality).

Interest in agent-based modelling as a practical procedure in business and other areas has increased in the past 20 or so (Bonabeau 2002).

Economists (who may or may not view themselves as a sub-type of sociologist) have long had and continue to have methodological debates about the reduction of macroeconomics (which is about economies as systems) and microeconomics (which builds models given assumptions of how individuals behave). Is it necessary or even desirable for macroeconomic models to be built on microeconomic models? Are models that start at the agent level better models? Or are

macroeconomic models sufficient if they work and make satisfactory explanations and/or accurate predictions?

This debate is connected to other debates in economics. One important issue is whether economies are complex, adaptive, nonlinear systems with system-level emergent qualities; if so, then classical models of the economy are insufficient and perhaps even misleading. Some economists now advocate the use of systems theory and agent-based models (Haldane and Turrell 2018).

Another issue is that the agents of classical and neo-classical microeconomic theory are purely fictional; homo economicus (as such an agent is called) is based entirely on assumptions. Little or no effort was made for more than a 100 years to verify that the assumptions described actual human behavior; they were chosen so that linear models could be built. Eventually, behavior economists (and psychologists) investigated how individuals actually do behave in economic transactions and quickly established that most of the assumptions about homo economicus are false. If current descriptions of human behavior are accurate, then any economic model that starts with the interactions of individuals will have to be nonlinear. Nonlinear models are extremely difficult to build and make accurate – as is well known, for example, attempts to model the planet's climate. Alternatively, Milton Friedman (1953) argued that the accuracy of the assumptions made about individual agents does not matter as long as the model works.

## Summary

Individualism can influence many aspects of people's thinking. It can shape how they ethically judge actions, people, and societies; their notions of duties and rights; their political views and values; and their social attitudes and even actions. Individualism can also affect the methodology of sociology and economics, though there is much debate in those subject about the proper role of individualism.

## Cross-References

- ▶ [Economic Man](#)
- ▶ [Liberalism](#)
- ▶ [Personalism](#)

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## International Association for Business and Society

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## Synonyms

Business ethics organization; Organization for issues on social responsibility of business; Professional business ethics organization; Social responsibility of business organization

## Definition

This is a brief description of the history of the International Association for Business and Society (IABS).

## Description

The IABS is, according to its website, “a learned society devoted to research and teaching about relationships between business, government and society.” Its field of research is broadly defined as covering “various aspects of the interface between management and the social political dynamics of the surrounding society. It includes, among others, research on corporate social responsibility and performance, emerging social issues for business, business ethics, environmental affairs, and business and government relations.”

The Association was founded in 1990, 30 years after the journal *Business and Society*. Readers of the encyclopedia entry on that journal will find that the general purposes of the IABS are consistent with those of the journal. At this writing (May 2017), the IABS “has over 300 members worldwide from over 100 universities in more than 20 countries as well as members from various corporations and not-for-profit organizations.”

According to the first issue of the IABS newsletter, dated Spring 1992, the first president of the Association was Philip L. Cochran, who was also the editor of the newsletter. He was elected in 1991. The president in 2017 is Colin Higgins.

The second annual general meeting of the IABS was held at Robert Redford’s Sundance Ski Resort in Utah in March 1991. It had “100 attendees from the USA, Canada, and Mexico” and 60 presentations.

## Cross-References

- [Business and Society](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [European Business Ethics Network](#)
- [Journal of Business Ethics](#)
- [Society for Business Ethics](#)

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## International Consortium of Investigative Journalists (ICIJ)

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## Synonyms

ICIJ; Investigative Journalism; Investigative Journalists; Journalists

## Definition

The mission of the ICIJ is “to bring accountability on a grand scale. . . [by means of] a new kind of scrutiny to world events and complex problems – using data and document-supported facts that cannot easily be dismissed” (ICIJ 2019).

## Description

According to the website of the ICIJ, the group wants “to inspire and cultivate a global community of reporters and readers who believe journalism can bring about positive change.” The nonprofit organization, based in Washington, D.C., includes over “220 of the best investigative reporters from 83 countries and territories” partnered with “more than 100 media organizations.” The latter include distinguished outlets like the BBC, the New York Times, and the Guardian. Using “the enormous strength” of their network’s members in the USA, Australia, France, Costa Rica, Peru, El Salvador, Spain, Italy, Hungary, Germany, Belgium, Ireland, England, and Venezuela, the group wants “to empower our readers to engage with their local communities about issues of global importance, such as broken systems and abuses of power.” ICIJ is “fully funded by donations” and “encourages tips, leaks, and story ideas from the public, whistleblowers, as well as from outstanding investigative journalists.” Besides a steady flow of provocative news reports like the Luxembourg

Leaks, Big 4 Audit Firms Play Big Role in Offshore Murk, EU Unveils Action Plan to Tackle Corporate Tax Dodging, and the Paradise Papers, the ICIJ's most famous report, the Panama Papers, won the Pulitzer Prize for "explanatory reporting" in April 2017.

ICIJ's *Manifesto* boldly asserts that "We believe it is the job of journalists to arm the public with information, to empower citizens to strengthen democratic institutions and democracy itself. We believe that truth is society's best weapon against corruption, injustice, and inequality."

## Cross-References

- ▶ [Panama Papers](#)
- ▶ [Shell Companies](#)
- ▶ [Tax Havens](#)
- ▶ [Tax Justice Network](#)

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## International Women's Day and Its Role in Women's Rights

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## Synonyms

Women's labor rights; Women's political rights;  
Women's rights as human rights

## Introduction

In many countries around the world March 8th is a day to celebrate and honor women. There are often panels which discuss women's status as

persons and celebrate what progress has been achieved with respect to women's status in terms of equality rights. There are also often marches and parades and sometimes serious assessments of how far women have come with respect to equal access to human rights and to equal protection of labor rights and other rights under the law. It is also a day of deliberation about what inequality issues continue to discriminate against women based on sex and gender.

## International Women's Day: Its Establishment and Beginning

This article will give the short history on the establishment of International Women's Day in the twentieth century and look at the precipitating factors that led to protests, mobilization, and political action throughout the early part of the twentieth century.

Many women (and men) in different countries celebrate International Women's Day (IWD) on March 8th every year. Some nations have declared IWD a national holiday. In 1975, the United Nations declared that it was the UN year of women and has monitored successes and lack of success for women's equality systematically since then. But while the day is celebrated in many nations, the history of the day is not always noted, nor is history always shared about how embedded its origins were in the labor and socialist movements of the early twentieth century. The 1975 onward celebration is often embraced by corporations and workplaces but often in a depoliticized way that detaches the celebration from its historical roots.

The United Nations has been deeply involved in tracking and promoting women's rights at least since the Universal Declaration of Human Rights which was ratified by the United Nations on December 10, 1948. Consequently, many of the sources for this article are United Nations' sources. The most important claim for women as persons granted human rights is based on the declaration statements of universality of rights for all human beings. In particular, Article 2 states:

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as, race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

There are also articles which specifically reference women – again stressing not only equality but the right not to be discriminated against because of change in status due to widowhood, rights related to reproductive rights for women and equality in the right to own property.

### **Early Twentieth-Century Protests by Women for Better Working Conditions**

As noted by Haynes (2019), “the impetus for establishing an International Women’s Day can be traced back to New York City in February 1908, when thousands of women who were garment workers went on strike and marched through the city to protest against their working conditions.” This was followed in 1909 by a National Women’s Day in the USA celebrated through a declaration by the Socialist Party of America.

During this period, particularly in the textile industry in Britain, Europe, and the USA, conditions were hazardous and hours were long. Women and girls were often the majority of these workers who “sweated” under harsh working conditions for very long hours and very little pay.

No better example during this period was the 1911 Triangle Shirtwaist Fire in which 146 girls and women died either in a horrendous fire or jumped to the deaths from the 8th floor of the locked building from which they could not escape. As van Drehle describes the horror of that day:

[Women] were trapped by flames, a collapsed fire escape and a locked door. Firefighters frantically cranked a rescue ladder, which rose slowly skyward – then stopped at the sixth floor, fully extended. Pressed by the advancing blaze, workers began leaping and tumbling to their deaths on the sidewalk. Other workers perished in the flames, still others plunged into an open elevator shaft, while behind the factory two dozen fell from the flimsy fire escape.

Such conditions were common to all sweating employment which generally involved low-level piece work which either was done at the location of the employer or as domestic home labor. Both types of piece work resulted in barely livable wages. This was also a period where women were actively campaigning for the right to vote and the right for education. The consequence of this period of unrest was a series of protests, declarations, and establishment of political and labor organizations that marked the initial events in collective demands for women’s rights.

The United Nations in its profiling of the history of the IWD focuses on particular events in the establishment of March 8th as IWD. As noted above, the USA held the first National Women’s Day in 1909 in recognition of the women garment workers protest in the streets of New York in the previous year.

In 1910, the United Nations states of the establishment of International Women’s Day:

A second International Conference of Working Women was held in Copenhagen... Clara Zetkin (Leader of the Women’s Office for the Social Democratic Party in Germany) tabled the idea of an International Women’s Day... The conference of over 100 women from 17 countries, representing unions, socialist parties, working women’s clubs – and including the first three women elected to the Finnish parliament – greeted Zetkin’s suggestion with unanimous approval and thus International Women’s Day was the result. (<https://www.internationalwomensday.com/About>)

IWD continued to grow across different countries and was a catalyst for women to work for the vote as well as peace prior to and through the First World War. Perhaps the most significant event in the establishment of the importance of women’s rights occurred in Russia in 1917 when women chose the day to strike for bread and peace. As noted in the UN document quoted above on the history of International Women’s Day, the success of the strike was remarkable in Russian history. Four days after the strike “the Czar was forced to abdicate and the provisional government granted women the right to vote.”

## Women's Status Now

Women have made progress, particularly in western democratic nation-states. While there is not wage parity between women and men, the wage gap has been significantly closed in the past few decades with many countries where the average salary for women is approximately 82–85% of the average salary for men. In Canada, that is substantial improvement from the 1970 wage gap of 59 cents for every dollar earned by a man when the Royal Commission on the Status of Women in Canada was tabled in parliament. Looking at OECD countries, the overall gap in wages between women and men is 12.9, while in the USA this gap is at 18.5.

However, despite some gains towards pay equity, in many parts of the world there continues to be unequal status between men and women across many domains. As Poff (2017) notes with respect to women and wealth equity:

A major barrier to any consideration of wealth equity for women is women's unequal access to assets compared to men, including the ability or inability to own and acquire property either through employment or through inheritance or through marriage in many parts of the world.

As noted above, the UN established the United Nations Year of the Woman in 1975 and have monitored women's equality issues since then. While some success has been achieved, Poff notes that:

the resilience of cultural difference and its alliance with some regressive religious factions within many world faiths has been particularly successful in resisting the adoption and implementation of laws, of education, concerning the rights of women, on access to education, on employment and on the right to acquire and control assets. These factors may play the most important role of any in denying basic human rights for girls and women in many countries in the world.

So, while much has been accomplished, much is left to do.

## Cross-References

- [Feminist Economics and Agency](#)
- [Gender and Household Economics](#)

- [Gender and Macroeconomics](#)
- [Gender and Microcredit](#)
- [Gender and Social Security](#)
- [Gender and the Economic Theory of the Firm](#)

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## Intersection of Indigenous Values and Ethical Leadership

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## Synonyms

Ethical leadership; Maori values

## Introduction

...sometimes we have to recognise the signposts of humanity... and I think we've been trying to create a new type of humanity... (leader one, interview one)



Rising interest in the role of ethical leadership and organizational and individual attitudes and behaviors attests to the importance of leadership in navigating today's complex and uncertain world. Researchers Brown et al. (2005, p. 117) state "leaders should be a key source of ethical guidance for employees" and note the importance of studying and understanding the ethical conduct of leaders because employees look to leaders for ethical guidance. Consequently, leaders' ethical values and conduct are important in a workplace context. Ethical leadership has been found to enhance firm performance followers in role performance (Bouckennooghe et al. 2015), follower voice, and ethical behavior within an organization, and corporate social responsibility. Clearly while some argue the concept of ethical leadership and research remain nascent, ethical leadership is important in harnessing business and professional standards. Others note that ethical leadership differs from other leadership approaches as it draws heavily on social learning theory, which highlights that people learn from modeling the behavior of role models in this case ethical leaders. As such, leaders' efforts aimed at modeling their own ethical behavior drawn from their own values, influence followers in an ethical manner (Brown and Treviño 2006).

While this dialogue is interesting, missing for the literature is the role of indigenous cultural values that can serve as antecedents, in the development of ethical leadership (Haar et al. 2019). Ultimately, the research by Haar et al. (2019) enhanced understanding of ethical leadership by examining five indigenous cultural values as antecedents of ethical leadership. The above research uses a mixed method approach that includes a unique study design of Kaupapa Māori research methodology (Smith 1999), and statistical analysis, specifically structural equation modelling (SEM), to provide insight into the unique antecedents and outcomes of ethical leadership, built on indigenous perspectives. This is separated into two studies, expanded below.

## Indigenous Values and Ethical Leadership

Initially exploratory Kaupapa Māori research (Smith 1999) methods were employed – as this research process reflects those undertaken on Māori leaders. Smith argues Kaupapa Māori research provides a focus through which Māori people (researchers and the researched) engage in research that empowers, is open to alternative (Māori) world views, is connected to Māori philosophy and principles, and assumes validity and legitimacy of Māori culture. As such, interviews with Māori leaders sought to understand what *unique* leadership characteristics exist within Māori leadership practices. This is described in the section "[Kaupapa Māori Research](#)." In the section "[Ethical Leadership and Outcomes](#)," the findings are utilized to hypothesize an additional study where the unique characteristics found via Māori leaders' interviews are tested towards understanding ethical leadership styles and ultimately employees' well-being.

## Kaupapa Māori Research

For study one, leaders were selected from a consensus of nominations via a panel of Māori experts who reflected the diversity of leadership roles, the variation of leadership position, and range of tribal areas (iwi's) throughout Aotearoa (New Zealand). This sample included leaders from business, political, community, and marae leadership positions. In total, 22 leaders were interviewed (12 male and 10 female) in face-to-face semi-structured interviews, to allow for multiple topics and concepts to be explored in detail (Smith and Eatough 2006).

*Analysis:* All interviews were subject to interpretative phenomenological analytic (IPA) techniques. This method was used as it encourages participants to make sense of their personal world and is particularly useful for complex and unique topics. This can capture the depth of an individual leader's experience and add insight into the understanding of how participants (in this case leaders) have made sense of that experience (Smith 2004).

A two-stage process of interpretation was used: (1) an initial thematic analysis that was organized into major and generalized themes and (2) a more detailed thematic analysis. These themes were cross-referenced back to the data and then reverified by Māori researchers (see Haar et al. 2019). The processes also ensured the connection with Māori tikanga (knowledge and customs) were made.

## Study One Results

Overall five overarching themes that Māori leaders referred to in interviews that reflected their leadership values and philosophies: (1) humility, (2) altruism, (3) time orientation, (4) collectivistic/relational orientation, and (5) cultural authenticity (see Haar et al. 2019). The first theme to emerge from leaders' stories was the concept of *Whakaiti* which relates to being humble and self-disciplined and doing so has an impact on the larger group. This is a virtue that is much admired, and it can attract respect. See Table 1 for demonstrated excerpts. Overall, drawing on *whakaiti*, this finding was termed **humility** for ease of translation.

The second theme found was one of giving to develop the goodwill of others, generosity, giving for long-term or future benefit, and taking care of others. Leaders voiced elements of *manaakitanga* (which is the importance of caring for another person, doing the right thing for them, and ensuring their well-being). Further themes and findings are reflected in the Māori concepts of *ngakau* and *ko tau rourou* and *manaakitanga*. *Ngakau* can be described as generosity of spirit. *Ko tau rourou* reflects this, but has another dimension to it, in that the offering to others assists them in terms of creating a sense of wealth (usually nonmaterial). Essentially, this was grouped as a form of cooperation to enable betterment and developed via giving. Combined, this reflects **altruism**. Table 1 provides quotes encapsulating Māori leaders' stories towards altruism.

While widely accepted in Māori literature (see Roche et al. 2018), there was evidence of the

cultural value of **collectivism** being another key driver of leaders' values and philosophies. For Māori leaders, however, this was woven in among notions of *whakapapa*, *whānau*, and *whanaungatanga*. *Whakapapa* includes being able to relate to people with whom a common ancestry is shared and relates to maintaining this sense of shared history and community. *Whānau* relates to the extended, intergenerational family, and many decisions are around the implications of these towards whānau. Some note that whānau is not a simple "alternative" term for the nuclear family, as this fails to recognize the vastly different structure for Māori and importance of whānau, which may include intergenerational family structures, possible foster-relationships and other family and community connections and obligations (Roche et al. 2018; Haar et al. 2019). *Whanaungatanga* refers to inter-relationships and considers processes, the rituals of encounter both formal and informal as well as wider networks (Haar et al. 2019). See Table 1 for demonstrative quotes of this value.

The fourth theme was related to long-term **time orientations** of leaders and concepts such as a long journey or a long time. While direct translations are difficult, stories reflect the notion of *kaitiakitanga* which refers to the need for a long-term orientation towards sustainability of people, culture, and the environment. This is long-term orientation/value in relation to guardianship and protection. Māori hold a great connection to past generations, environmental preservation, and care for the collective future (Hook 2007). See Table 1 for additional quotes.

The final dimension discussed is that of **cultural authenticity**, which related to feeling at ease in the Māori world, the value of one's culture and importance of knowing and living this. The notion of *tikanga* was found to be particularly important in relation to Māori leaders' authenticity. Again, while this has a wide range of meanings, including the understanding and adhering to culture, custom, ethics, etiquette, protocol, and style, it generally is taken to mean "the Māori way of doing things," and it is derived from the Māori word *tika* meaning "right" or "correct." Thus, *tikanga* can

**Intersection of Indigenous Values and Ethical Leadership, Table 1** Qualitative interviews

| Themes and examples                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Humility</b>                              | <p>Leader 6 (male) “. . . I suppose one of the reasons that I’m able to do, is because the individuals that do the work (that is needed) behind the scenes . . . they are the talented ones. . .”</p> <p>Leader 14 (male) “. . . it’s quite old fashioned but my grandmother used to say to me that you don’t put yourself forward for a role, that the people will do it for you . . . If they think that you are what they need . . . and that to be really self-critical about what your purpose is. . .”</p> <p>Leader 18 (male) “. . . but it’s also about encouraging others to have their say and be acceptable to think that their say might be right . . . more right than yours!”</p>                                                                                                      |
| <b>Altruism</b>                              | <p>Leader 5 (female) “I’ll advocate for others . . . but I never lobby for myself”</p> <p>Leader 13 (female) “. . . this is about the people . . . so none of this is about me..”</p> <p>Leader 16 (female) “. . . the whole reason for my existence is to ensure that my family, my children and my mokopunas, inherit a world that is at least as great as the world that I was lucky to be born in, at least as great . . .”</p>                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Collectivistic/relational orientation</b> | <p>Leader 2 (male) “. . . I think one of the things [is] whanaungatanga. So I work at my relationships personally and professionally, they are all the same, all of us need to be working together, developing this together . . .”</p> <p>Leader 15 (male) “. . . relationship building, it’s all about relationship building. Believe it or not, there’s nothing . . . without relationships. And they could be a person already known, or they could be just a piece of paper that signs you have an MOU with them . . . but they all matter . . . and I would never devalue that. . .”</p> <p>Leader 21 (male) “. . . but I find that you need to go that extra mile to make that relationship a little bit stronger . . .”</p>                                                                  |
| <b>Time orientation</b>                      | <p>Leader 4 (female) “. . . really, it will be when the next three – maybe four or five – generations look back on what we are doing, that it will really count as any sort of success . . .”</p> <p>Leader 15 (male) “. . . we’re not dealing in 3–5 years . . . for us it’s hundreds . . . a thousand years. . . that is where the difference will be known. . .”</p>                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Cultural authenticity</b>                 | <p>Leader 14 (male) “. . . to be quite clear about our approach . . . It is to be consistent about how you communicate and how you are always accountable. . . and that’s really about the values that support us in our view of the world – its tikanga, manaakitanga and the like . . . It’s managing the aspirations, the needs, the wants, the hopes of people that you represent and I’m not just talking about Uri, I’m talking all interactions, they are clear, accountable and based on the values we hold tightly . . .”</p> <p>Leader 5 (female) “. . . you have to have that cultural knowledge. If you don’t have that cultural knowledge you’re going to just set yourself up to fail. And I think that strong cultural knowledge provides me with the strength of who I am . . .”</p> |
| <b>Ethical leadership</b>                    | <p>“. . . I won’t be part of something that is not real, honest and up front . . . that is not developing changes needed for us . . . no ticking a box just because . . .”</p> <p>“. . . sometimes we have to recognise the signposts of humanity . . . and I think I’ve been trying to create a new type of humanity. . .”</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

relate to Māori traditional rules and culture as well as rules for conducting life. This theme is woven in with wider literature on authenticity: the importance of knowing oneself and expressing oneself in ways that are consistent with inner thoughts and feelings. See Table 1 for quotes of cultural authenticity.

Overall, these five dimensions proved to be significant in terms of Māori leaders’ values,

and, as far as the authors are aware, the combination of all five, as antecedent to leadership literature is novel. Before embarking on the second stage of the study, “touchpoints” with Māori leaders values, and Western conceptualizations and measures were made. Section “[Ethical Leadership and Outcomes](#)” focuses on the influence of these five values (using touchpoints between Kaupapa world views and Western measures)

towards ethical leadership perceptions by employees. It is worth noting that ethical leadership is used in this study because it was also raised by Māori leaders in the interviews as central (see Table 1).

## Ethical Leadership and Outcomes

Ethical leadership can be defined as the “demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al. 2005, p. 120). Although the construct of ethical leadership is relatively new (Palanski et al. 2014), research is beginning to show the importance of ethical leadership for application in organizations (Palanski et al. 2014). Past research has found that ethical leadership is “related to consideration behavior, honesty, trust in the leader, interactional fairness, socialized charismatic leadership (Brown et al. 2005, p. 117), and can be perceived by followers as an effective leadership strategy enabling followers’ job satisfaction and dedication, and their willingness to report problems to management (see Brown et al. 2005). Mihelc et al. (2010) summarize ethical leaders as those who think about long-term consequences, drawbacks, and benefits of the decisions they make in the organization.

Given the strength of Māori leaders’ values, findings supported the five values of Māori leaders being related to follower perceptions of ethical leadership and ultimately (in a third study) employee work-life balance, job satisfaction, and turnover intentions. In part two, 249 respondents who represented a broad sample of all New Zealand workers were surveyed. Ultimately, all five antecedents positively related to ethical leadership perceptions. These findings provide support for the five indigenous values as not only important for Māori leadership but also for ethical leadership perceptions. In a third study, the 249 respondents were resurveyed and asked about their job satisfaction, work-life balance, and turnover intentions. In total, 122 respondents took part

in this section of the study. Using SEM in AMOS again findings demonstrated that the path to employee well-being was through ethical leadership, but firstly Maori leadership values as antecedents.

## Conclusion

Over three studies, the centrality and importance of indigenous values towards ethical leadership and employee well-being was evidenced. The present study extends understanding of ethical leadership by including the five unique antecedents (developed from “touchpoints” with Māori leaders’ values and stories), then also determining these as a path towards positive leadership behavior, namely ethical leadership.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Indigenous Land Management: Responsibility-Based Ethics](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Leadership Moral Foundations](#)
- [Racism in the Workplace](#)
- [Self and the Generalized Other](#)
- [Values-Based Management Theory](#)

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## Investor Response to the Climate Change Challenge

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### Synonyms

Environmental investing; Impact investing;  
Sustainable investing

### Introduction

Investors increasingly are considering climate change and their decision-making, moving from

negative approaches which at best met market performance to positive strategies that seek to solve problems while maximizing financial value. A top-down, bottom-up race is underway seeking best solutions to growing interest in the subject from millennials and other demographics seeking to make better connections between the futures they desire and the outcomes of their investment choices.

### Looking Back, Looking Forward

In 2018, with the expected effects of climate change looming on the not too distant horizon, investors are rapidly increasing their attempts to integrate these considerations into their investment processes. What to do about this, and how to do it, is perhaps best informed by a brief look back to past work on this topic.

In 2008, we drew a line in the sand with the publication of *Sustainable Investing: The Art of Long-Term Performance* (Earthscan 2008), discussing how companies and investors were beginning to look forward and see the opportunities that were emerging from sensibly addressing climate risk. In 2012 *Evolutions in Sustainable Investing* (Wiley 2012) provided a “big umbrella” look at how investors were more specifically addressing ESG issues through their varying strategies. This volume highlighted 15 case studies alongside thought leadership from experts such as Paul Hawken, Dan Esty, and Rory Sullivan, as well as a series of global and asset class perspectives. This volume explored the issues of sustainable investing as the field continued to evolve post the 2008 financial crisis.

Fast forward to December 2015, a third volume on this important topic, *Sustainable Investing: Revolutions in Theory and Practice* (Routledge 2017) offered a look forward at what the next 5–10 years of investing should look like. This book describes the full gamut of investment strategies being used by investors across value first vs. values first investing, making the overarching case for a parallel approach of seeking better sustainability and financial outcomes. It suggests that the system cannot support one without the



other; hence, investment strategies which outperform are optimal for solving for climate and impact considerations.

### Brown University Shows the Way

Much of the thinking in *Sustainable Investing: Revolutions in Theory and Practice* has been informed by insights gained through work with Brown University's investment office and a course taught at Brown University inspired by then senior student Sophie Purdom, whose work led the charge on this topic. As an intern in the Investment Office, she helped develop the 2016 Theory and Practice of Sustainable Investing class taught together with the author of this article. She helped launch the Brown University Sustainable Investment Fund within the Brown Endowment as a new option for donors. Purdom's work demonstrates the power that one person can achieve and demonstrates the important leadership that is forthcoming and developing among young women in this field. Gender and investing have emerged as a recent theme in sustainable investing and should be considered part of ESG Integration, as another distinct investment strategy, linked to better financial performance. *Sustainable Investing: Revolutions in Theory and Practice* describes "the 7 Tribes of Sustainable Investing" that includes the three themes above together with thematic investment, impact investment, shareholder engagement, and minimum standards. The volume goes into depth on the opportunities and challenges within each of these strands of activity.

### Climate Change and Asset Owners

One important aspect of sustainable investing is our understanding of tradeable assets more generally, which are worth US\$450 trillion, an amount detailed in the paper "*The Value of Everything*" written for the UNEP Inquiry into the Design of a Sustainable Financial System (Krosinsky 2015). Half of this amount is institutionally managed or controlled and is more than is typically cited.

Altering these assets toward the necessary low carbon transition remains mission critical for solving the climate-related problems before us. It has been suggested that new commitments toward this transition from large asset owners such as New York State Common Retirement or PGGM in the Netherlands and similar, as well as commitments from large institutions such as Goldman Sachs and Bank of America Merrill Lynch, are required (*Sustainable Trillion*). Bank of America Merrill Lynch and BlackRock each cite over US\$10B in new allocations to sustainable and impact investing in 2016 over a 1-year period, each exceeding their previous expectations.

But the current US\$1–2 trillion of ESG investment needs to become at least US\$50 trillion. *Sustainable Investing: Revolutions in Theory and Practice* (Routledge 2017) provides a Climate Change Asset Owner Framework that details how such a shift can occur. This framework was released during COP 21 in the late 2015 by the Principles for Responsible Investment (PRI), as the outcome the PRI Working Group involving some of the larger PRI signatories including AXA, Allianz, and Aegon among others. This framework calls for more commitments to sustainable investing in solutions across asset class, engagement in three ways – with companies, policymakers, and outsourced fund managers – and selling after engagement fails or the business case disappears. Norges Bank is perhaps the best example of a large institution which performs at least the last two of these steps, having a deeply embedded process for engagement and selling when not seeing a result, well documented at their website. While Norges Bank could do more on the solutions front in some asset classes, their growing efforts at sustainable real estate are well documented (Wright 2017). With ambitions to grow from a 0% allocation to 5–10%, this new endeavor shows how it is in many ways easier to invest in a sustainable manner from scratch rather than altering existing allocations.

Such strategies can be described as a "top-down, bottom-up" race. A number of new initiatives that are fostered by the likes of BlueSky Investment Management, Terra Alpha, and Mirova, the sustainable investing arm of France-



based Natixis Investment Management who has been catalyzing leading work under the leadership of Philippe Zaouati, now have a beachhead in the USA. European investors have been encouraged to come over to the USA with their more mature strategies for sustainable investing, and it is gratifying to see this occurring. It is hoped that this move will catalyze more US-based investors to build new strategies from scratch which is now starting to happen.

Data, while challenged for comprehensiveness and quality (Esty and Cort 2017), has become a key focus with MSCI and Sustainalytics both reporting record levels of interest. The acquisition of Trucost by S&P also heralds increasing success in the data field. The Task Force for Climate-Related Financial Disclosures (TCFD) was chaired by Mike Bloomberg. BlackRock and others have rallied around this initiative to encourage companies to increase their climate-related reporting. BlackRock also now has over 30 staff globally engaging with companies directly and has made clear in 2017 that they will push back hard on this issue with management.

We also need to be realistic about what needs to be done in the energy sector. Carbon emissions, roughly 50 Gt per year in carbon dioxide equivalents, come about as the output of consumption across the five categories of the global economy. The largest of these categories are electricity generation, transportation, and buildings, and given the interconnections between these areas, decarbonizing these together represents the largest opportunity to find reductions. *Sustainable Investing: Revolutions in Theory and Practice* (Routledge 2017) goes over this in depth as well as what is possible within what has been called industrial ecology or more frequently now known as the circular economy, as well as within agriculture and deforestation.

Investing requires ecosystems of expertise, and to make investing sustainable requires further ecosystems to develop. This is a nascent area of work of the aforementioned UNEP Inquiry and an important area of work now being scaled in cities such as Milan and Tokyo with more to follow soon (Robins 2017). China is also accelerating its efforts and is now the world's leading investor

in renewable energy. Similar efforts in India are also increasing (Ibid).

Fiduciary duty is another important consideration as well in the realm of climate risk. Fiduciary duty historically looks at the Duties of Prudence (doing what is best for ones beneficiaries) and Loyalty (avoiding conflicts of interest). It is anticipated that soon the reverse of previous assumptions will hold true, namely, that it will be against fiduciary duty not to consider climate risks in investment portfolios (Viederman 2011).

Risk management itself is also evolving. In the past financial markets and science look separately at risk categories. But how can these fields coalesce into one common framework (Krosinsky Purdom 2017)? Value is increasingly driven by better risk management, as well as increasing revenue from sustainability-advantaged products and services and greater savings from efforts such as energy efficiency and managing human capital. These are often benefiting companies strategically and materially, in the billions of dollars, representing meaningful percentages of growth, productivity, and risk, and companies in these areas have financially outperformed (Lubin 2017).

New business models are also emerging such as B Corporations, Benefit Corps, and Conscious Investors to name just three, and better managing of climate risk, especially as it helps enable the necessary low carbon transition in conjunction with achieving positive impact, forms a nexus of future opportunity that needs encouraging and scaling.

New business models can be old as well, with the rise of the so-called sharing economy and concepts of shared value actually having their roots in shared ownership. Well before Islamic finance called for fixed income to be prohibited, the roots of finance considered that if you wanted to lend money to a project, you should take on partial ownership as well. This is a formula for success, if insiders, founding investors, and employees all own a stake in a company or invested project, whereby all have a stake in the eventual outcomes and the future.

Looking forward to the future of innovation and investing, we need all to participate including

investment consultants who had long been on the sidelines of sustainable investing and are now involved at least in some ways in responding to the increasing requests of investors who want to make better connections between their dollars and outcomes. Also working hard on the future of investment is the Principles for Responsible Investment (PRI) that now represents over US\$60 trillion of assets.

Solving for climate change, and impact more generally, will take the simultaneous efforts of hundreds of strategies being deployed for success. Think of China, which will need more renewable energy, less pollution, cleaner water, water for producing energy, better means of producing food, enforcement of regulation, better electricity distribution, more innovation and the development of a responsible investment culture of its own, and much more. This then is also needed in India. The three largest global economies are China, the USA, and the European Union, and the economic race is now also a race to global competitiveness through being able to adapt and solve for climate change and its interconnected effects. Solving for climate makes economies more competitive, less risky, and is arguably now table stakes for the future of economic success.

### Corporates and Investors Moving Forward Together

Companies themselves increasingly see this, and there is a perfect parallel between well-run companies, sustainability management, and financial success, exactly what you would want to see. This can perhaps be best seen by the likes of the Parnassus Endeavor Fund, which has grown to manage US\$3.7 billion through becoming the #1 Large Cap Growth Fund in the USA, regardless of sustainability in 2016. This fund is also the outperforming sustainable investment fund over the last 1, 3, 5, and 10 years and merely invests in the best companies to work for. The fund was not invested in fossil fuel producers originally

as an outcome of its investment process and has since labeled itself “fossil fuel free,” making it an interesting case of what we call Smart Divestment. Divestment or negative screening as a primary strategy most often has led to financial underperformance; instead divestment can be the result of a thoughtful investment process which can result in better financial performance as is the case with endeavor.

It is important that investments that recognize both risk and opportunity in our shift to a low-carbon economy can financially outperform with a sustainability approach. In fact, this may become the future of active management more generally. In an age where active fund managers often underperform their benchmarks in the USA, in the UK, in Canada, and beyond, sustainable investing not only can be but must be the future of investing.

### Cross-References

- [Emerging Trends in Socially Responsible Investment](#)
- [New Models of Finance](#)

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## Islam and Business Ethics

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### Synonyms

Faith and finance

### Introduction

Islamic law (Sharia) is believed to provide a system of life, where its rules and instructions create a comprehensive code of governance in order for believers to succeed in this life and the Hereafter. On the one hand, it has a spiritual aspect “*ibadat*,” which focuses on the relation with the creator and the elevation of the soul. On the other hand, it also has a practical or material aspect “*muamalat*” that governs individuals’ interaction including their financial and commercial affairs. These two dimensions are intertwined and complement each other. Worshiping as an act of obedience to God is not limited to the religious rituals as individuals are reminded to worship God and observe Him in all their materialistic interactions “*muamalat*” by following His governing rules in relation to these affairs. This is considered one of the effective ways to create a stronger bond with (Allah) God (Aldohni 2015).

This governance code, Sharia, consists of textual sources the Quran and the Sunnah. The former is believed to be the words of (Allah) God revealed to His last messenger the Prophet Mohammed, while the latter encompasses all the Prophet’s actions, statements, and tacit approval as narrated by his companions and recorded by their followers. Further, it has a set of secondary sources that require the intellectual contribution of Muslim jurists to interpret the application of the textual sources. Therefore, although Islam’s governance code is in its essence monotheistic, human reasoning plays a major role in advancing its divine-based sources and ensuring the

continuous application of its rules and instructions (Aldohni 2020).

### Business and Professional Ethics in the Context of Islam

Business and commerce have particular importance to Islam as a religion; however, this is not to suggest that the religion’s quest is materialistic rather than spiritual. On the contrary, Islam understands the fact that materialism is part of human nature; therefore, it uses this fact in advancing the spiritual being of humans without depriving them of their materialistic needs.

In advancing its ethical commands and teachings Islamic governance, Sharia, uses terms that resonate with the materialistic nature of humans. For instance, in encouraging people to follow the commands of Allah the Quran warns the misguided “. . .who trade guidance with misguidance” that “. . .this trade is profitless” (the Quran 2:16). Also, the Quran describes spending for the sake of Allah, i.e., for charitable causes, as a “trade that will save you [believers] from a painful punishment” (the Quran 61:10) and those “who donate from what We [Allah] have provided for them – secretly and openly [can] hope for a trade that will never fail” (the Quran 35:29). Further, the Quran describes the act of those who spend for the sake of Allah as lending to Allah “a benevolent loan that Allah will multiply many times over” (the Quran 2:245).

While Islam clearly understands the importance of the materialistic needs of humans, it ensures that these needs are catered for through an ethical framework that redefines some key concepts in this context.

### The Reconceptualization of Ownership

Central to the Islamic belief is the concept of “*khilafah*,” which means that human beings are God’s vicegerents and they are entrusted with the earth (the Quran 6:165). Despite the simple premise of this concept, its social, economic, and environmental implications are significant.

The concept of *khilafah* establishes that God (Allah) is the ultimate owner of all resources and

wealth, and humans are God's trustees, which makes them accountable to God regarding the use of the wealth and resources conferred upon them by this trust (the Quran 10:14). In this respect, there is a delicate balance that needs to be struck. On the one hand, as God's vicegerent, each human is encouraged to benefit themselves and advance their economic gains (the Quran 67:15). On the other hand, while advancing their own interests humans are reminded that earth and all its resources are for the benefits of all humans (the Quran 2:29). Further, God's entrusted resources and wealth must not be wasted or destroyed (the Quran 7:56). It is the type of actions that falls within the prohibited act of spreading *fasad* (corruption – viciousness) (Chapra 1995, p. 207), which applies equally in the environmental and socioeconomic contexts.

First, the planetary boundaries should be respected in order to allow all humans – present and future – to enjoy these natural resources. Therefore, individuals and their businesses are responsible for protecting the environment and ensuring that they are limiting any damages carried out by their business activities. Second, “*khilafah*” in Islamic governance has a clear connotation of collective responsibility (the Quran 10:14) that extends beyond the protection of natural resources. Accordingly, the individual's use of his/her wealth and properties is restrained by the mutual responsibility owed by each individual toward their fellow human. This has been envisaged as a brotherhood bond that prevents an individual from purely optimizing his/her self-interest without helping to fulfill the needs of others (Chapra 1995, pp. 206–207; Anjum 1996, p. 61).

Therefore, being a vicegerent of God enhances the sense of societal responsibility while advancing economic gains (Alsader 1987, pp. 534–536). This should ensure that all economic functions of human beings have social solidarity and cooperation as essential features. This sense of societal responsibility is empowered by individuals' spiritual commitment to please God. Islamic governance makes it clear that the most favored human being to God is the most helpful to his/her fellow humans (Prophetic Sunnah, Sahih Muslim and the Quran 49:13). In this regard, businesses and

corporations owe a duty of care to the community they operate within. This community is not limited only to those who work for them but also includes the wider society they interact with in the course of their business.

### The Professional Ethics of Trade and Finance

Before looking at the operational aspect of trade and finance from an Islamic professional ethics perspective, it is important to note that the impact of the concept of “*khilafah*” should be also found in the allocation of resources in the context of trade and finance. There is a “moral filter” (Rice 1999) that governs the way in which individuals decide to invest in trade and finance business ventures. While making these business and finance decisions individuals should be always reminded of their environmental, societal, and economic commitments and duties.

From an operational point of view, sacredness of the contract is at the essence of Islamic ethics in relation to trade and finance. The Quran states God's (Allah) decisive order to the believers to fulfill their contractual commitments (the Quran 5:1). Further, fulfilling contractual commitments has been described among the other good deeds that denote piety (the Quran 2:177). Accordingly, in order for a contract to benefit from this status it should not include any prohibited elements, which could concern the object of the contract or its terms and conditions.

As for the former, there are certain prohibitions that Sharia instates; therefore, they cannot be a valid object of a contract, such as alcohol and gambling. The prohibition of such objects has an ethical dimension where the damages to individuals' well-being outweigh any benefits that individuals might gain (the Quran 2:219 & 5:90).

With regard to the prohibited terms, Islamic governance prohibits the inclusion of certain terms in the contract that accommodate for forbidden elements, key in this respect are *riba* and *gharar*.

First, *riba* encompasses the concept of conventional interest as it includes any increase to the capital lent as a compensation for time deferment. In addition to the ethical concern of the potential for exploitation by the more financially able, the

prohibition of interest primarily stems from the Islamic view of money. Islamic governance does not consider money as a commodity that can be traded with to generate income in the form of interest. Rather it is a means of exchange with no productive capacity and it should be used to obtain property rights while combining capital and labor (Aldohni 2020, pp. 491, 496). Therefore, any legitimate profits should be the result of sharing not only the profits but also the risks of losses associated with any transaction, which makes the mechanism of trade central to this equation (the Quran 2:275). The majority of Islamic finance products are designed to ensure that those who are providing the finance are taking a stake in the business venture they are financing, which means the return of their capital, and any legitimate income, is not guaranteed.

Second, the concept of *gharar* encompasses speculation, uncertainty, and high risk and its prohibition originated from the prohibition of gambling. A contract that involves the element of *gharar* is a contract where one of the parties' interest will be jeopardized and accordingly their property will be consumed unjustly by the other party, which is prohibited (the Quran 4:29). For example, option contracts – call and put options – are prohibited because the contract is dependent on an uncertain event that may or may not happen. *Gharar* also extends to include uncertainty of the object in a contract.

Finally, complying with the professional business ethics of Islam is essential to ensure earning legitimate profits. However, the ethical duties of individuals do not end once the benefits have been reaped. In addition to constantly reminding individuals of voluntary charitable giving and its benefits in this life and the Hereafter (some examples from the Quran can be seen in verses 2:177, 2:215, 2:254, 2:261, 2:262, 3:92, 59:7 and 63:10),

Islamic governance establishes a compulsory wealth redistribution scheme, known as *Zakat*. It is one of the five pillars of the faith; *Zakat*, on the one hand, channels financial help to the most in need in society. On the other hand, it improves the circulation of capital and reduces hoarding, as it is levied on those with idle wealth that surpasses certain benchmarks (Cragg 1956, pp. 151–154).

## Cross-References

- [Christianity and Business Ethics](#)
- [Jewish Business Ethics](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Spirituality at the Workplace](#)

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- The Prophetic Sunnah, the Book of Sahih Muslim
- The Quran

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## Jewish Business Ethics

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### Synonyms

Halacha; Religious ethics; Spirituality

### Introduction

At its most basic level, Jewish business ethics is an approach to business that turns to the Jewish religious tradition for guidance, leading to definitions like “the interpretation of the written and oral Torah to determine what God commands us to be and to do” (Pava 1998). Other definitions look to incorporate some specifics like “business is seen as a path to sanctity. . . wealth is seen as originating from God, the vulnerable are protected against fraud and theft, charity is seen as an obligation, and mercy towards debtors is tempered by justice” (Tamari 1997). And while these are certainly useful definitions, it is nonetheless important to note that Jewish business ethics is an approach to business that differs from other spiritual traditions in that business activity is viewed as a moral calling in and of itself. A Jewish approach to business ethics is concerned with engaging in business in a way that changes the individual, changes the environment in which that individual works, and

changes all those who come in contact with that individual through their daily business activities. So long as undertaken as a transparent act of good faith, the practice of business can serve both a moral and spiritual purpose.

### Acting in Good Faith

In the Jewish tradition, acting ethically in business has the power to transform both the individual that engages in the practice and the world around them. As such, many of the classic Jewish discussions of good faith business veer considerably far away from the topics that dominate what we generally regard as the sphere of the moral, like altruism and self-sacrifice. Jewish business ethics push for the development of qualities and character traits that do not, at first glance, have overtly moral significance.

Perhaps the clearest example of this is in the speculative Talmudic discussion of the questions asked by the Heavenly Court after death. According to Talmudic mythology, the first of those questions is “Did you do business in good faith?” (Shabbat, 31a). The implication of this revelation is that the Talmudic sages do not criticize business activities in general, or simply delineate a set of rules and prohibitions for all to follow. For the Jewish practitioner, good faith business activities are an essential component in preparing the narrative of their lives. Through this framing, the goal of Jewish business ethics is to help



practitioners create a story of transformation through the seemingly simple acts of good faith business activities.

In this spirit, the Talmudic sages talk glowingly about their biblical forefather Jacob finding favor in the eyes of the local indigenous population through the possibility of three distinct activities: establishing a stable currency for the people, setting up local markets, or building a working public bathhouse. In other words, they viewed establishing currency valuation, markets, and infrastructure as the highest of moral acts. This theme is repeated throughout the Talmud, with the sages going so far as to state that the guide to sainthood is to be found in the study of the tractates on damages – not the lofty esoteric discussions of deep mysticism but the practical exploration of good faith business interactions and transparent compensation.

## Radical Transparency

Jewish business ethics finds great moral worth in transparency and clarity about the nature of the business transaction and the consequences should the transaction go wrong. Considerable space in the Talmud is devoted to discussions outlining the most improbable of scenarios because the more clarity there is in the economic arena, the better markets can function.

To illustrate the great length Talmudic authorities would go to be fully transparent in their business transactions, consider the story of Rav Safra. While deep in prayer, a potential buyer made him an offer. Rav Safra did not immediately respond as his attention in that moment was fully devoted to his religious practice. Mistaking the silence as a rebuffing of the offer, the potential buyer subsequently made a second, higher bid. When Rav Safra concluded his prayers he sold the goods for the first price offered, admitting that had he not been in prayer he would have assented and not sought to bargain (Makkot, 24A).

This commitment to radical transparency in business continued to dominate Jewish thinking on business ethics as the laws were codified by Joseph Karo over a thousand years after the Talmud was compiled. In the Shulchan Arukh, a

work which remains the final word on religious norms in some circles even today, Karo lists among the practices that violate the prohibition of theft those that are considered “theft of knowledge.” These prohibited practices include much of what many today consider to be smart marketing. They include feeding a cow just before a sale to make her look fat, painting old baskets to make them look new, or soaking meat in water to make it look juicy. While contemporary marketing privilege the science of persuasion, Jewish business ethics privileges transparency.

This commitment to transparency extended beyond marketing and into finance. Hillel the Elder instituted the *prozbul* during the Second Temple era, a writ which changed the status of private loans so that they would not be annulled by the Sabbatical year. The intention was to ensure that those with capital would not be discouraged from lending, and that business transactions did not become inadvertent charitable giving due to ambiguity around timing. The *prozbul* exemplifies the need for radical transparency in the realm of lending. The weak need to be protected from exploitation, but the powerful sometimes need protection as well. The Talmudic sages were very careful to ensure that creditors had the same protection as debtors.

## Freeing the Sparks

While there may be rational and pragmatic reason to act in good faith and radical transparency, there is also a mystical branch of Jewish business ethics inspired by Lurianic Kabbalah. At the heart of the Lurianic cosmological myth is the notion that the physical world was born of a primal Divine consciousness thought which was too intense to contain itself and therefore chaotically exploded. In Kabbalistic mythology, these shattered fragments are described as sparks trapped within a shell. The sparks are the Divine meaning of thing, while the shells are the noise and dissonance that shrouds those sparks in our world as a consequence of the violent shattering. A known Kabbalistic metaphor describes our world as taking a book, casting the words and letters into the air, awaiting us to rediscover that meaning (Freeman 2018).

The spiritual work of business practitioners is to see past the shell, discover the spark within, and reconnect the spark to its place in that grand original vision. The Lurianic narrative of releasing the sparks are used to reimagine managerial constructs like the creation of value. By making connections between seemingly disparate parts of our world, business practitioners are capable of creating new value. As individuals connect these fragments in ways that work for themselves and all stakeholders, they are reassembling the world. While this is a moral and spiritual task, those directly involved in its creation are nonetheless entitled to the material benefits of the practice as they redeem the lost sparks.

## Cross-References

- ▶ [Meaningful Work](#)
- ▶ [Religion, Spirituality, and Business Ethics](#)
- ▶ [Spirituality at the Workplace](#)

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## John Rawls' Theory of Intergenerational Justice

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## Introduction

In *A Theory of Justice*, John Rawls provides a discussion of “The Problem of Justice Between

Generations” and argues that a proper application of the difference principle would justify a duty of justice from one generation to future ones (Rawls 1999b: 251–258). He is famous for explicating a thought experiment for the fair selection of principles of justice wherein parties in the original position are to situate themselves behind a veil of ignorance wherein they are ignorant of various particulars about themselves such as their own or another’s sexuality, ethnicity, socioeconomic class, etc. in order to select principles of justice in an unbiased manner, principles which would not favor anyone based on such factors and which any reasonable person would follow because they are just and fair. In particular, the difference principle states that “Social and economic inequalities are to arranged so that they are both (a) to the greatest expected benefit of the least advantaged and (b) attached to offices and positions open to all under conditions of fair equality of opportunity” (Rawls 1999b: 72). Proper application of this principle includes the long-range projections of a reasonably just society, or one seeking to become reasonably just. More specifically, he writes: “The appropriate expectation in applying the difference principle is that of the long-term prospects of the least favored over future generations” (Rawls (1999b: 252).

One aspect of the problem of the duty to future generations, Rawls argues, is the devising of a “just savings principle” which would, among other things, explicate the duty of present generations to future generations in terms of “real capital accumulation” (Rawls 1999b: 252). But “How the burden of capital accumulation and of raising the standard of civilization and culture is to be shared between generations seems to admit of no definite answer” (Rawls 1999b: 253). Rawls rejects a utilitarian view which may direct great sacrifices of poorer generations for the sake of future better off ones.

According to a just savings principle, “each generation makes a contribution to those coming later and received from its predecessors” (Rawls 1999b: 254). On the assumption that parties behind the veil of ignorance in the original position care at least about their most immediate descendants and that the just savings principle

adopted therein is such that they wish all earlier generations to have followed it, "the parties are to ask themselves how much they would be willing to save at each stage of advance on the assumption that all other generations have saved, or will save, in accordance with the same criterion" (Rawls 1999b: 255). The just savings principle is primarily a matter of justice, whatever other reasons might support it. In general, Rawls writes: "When people are poor and saving is difficult, a lower rate of saving should be required: whereas in a wealthier society greater savings may reasonably be expected since the real burden of saving is less" (Rawls 1999b: 255).

In thinking thusly, Rawls believes that properly situated parties behind the veil of ignorance in the original position represent present and future generations and that said principle of just savings would be chosen by them and would benefit all generations. "The just savings principle," he writes, "can be regarded as an understanding between generations to carry their fair share of the burden of realizing and preserving a just society" (Rawls 1999b: 257). The "capital" accumulated by the implementation of said principle is described as follows: "The process of accumulation, once it is begun and carried through is to the good of all subsequent generations. Each passes on to the next a fair equivalent in real capital as defined by a just savings principle. (...capital is not only factories and machines, ... but also the knowledge and culture, as well as the techniques and skills, that make possible just institutions and the fair value of liberty)" (Rawls 1999b: 256). In this way, the savings principle represents a commitment of the present generation to uphold its duty to further just institutions (Rawls 1999b: 257). Implied here is the duty to uphold the difference principle such that the present generation would never act in such a manner so as to neglect considerations of future generations and their wellbeing. For Rawls, then, "The life of a people is conceived as a scheme of cooperation spread out in historical time" (Rawls 1999b: 257).

However vital a just savings principle is for Rawlsian justice as fairness, and as true as it is that on Rawls' view "a complete statement of the

difference principle includes the savings principle as a constraint," Rawls is careful to note that the savings principle limits the scope between the Equal Liberties Principle and the difference principle (Rawls 1999b: 257). Because "persons in different generations have duties and obligations to one another just as contemporaries do," the difference principle might be reasonably construed to require that a reasonably just society, whatever it does, must never act unless it creates a net benefit for future generations understood along the following lines: "Saving is achieved by accepting as a political judgment those policies designed to improve the standard of life of later generations of the least advantaged, thereby abstaining from the immediate gains which are available. By supporting these arrangements the required savings can be made, and no representative man in any generation of the most advantaged can complain of another for not doing his part" (Rawls 1999b: 258).

Assuming the plausibility of Rawls' notes on the moral duty to future generations, the following points seem appropriate. In *The Law of Peoples*, Rawls argues in favor of a standard just war theory position that is only justified (*jus ad bellum*) in self-defense, and that *jus in bello* considerations also standardly apply during warfare. He argues that no state has a right to war in mere pursuit of its own rational interest which are not also reasonable, and that there is only a right to war in self-defense in order to protect and preserve its own basic freedoms and constitutional democratic institutions against attack from outlaw states. More specifically, war is never justified to gain economic wealth or natural resources, power, or empire. For such are reasons for outlaw states to go to war. Liberal and decent peoples have a right to go to war in self-defense only because they honor human rights and are nonaggressive. Furthermore, the aim of a just war waged by a well-ordered state is a lasting peace among peoples, including the society against which it goes to war. This is why well-ordered peoples must respect human rights with regard to enemy civilians and soldiers as they too have rights under the Law of Peoples (Rawls 1999a: 89 f.).

Given that estimates of the overall economic costs of the 2003 military invasion and occupation of Iraq and Afghanistan range into the many trillions of US dollars, and in light of the moral facts that said invasion and occupation has been shown to be unjustified on standard just war theoretical grounds (Corlett 2014: Chap. 12), it serves as an example of how the USA failed in its duty of intergenerational justice by wasting such resources which could and should have been used for educational, medical, healthcare, infrastructural, and several other far more important matters. These morally unjust military invasions and occupations have contributed to the ever-increasing national debt of the USA recently estimated to have topped 23 trillion US dollars. Moreover, it would equally obvious that the USA is failing in its duty to future generations insofar as it continues to overpopulate with reckless abandon, contributing massive amounts of environmental pollution in the process (Ehrlich and Ehrlich 1990). These are at least a few examples of contemporary failures to satisfy the duty to future generations in terms of the rights violations of innocent Iraqis and Afghanis attacked, killed or otherwise harmed by said invasions and in terms of economic costs associated with such harms and the understandable ill-will toward the USA and its allies caused by such irresponsible actions by the USA.

While it might be argued that the USA engaged in said invasions precisely in order to protect itself from threats to itself in its well-known preemptive invasion of said states, Rawls himself cautions against such morally irresponsible behavior on the part of outlaw states when he writes: "People must recognize that they cannot make up for the failing to regulate their numbers or to care for their land by conquest in war, or by migrating into another peoples' territory without their consent" (Rawls 1999a: 8).

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## John Stuart Mill's Concept of the Harm Principle

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## Synonyms

Autonomy; Self and duties to others

## Introduction

John Stuart Mill is considered to be one of the most important political philosophers of the nineteenth century who continues to have a significant impact on many contemporary social and political issues. Mill wrote on a broad range of topics but is generally best known for three political, philosophical tracks, namely *Utilitarianism*, *On Liberty*, and *On the Subjection of Women*. Some theorists may contest the importance of the latter text on women but since at least the second wave of the feminist movement it has been considered by many as an important utilitarian and liberal exegetical defense for the equal treatment of women with men. Many scholars note the range of erudition that Mill exhibited in his writings and reference his demanding and rigorous education conducted by his father from his infancy as a foundation for his prolific and profound contribution to moral and political philosophy, albeit a somewhat alienating one devoid of topics related to the emotions and breadth of Romantic contributions to understanding (as Mill noted in his Autobiography).

## Mill's Conception of the Harm Principle

In this article, the focus is on Mill's conception of the harm principle. Mill is claimed by some as a philosophical libertarian and some as a more middle of the road liberal and one test of these divergent interpretations rests on Mill's concept of the harm principle. In essence, it is claimed that the difficulty of definitively operationalizing this concept is one reason for the differences in claims for different ideological understandings of his theory.

In the beginning of his work, *On Liberty*, Mill states (2002, 11),

The object of this essay is to assert one very simple principle, as entitled to govern absolutely the dealings of society with the individual in the way of compulsion and control, whether the means used be physical force in the form of legal penalties, or the moral coercion of public opinion. That principle is, that the sole end for which mankind are warranted, individually or collectively, in interfering with the liberty of action of any of their number, is self-protection. That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. He cannot rightfully be compelled to do or forbear because it will be better for him to do so, because it will make him happier, because, in the opinion of others, to do so would be wise or even right. There are good reasons for remonstrating with him, or reasoning with him, or persuading him, or entreating him, but not for compelling him or visiting him with any evil in case he do otherwise. To justify that, the conduct from which it is desired to deter him must be calculated to produce evil to someone else. The only part of the conduct of anyone for which he is amenable to society is that which concerns others. In the part which merely concerns himself, his independence, is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign.

While Mill describes the harm principle as "one very simple principle" in this paragraph alone several dense attributions are outlined. First, he states that the only purpose "for which power can be rightly exercised over any member of a civilized community against his will is to prevent harm to others." Mill continues to indicate that this excludes paternalistic interference for an individual's betterment based on others' opinions of what is best for that individual. Only if the

behavior of an individual can be "calculated to produce evil to someone else" is intervention warranted. And, specifically one's domain over oneself is "absolute" and "the individual is sovereign."

Further, Mill goes on to note that this principle goes hand in hand with the principle of utility. He states, "I regard utility as the ultimate appeal of all ethical questions; but it must be utility in the largest sense, grounded in the permanent interests of man as a progressive being." (13) In *Utilitarianism* (Mill 2002, 239), he defines the principle of utility as follows,

Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the opposite of happiness."

While it is beyond the scope of this article to extensively examine the meanings of the utility principle, it is sufficient to note that Mill denies the claims that utilitarianism is hedonistic in nature and affirms that there are higher-order utilities that are for the betterment and happiness of the whole of society. Consistent with this, Mill also elaborates in *On Liberty*, that there are many examples of duties where either the harm to others or the benefit of actions to others can proscribe societal requirements not to act in harmful ways to others or to act in beneficial ways.

The hallmark of the harm principle is the autonomy of the individual where the matters rest in the domain of that individual, such as, freedom of thought and opinion. As an example of this distinction between the autonomy of the individual rather than the domain of any restriction of behavior, Mill argues that holding a belief that is unpopular is clearly a right of the individual but using that belief to incite others to violence is not.

## Criticisms

One of the main criticisms of the harm principle concerns the difficulty in distinguishing the acts that are solely in the domain of the individual self and those that extend to others and may harm

them. Mill distinguished between opinions and acts that might be offensive and those which are reasonably considered harmful to others. A person seemingly has the right to indulge in self-harm through excessive alcohol consumption or drug consumption, for example, but not the right to harm others as a consequence of this behavior. Where offense may be the result, for example, with public displays of drunkenness, disapprobation or social condemnation may be appropriate but not punishment from the state. It is only when harm comes to others, as it does with driving while drunk, that a case can legitimately be made for restrictions on the freedom to drive. The example here is frequently thought to be less than clear as very few examples of self-harm do not have a harmful impact on others (for example, family members or friends of the drunkard or drug addicted). To use another example, in the frequently discussed rights and limitations of those wishing to look at pornography, it is argued that harmful and degrading pictures of certain populations for the enjoyment of others cannot merely be seen as offensive. This debate often hangs on empirical discussions of whether there are causal links between watching pornography and harming members of the population depicted in that pornography.

Another criticism more broadly concerns how the harm principle connects to the utility principle. Mill takes some time in *Utilitarianism* articulating how education leads to an understanding of higher-order sources of happiness and utility which prima facie do not seem evident to some of Mill's critics. How one quantifies happiness with the calculation of the domains of the self and its autonomy and the overall happiness of the greatest number of the members of a society is, it is argued, opaque. The argument comes down to a claim that in many instances liberty and utilitarianism can be at odds.

## Conclusion

Mill made significant and still critically important distinctions between the self and others that continue to inform and demand the prevention of

undue control over the individual's rights to self-determination, freedom of conscience, and freedom of belief that are still the mainstay of democratic societies. That the complexity of determining boundaries between the self and others is just that – complex – does not diminish the importance of the articulation of the harm principle and its relationship to liberty.

## Cross-References

- Liberalism
- Libertarianism
- Utilitarianism

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## Journal of Business Ethics

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## Synonyms

Business ethics journal; Journal on social responsibility of business; Scholarly journal on business ethics



## Definition/Introduction

This is a brief account of the birth and life of the most frequently cited journal in the world devoted to business ethics.

## Description

The first issue of the *Journal of Business Ethics* (jobe) appeared in February, 1982, 77 pages stapled in the center. It was originally intended to be a quarterly, scholarly journal whose basic aim was described in the editor in chief's introductory editorial as providing "a public forum for discussion and debate of ethical issues related to business" (Michalos 1982). For purposes of the journal, "business" was defined "in a broad sense to include all systems involved in the exchange of goods and services," and "ethics" was "interpreted broadly to include all human action aimed at securing a good life." It was assumed that a good life would be a life generally assessed as good from a moral point of view or simply as morally good. After some time, some people apparently had problems with this terminology, and the field of research identified in jobe came to be called the "social responsibility of business" or even only the "responsibility of business."

The idea for the journal occurred to Michalos sometime in 1981 at about 3 a.m., lying awake in a hotel bed following a conference on something or other related to business ethics. He had been working in the field of social indicators research or what is now more often called "quality of life research" for some years and had founded and edited the journal *Social Indicators Research* in 1973. In that field there was considerable interest in corporate social auditing and quality of work life, enough interest that he suddenly suspected would sustain a new journal. As soon as he got home, he wrote a proposal and sent it to a colleague at Riedel, the publisher of *Social Indicators Research*. The publisher went for it; Michalos assembled an editorial board, called for papers, and ventured forth.

Sometime in 1981, Michalos invited Deborah C. Poff, to join him as managing editor of the journal. She later assumed the role of editor of

the new journal, while Michalos retained the role of editor in chief.

The rough model for jobe was *Science*, the official journal of the American Association for the Advancement of Science, i.e., a scholarly magazine with articles, book reviews, photographs, letters to the editor, and general news about research in the field. In more ways than one, jobe is very different from *Science*. We never managed to include photographs, stopped publishing book reviews after several years of struggling to find reviewers, occasionally publish letters, often publish announcements of conferences, and other events related to business ethics and mainly publish articles. Discussion notes on published articles were always welcome but seldom appeared. The lively exchanges of views we hoped to see just never happened.

Although the journal began as a quarterly, its growth was phenomenal. In 1985, it rose to 6 issues, then 8 in 1987, 11 in 1988, 12 in 1989, 16 in 1997, and then jumped to 5 volumes per year (4 issues per volume) in 1999, 6 volumes in 2000, and 7 volumes in 2003, which it has continued to publish to the present, 2017. As we write this article, jobe has published 142 volumes, 687 issues, and 7773 articles.

Celebrating the first 30 years of publication of jobe, Michalos and Poff (2013) published *Citation Classics from the Journal of Business Ethics*. In the 1982–2011 period, jobe produced 4747 articles. The mean number of citations per published article was 7.1, and we defined "citation classics" as any article with a citation rate at least four standard deviations above the mean. Fifty-five articles were in this set, 33 reprinted in the volume.

Over 100 fairly well-known scholars in the field wrote short notes in the volume answering the question "What, if any, has been the impact of the *Journal of Business Ethics* on the field of business ethics?" Sirgy (2013) specializes in marketing ethics, and he assessed the impact of the journal on the basis of citations to it in eight "major books" published on marketing ethics over the past three decades. He concluded that "in its 30-years history *JBE* has made a significant impact on the dissemination of knowledge in marketing ethics through pedagogical books used in the classroom to teach marketing students."

Comparing average citation rates for articles in *Jobe* and the *Business Ethics Quarterly* (beq) in the 2001–2011 period, we found that the mean for *Jobe* articles was 4.6 and for beq 4.4. “The maximum number of citations for a *Jobe* article was 124, compared to 90 for BEQ” (Michalos and Poff 2013). The total number of articles published in the period for *Jobe* was 2753 and for beq 430.

Michalos and Poff retired from editing the journal in 2015, 33 years after initiating it. The new editors are Ed Freeman and Michelle Greenwood.

## Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Asian Journal of Business Ethics](#)
- [Business and Society](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [Teaching Business Ethics](#)

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## Journalism and Self-Censorship

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## Synonyms

Censorship; Codes of ethics; Freedom of expression; Freedom of the press; Journalistic ethics; Self-censorship; Self-constraint; Social media

## Introduction

In this era of a 24/7 news cycle, journalists are caught in a tug-of-war between their ethical and professional responsibilities and the realities and pressures of the media world. Journalists, at least those affiliated with traditional US mainstream news outlets, are expected to be fair, balanced, ethical, and accurate. However, they also face growing pressure – with ethical implications – to produce more and more stories, photos, blog posts, podcasts, and videos for a combination of print, online, and broadcast media platforms. At the same time, many are expected to build a following on Twitter or Instagram – essentially to make themselves a brand – that drives traffic to their news outlets’ websites and generates clicks.

One *New York Times* columnist observed, “Twitter has occupied an uncomfortable place between journalists and their bosses for more than a decade. It offers journalists both a newswire and a direct line back into the news cycle. But it has also set off a tug of war between the voice of the brand and of the individual” (Smith 2021). At stake: public trust in the fairness and integrity of news outlets, including the potential of getting rapid positive feedback and, unfortunately, negative personal attacks from the audience. The Tow Center for Digital Journalism at Columbia University describes the tension this way:

Journalists increasingly rely on social media platforms such as Facebook and Twitter to pursue audience engagement, which many believe necessary for improving journalism’s popularity and credibility among the public. However, journalists have learned that engaging with their audiences via social media platforms carries personal and professional risks—namely accusations of political bias that can lead to termination from their jobs, trolling, doxing, and threats of physical violence. This is especially true for women journalists and journalists of color (Nelson 2021).

## Ethics Codes for Professional Journalists

News organizations, professional associations, and media-related labor unions around the world have ethics codes for their journalists, a

movement that began in the 1920s as an effort to avert possible government legislation and regulation. “When ethics codes are completely developed by journalists, they are considered as self-regulatory instruments . . . that provide an opportunity for journalists to negotiate through the particular media system/regime within which they operate to stay effective” (Serwornoo 2019). Other codes are developed and imposed by government agencies or by professional associations and unions that are proxies of the state. What is deemed “ethical” or “unethical” varies among countries because ethics codes reflect differences in cultures, histories, media economics, political environments, moral and religious values, the organization or entity that wrote the code, advertiser or funder expectations, and the degree of journalistic independence. In other words, there are no universally accepted moral norms in the profession. Were there such unanimity, as Jones (2021) observes, “The difficult work of journalism could be reduced to a formula: identify one’s duties and carry them out.” He continues, “When professional organizations and media outlets have drawn up ethical codes, however, the vagaries of lived experience prove more complicated. . . . No magic formula can guarantee morally correct choices are made.”

Most codes are voluntary to some degree, although violators may face sanctions such as firing or discipline by their employers or canceled membership in a professional association. That has happened over the years to journalists at such prominent US media outlets as National Public Radio, CBS, CNN, NBC, the *San Francisco Chronicle*, Fox News, and the *New York Times*. Some “lost their jobs following an expression of their opinion, some whose opinion politically charged, some whose opinion was considered politically incorrect or insensitive, and some whose opinion was considered harmful to the prosperity of the organization” (Pewitt-Jones 2012). Many of the punished journalists “showed a lack of self-censorship” and, not surprisingly, social media use figured in one of the examples Pewitt-Jones gave: the CNN senior editor of Middle Eastern affairs fired for a Twitter message expressing respect for a Shiite cleric who had spoken in favor of suicide bombings against Israel.

Some traditional ethics codes, such as that of the Society of Professional Journalists, focus on general principles such as seeking and reporting the truth, minimizing harm, acting independently, and being transparent and accountable. Others, like that of the *New York Times*, include specific social media guidelines, saying that “social media presents potential risks for *The Times*. If our journalists are perceived as biased or if they engage in editorializing on social media, that can undercut the credibility of the entire newsroom.” An example of a detailed social media code comes from a major publisher of business magazines. It emphasizes how the proliferation and dominance of social media platforms could threaten whether the public sees a news organization as credible. Its Editorial Employee Social Media Policy says:

Social media plays a significant role in journalism and how we connect with our audiences. Social platforms give journalists the opportunity to promote our stories, connect with sources and audience members, and engage with readers in real time. There are also risks associated with social media. If our journalists are perceived as biased because of opinions expressed on social media, that can undermine our credibility and integrity. . . .

That publisher’s code calls for “unbiased journalism” and “balance in sources and views presented” and cautions that the policy covers all of an employee’s social media activity, including posts and likes from their private accounts. It urges employees not to join partisan social media groups, to respect the audience when responding on social media to reader criticisms or questions, and to consult with their editors on “an appropriate course of action” before replying to “offensive or aggressive” comments. And it emphasizes “our fundamental value that employees should not express personal opinions on controversial issues of the day or do anything that could harm any of [the company’s] family of brands.”

## Defining Self-Censorship

Self-censorship, such as not deliberately reporting on corruption is a serious threat to independent or autonomous journalism. Journalists or their

superiors at their news organizations choose not to say something – perhaps not to report a story on the government, not to opine on a new law, or not to cover suspected wrongdoing by a major advertiser or sponsor. The omitted information, analysis, or opinion could be important for the public because of its factual nature or because it would contribute to a robust public debate on an issue. On one hand, the word “self” stresses individual agency and decision-making; on the other hand, the word “censorship” signifies an external force imposing itself on individuals or collectives. A survey of Russian journalists explained that the term “self-censorship” encompasses both “self-limiting under pressures and personal-level ethical decisions that substitute professional codes on conduct.” The authors found that “political threats” – including political restrictions imposed by the government and the political and commercial interests of media owners – “remain the most significant of all external pressures both online and offline, but personal motives lead the decision-making in posting on social networks.” When it comes to such networks, journalists are themselves responsible for the final result; they are the ultimate decision-makers in terms of content” (Bodrunova et al. 2021).

However, it is also important to recognize that some journalists would not consider self-censorship to be a negative in light of their belief in a greater good that may outweigh independent reporting without fear or favor. Such beliefs may be rooted in and motivated by nationalism and patriotism, policy preferences, or concern over major social and economic issues. For example, Soviet professional journalists generally accepted the role of being government agents for planned social change – propagandists – despite a conflict with the ethical model of journalists as mere recorders and observers who cast aside their political biases and ideologies and strive for accurate, fair, and balanced coverage. That interventionist model was rooted in Marxism-Leninism, and adherence to it was a pathway to becoming part of the privileged elite. A second interventionist model is development journalism, pioneered in Asia in the 1960s and advocating that the press be an agent of national economic development

and social change. Unlike the Soviet model, it is not fully integrated with the government or a political party (Shafer and Freedman 2007).

## Self-Censorship in Practice

There is abundant evidence that journalists around the world engage in self-censorship to protect their safety, liberty, family, and jobs. In most instances, their decisions about what not to report receive little or no attention from audiences and even from fellow journalists. There are exceptions, though, as reflected in the high-profile international controversy among newspapers in Europe, the USA, and elsewhere in 2005 over whether to republish editorial cartoons depicting the prophet Muhammad after violent reactions to their appearance in the Danish newspaper *Jyllands*. For journalists and their news organizations in such situations, one perspective is whether to disseminate offensive or “extreme speech out of a desire to trumpet the value of freedom of the press, despite the possible harms that could come from publication.” Or, to refrain from publishing could “be seen as self-censorship committed out of fear of similar reprisals, which would be considered harmful to the democratic duty to promoting freedom of expression” (Johnson et al. 2021).

The Committee to Protect Journalists (CPJ), an international press rights defender organization, reports on such situations. Among them: Armenian journalists fearful that a 2021 law tripling fines for insult and defamation “will be used as a tool to clamp down on critical outlets and will lead to self-censorship, especially as lawsuits against the press have sharply increased in number in recent years.” In Malaysia, CPJ called the fining of an online news outlet for contempt of court in 2021 a “wrongheaded verdict (that) will inevitably lead to more self-censorship and less press freedom” in the country. Malaysia the same year enacted an emergency powers ordinance that criminalizes criticism of the government’s response to the COVID-19 pandemic as “fake news.” Article 19, another international human rights organization, warned that the ordinance

would have a chilling effect on free expression and would put pressure on journalists and news organizations to choose self-censorship as a way to avoid criminal penalties.

The self-censorship environment is dire in many other places as well. Self-censorship is now the norm in many parts of Mexico, a country beset by drug cartel-related crimes, violence, and corruption that the press does not cover (Chavez 2020). In Sri Lanka, CPJ highlighted how attacks on journalists, including murder and “an environment of fear and self-censorship” result from impunity for attackers who are not investigated, prosecuted, and punished. Speaking about Nicaragua, PEN International, a free expression advocacy NGO for writers and journalists, observed, “Threats of criminalization have affected the journalistic sources that media outlets and journalists rely upon for analysis and opinions. In addition, several lawyers who have defended journalists have also been forced into exile. This has led to a growing climate of self-censorship in the country.” A study of Eastern and Central European journalists in three post-Soviet countries found self-censorship, autonomy, and journalistic freedom “are just as severely affected by economic constraints, oligarchic influences, and new authoritarianism as they are by their Communist pasts. Either way, journalists know exactly what to report, what to omit, and how to advance their careers” (Schimpfössl and Yablokov 2020).

Repercussions for journalists and their organizations that do not exercise self-censorship can take the form of assassination, physical assault, threats and harassment, imprisonment, civil and criminal libel and “honor-and-decency” lawsuits, forced exile, confiscation of equipment, loss of government licenses, tax audits, firing, shutdowns of newsrooms, cancellation of advertising – and more self-censorship. Journalists targeted in these ways sometimes develop drug and alcohol abuse problems, depression, and post-traumatic stress disorder, go into self-exile, or leave the profession. For some others, however, such adverse experiences reinforce their sense of mission (Freedman 2019).

## Bloggers and Self-Censorship

At the same time, bloggers and other communicators, many without formal training in journalism or professional ethics, have become increasingly visible sources of news and information, as well as of disinformation and misinformation. That is particularly true in countries with few or no independent news agencies, where people fear being seen talking to journalists, or where traditional journalists cannot gain access to a location. These bloggers, sometimes considered “citizen journalists,” often blur traditional Western journalistic borders between objective reporting and opinion, and between advocacy and objective information dissemination. That blurring of lines, in turn, makes it increasingly difficult for their readers, viewers, and listeners to assess the credibility and objectivity of a story and its source.

The blogger-as-quasi-journalist model is not a new phenomenon, although the technologies have changed. During Soviet days, anti-communist activists and democracy advocates published and distributed underground newspapers called *samizdat*, often at risk of jail or exile to a gulag, in the USSR and its satellite nations. One famous Russian dissident of that era, Vladimir Bukovsky, acknowledged that self-censorship existed in this poem about *samizdat*:

I myself create it,  
edit it,  
censor it,  
publish it,  
distribute it, and ...  
get imprisoned for it.

Bloggers who don't self-censor are especially vulnerable to retaliation or punishment from government, organized crime, industries, politicians, and other powerful official and unofficial institutions. These incidents illustrate their vulnerability: a knife attack in France on an exiled Azerbaijani video blogger who reports on corruption and political persecution; the beating of an Uzbek blogger by an official at a state-owned electricity company that she was investigating; and the jailing of Russian blogger accused of participating



in a rally supporting an opposition leader. Since most blogger-journalists don't work for news organizations, they usually lack access to support from influential institutions with clout to defend their employees.

## Averting Problems from the Practice of Self-Censorship

Ways to minimize or avert problems related to self-censorship and social media use can go in several directions. One is for journalists to eschew Twitter, Instagram, and similar platforms. Admittedly, that in itself can be interpreted as a form of self-censorship – or as a reflection of the biblical plea to “*do not lead us into temptation*” – in this case, the temptation to comment, often in real-time like a play-by-play sportscaster at a basketball game and without careful consideration of what is tweeted or posted. For example, *New York Times* columnist Thomas Friedman, a three-time winner of the Pulitzer Prize in Journalism, says, “Reporters tweeting is just wrong,” although he engages in it. In a public radio interview, *New York Times* opinion columnist Farhad Manjoo opines that Twitter is damaging American journalism, adding “If something is big on Twitter, we put it on cable news, we put it in the paper, we put it everywhere else. I don't think Twitter is sort of a reflection of the real world” (Hobson 2019). The Poynter Institute, a nonprofit US journalism school and press research organization, has reported how “a growing group of journalists has cut back on Twitter, or abandoned it entirely” (Lieberman 2021). Twitter and other social media platforms can impair journalists' efforts to separate fact from fiction, the article said, noting that during the COVID-19 pandemic, some well-known journalists retweeted a fake account's erroneous claim that a major movie star had gotten the virus. However, eschewing the use of social media as an immediate avenue to the dissemination of news may be unrealistic in the real competitive reality of the media world where a tweet or blog post is often the fastest way to scoop one's rivals, rather than waiting for the 6 o'clock news show, the newspaper to come off the printing

press, or the posting of the daily e-newsletter. Being first matters, sometimes even more than being right, regardless of the ethical pitfalls of failing to adequately investigate, inquire, and fact-check.

## Cross-References

► [Artificial Intelligence and Ethical Journalism](#)

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## Justice

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### Synonyms

Synonyms for injustice and unjust: oppression, discrimination, rights violations, illegitimate power, theft; Synonyms for justice and just: fairness, equity, equality, human rights, civil rights, liberty, democracy

### Definition

Justice and injustice are evaluative concepts, as are the related concepts of just and unjust. That is, the meaning of a phrase that uses any of these words contains a positive (justice and just) or negative (injustice and unjust) evaluation of some referred to entity. This raises several very difficult questions. Key among these are: (1) What sorts of entities do these concepts evaluate? (2) What is the criteria by which the evaluation is applied? (3) What are the grounds for criteria of justice? (4) In what sense do such evaluations exist?

For example, can I say a social practice is unjust? Under what conditions would my claim be true or false? How can I know if I was right or not, and what arguments or evidence could I present to others to convince them I was right? Finally, in using justice related words, is a person identifying an objectively existing fact, or merely expressing a subjective opinion of some sort?

It is not the purpose of this entry to propose definitive answers to any of these questions. Rather the purpose is to examine the nature of justice, to identify facets of justice, and to provide guidance to debates about justice by identifying the most common possible answers to these sorts of questions.

## Justice and Related Concepts Can Be Categorized in the First Instance by the Sort of Entity Evaluated

1. Theories of **distributive justice** evaluate economies and the distribution of wealth and income that results from an economic system. They evaluate the outcomes of economic transactions or the nature of those transactions.
2. Theories of **procedural justice** concern the fairness of laws and legal procedures; indeed, the legal system is often referred to as society's justice system.
3. **Global justice** evaluates relations among individuals on a global basis, and/or relations between sovereign states. Development economics compares states by considering the extent of wealth and poverty of individuals within those states. International justice considers conflict between states, discussing, for example, under what conditions war might be a just war.
4. Concepts of **political justice** are used to evaluate governments, constitutions, and other political institutions. This often includes discussion of forms of government such as democracy, oligarchy, dictatorship, and so on.
5. **Civic justice**, often discussed in the form of civil rights, evaluates not only governments but also other organizations and institutions of civil society. Under this heading, one can ask such questions as: Is the education system just? Is scientific and medical research done justly? Is the welfare system just? Are taxes just? And so on.
6. The concept of justice is also used to evaluate **individual persons**. Thus, we might ask: what is the nature of a just individual? Sometimes the notion of a just person is extended to

corporations; corporations are, after all, persons in the eyes of the law. However, the notion of a just corporation has not yet been extensively developed.

7. **Social justice** is most often used as a collective concept that judges a society overall including its economic, political, social, educational, and other aspects.

### Theories of Justice Vary by the Criteria by Which the Evaluation Is Applied

1. **Distributive justice:** Theories of distributive justice evaluate economies and the distribution of wealth and income within societies. Some theories of distributive justice evaluate the outcomes of economic transactions, usually considering the equality or inequality of wealth and income. Egalitarian theories advocate equal distribution of wealth and income, completely equal in the case of strict egalitarianism. But many egalitarians suggest a more limited equality, such as Rawls who argued that unequal distributions are justified if inequality promotes the interest of the least well-off. Resource-based theories of distributive justice maintain that equal opportunity is more relevant than economic outcomes. Some such theories emphasize the need for equality of education and childcare; others argue that opportunities must extend far beyond education. Desert based theories consider the labor, risk-taking, ingenuity, and other contributions people make to socially produced wealth and income; the income and wealth a person deserves depends on how much they contribute to the economy, how much effort they make, and/or their needs. Free markets are sometimes thought to distribute wealth according to desert, but market failures make this questionable in practice. Process based theories of distributive justice argue that if every economic transaction is just, then the resulting distribution is just regardless of any characteristic, such as (in)equality, that that distribution has. Libertarians such as Robert Nozick (1974) often take this view. Safety net theories

maintain that distribution is irrelevant to economic justice provided no one is destitute; such theories can be used to justify the welfare state or a Universal Basic Income (UBI). Some feminist theorists have pointed out that discussions of justice ought to consider issues of the distribution of wealth, income, power, and contributions within families, not just the wealth and incomes of households. There are numerous gender and intergenerational issues of justice within families. Some North American aboriginal peoples maintain that if wealth means the ownership of land and other means of production, then wealth should not be distributed to individuals; such wealth should be owned by society as a whole or by a community or clan. Marxist and other communists argue that the means of production should be owned by a class such as the proletariat; in practice, this often amounts to ownership of the means of production by the government (which many people now think is not a good idea). Utilitarian theories argue that justice should be based on the total sum of human welfare (or utility) in a society. Definitions of human welfare (or well-being) are much discussed. Finally, some people such as Buddhists argue that the distribution of wealth is irrelevant to justice as long as no one is destitute; they think we should be paying attention to more important things than income and wealth.

2. **Procedural justice:** Procedural justice concerns the justice of legal systems. Most importantly, legal systems are considered just if they are fair, unprejudiced, and free of bias of every kind (Gilbert 1875). To this needs to be added fair and unbiased access to the legal system. Some legal systems use an adversarial process in which the prosecutor and the accused, or the plaintiff and defendant, each present their side of the case with a judge or jury to decide between them. Other judicial systems use an investigative process. Each of these can be considered just if applied fairly.

The origins of laws are also a matter of justice. Just laws can be the result of statutes passed by a democratic legislature, by common law precedents established by previous court

decisions, or by civil codes created by legitimate governments. In all cases, just laws should be consistent with the country's constitution.

Besides the fair application of laws, the justice of the legal system itself can be evaluated using various criteria. Legal positivists think that any unbiased outcome of the legal system is just if legal procedures are followed correctly, and that there are no criteria outside of the legal system for establishing the justice of the legal system. Those who think that laws and legal systems themselves can be evaluated by standards of justice external to the legal system seldom agree on the appropriate criteria. The law and economics movement, for example, argues that law should be framed so as to maximize incentives for people to produce wealth. Others use human rights or abstract notions of fairness to evaluate legal systems. Hobbes (1651) used security of person and John Locke (1690) the protection of private property as criteria.

3. **Global justice:** The issue of global justice is fairly new to humankind, and neither theory nor practice is highly developed. One of the key theoretical issues concerns whether justice should consider all human beings as individuals (called ethical cosmopolitanism), or whether it should give basic nonderivative ethical priority to some collective of humans such as states, nations, sects, or classes. Discussions of individual justice center mostly on human rights and/or economic development. An ethical principle of the equality of all people is often proposed, but defining equality (or even human rights) across radically different cultures and religions is difficult and may be impossible. There is also the practical problem that no one currently knows how to generate sufficient economic development to achieve global equality. Justice between states or nations considers sovereignty rights, self-determination, humanitarian interference, the justice of wars, and the justice of trade agreements. Global procedural justice and international law are fast developing areas which include treaties (bilateral, multilateral,

universal); international courts for trade, criminal and war crimes issues; and international organizations such as the WTO, UN, and EU. Global environmental justice is a major issue on which there is little consensus.

4. **Political justice:** In the first instance, political justice is often thought to depend on the form of government, that is, whether government is a democracy, an oligarchy, a dictatorship, and so on. Many people, perhaps most, think that democracy is the only legitimate and just form of government, but some people think that just governments should cater most to the needs of businesses, entrepreneurs, and investors as a means of promoting maximum economic growth. Such governments tend towards oligarchy, that is, the rule of the rich elites. Some authoritarians argue that certain individuals, "the proper authorities," deserve to govern because of their inherent superiority by race, religion, gender, cast, virtue, intelligence, or education. Such views may be hard to defend as just, but some people accept them.

Regardless of form, any government can also be assessed on whether it treats its citizens and foreigners with justice. Often such discussions are conducted in terms of respect for human rights, or the lack of such respect. Human rights (sometimes called civil rights) can also be used to evaluate civil society, that is, nongovernment institutions and organizations.

5. **Civil justice:** Civil justice considers whether a society is just. This generally includes economic, procedural, and political justice (see above), but extends beyond these, often to include judgments on human or civil rights, the extent of social mobility and opportunity for individuals, issues of class or caste injustice, and access to healthcare, education, water, food, housing, security, and so on. Social justice is often discussed using such concepts as freedom, social equality, rights, human welfare or well-being, and equal respect for all individuals. Campaigns against discrimination, poverty, exclusion, underperforming schools, slums, inaccessible services, and so on usually appeal to concepts of civil justice or civil rights. Some people base such claims to civil

rights on nondiscrimination and equality; others, such as Burkean conservatives, argue from principles of justice that emerge from tradition and cultural heritage (Burke 1790).

6. **The just person and just corporation:** The concepts of justice and injustice usually evaluate social institutions, not a specific individual. Yet historically, people have often spoken of a just or unjust man or woman. Sometimes, the (in)justice of the individual is derivative of larger social evaluations; the just individual is one who acts consistently with or promotes justice within his or her society. In some cases, the individual may be a social institution in themselves because of the social role they play such as a lawgiver, a king, or a judge. Again, the concept is derivative; a just king, for example, rules consistently with social and political justice.

This approach creates an interesting dilemma; how can individuals be just if they live in an unjust society? Underlying this is the question: are there criteria for judging the justice of an individual not derivative from criteria for social justice? Of course, we have many criteria for judging individuals as ethical or not; perhaps these are sufficient except when the individual is performing a social role.

An interesting question in the context of modern corporate capitalism is this: what criteria of justice applies to corporations or businesses? The derivative concept of a just corporation is (at least theoretically) easy to define: a just corporation is one that conducts all its business actions consistently with just institutions in a just society. If, for example, corporate tax evasion undermines a government's pursuit of social, economic, and political justice, then that corporation is behaving unjustly. It would also be behaving unjustly if it used its money and lobbying power to corrupt the just political system.

The requirements of social justice place many obligations on the just corporation. For example, a corporation's hiring, training, and promotion practices ought to be consistent with just principles of equal opportunity, equality of respect, procedural justice, and so

on. A just corporation will cooperate with government efforts to promote a just society, and conduct all business transactions consistent with social, economic, and political justice.

This approach to defining how concepts of justice apply to corporations creates a problem: how does a just corporation conduct just business in an unjust society? For example, in a society in which most government officials are corrupt, should a corporation pay bribes? On the one hand, it may be the only way to get business done; on the other, it exposes the corporation to accusations of supporting a corrupt elite, hindering economic development, preventing the government from creating just health and education systems, and so on for all the other unjust outcomes of significant government corruption.

The evaluative concept of justice can be applied derivatively to corporations, but that leaves unanswered many questions of how a just corporation should conduct its business. However, some issues are clear; for instance, a just corporation does not discriminate based on gender, race, caste, etc.

## What Are the Grounds for Criteria of Justice?

There are many criteria on which people base evaluations of justice and injustice. As a result, people have been forced to think about the grounds for using one criterion and not others. For more than 2000 years, European philosophers have considered this question.

One possibility, discussed since Plato (2012), is that anything powerful people do and get away with should be considered just. In short, might is right. This may say something about power, but it does not ground the evaluations we often make that the powerful sometimes behave unjustly. A related possibility is that the powerful determine our society's criteria for evaluating justice, though they themselves sometimes behave unjustly according to their own criteria. The problem with this view is that it may tell us the origin of the criteria of justice, but it does not ground any

concept of justice in the sense of giving a reason for accepting that concept. Further, the truth of the claim has been questioned. Nietzsche (1887), for example, thought the opposite; he suggested that concepts of justice (and morality) were created by weak people as a means of using guilt to protect themselves from the unjust predations of the powerful. Nietzsche was clear that this might account for the origins of our concepts of justice, or, as he says, give us a “genealogy of morals,” but it is not a good reason for accepting any specific criteria.

Other philosophers have argued that humans have an innate sense of fairness, and that our concepts of justice are based on that – a view enhanced by recent discoveries that very young children and some nonhuman primates get upset by blatant unfairness. This view, unfortunately, does not help us decide which of the many proposed views of justice we should adopt. Most criteria of justice are much more sophisticated than angry gorillas.

A more serious effort to derive justice from human nature was made by defenders of the “natural law” approach, especially St. Thomas Aquinas. Thomas of Aquinas (1265–1274) thought what was just was that which was in accord with the purpose of human beings, namely, rational thought. In particular, he thought that all human-made laws could be judged just or unjust depending on their consistency with natural law. This view would seem to depend on knowing the purpose of human beings, but later writers often thought that knowing human nature was sufficient. Indeed, they often maintained that natural law was self-evident. This is especially true for writers who thought natural law did not primarily guide human obligations, but rather defined natural or human rights. Today, most people think that human rights are more fundamental than government made laws and can be used to judge the justice or injustice of those laws.

Social contract theorists have argued that the criteria of justice can be derived from imagining a hypothetical contracting process. Generally, the contract was made by all people in the society *about* government and laws; it was not a contract between the people and their government. Hobbes used this approach to argue that personal security

was the aim of any system of government and justice. John Locke thought that security of private property as well as security of person was paramount. In *A Theory of Justice* (1971) Rawls imagined the negotiators of the social contract as rational agents behind a “veil of ignorance,” that is, they would not know particulars about their social and economic position. From this, and from his assumption that rational people would not gamble, he concluded that justice involved, firstly, maximizing everyone’s freedom (providing they did not infringe on the freedom of others), and secondly, ensuring that economic and social inequalities should benefit the least well-off and that everyone should have an equal opportunity at gaining social and economic goods. His principle of benefiting the least well-off is known as either the “difference principle” or the “maximin principle.”

For some theorists, justice is a matter of social convention or tradition. This implies an acceptance of the variations in criteria of justice in various societies and the rejection of the possibility of any universal laws of justice. In sophisticated defenders of this theory, such as Edmund Burke (1790), the fundamental principles of justice emerge slowly out of long traditions of accepted legal, economic, and social practices. Some modern philosophers, especially in France, view justice as a social construction and are keenly interested in how it is constructed and how it reflects social, economic, and cultural privilege and power.

The utilitarian approach recommends the acceptance of any principle of justice if that principle promotes the “greatest happiness of the greatest number” (a phrase that Jeremy Bentham derived from Francis Hutcheson). Thus, for example, laws protecting private property are just because security of property is essential to a well-functioning economy from which everyone benefits. The law and economics movement asserts that laws ought to recognize incentives for entrepreneurial hard work and the development of new ideas beneficial to society.

Isaiah Berlin (1958) argued for pluralism; that is, that there are many social values that can be used to evaluate justice and injustice, some of

which conflict with each other. This creates trade-offs. Pluralism implies that there is no way for any society to exhibit all just values at once. Amartya Sen (2009) has also argued that conceptualizing and pursuing a perfectly just society is counter-productive; instead we should mitigate specific forms of injustice as best we can.

Finally, some people think that the rules of justice can be viewed as the solution to social and economic coordination problems. Mostly, this is a development of game theory, but to date there is no well-developed consensus for game theory based principles of justice at the social level. However, some specific results have been claimed, such as *Arrow's impossibility theorem*, or the *tragedy of the commons*.

### In What Sense Do Justice and Injustice Exist?

Is justice entirely a human creation, or do the principles of justice exist in some way independent of human views? Those who think justice is established by god, scripture, or natural laws think that the principles of justice exist independently of all human thoughts and actions and that the true principles of justice can be established objectively. Utilitarians think that justice requires empirical content since for utilitarians we need to establish what in fact will make people happy. On the other hand, those who think justice is a social construction or a matter of convention and tradition think that justice is a human creation; however, this does not mean that justice is a matter of the individual's subjective opinion but rather that it is a creation of society as a whole. This implies that to discover the principles of justice in any given society one would have to do empirical research to determine how justice is viewed in that society. There are a few or no theorists of justice who seriously maintain that justice is a matter of individual subjective opinion or taste.

### Summary

The words “justice,” “injustice,” “just,” and “unjust” are all evaluative terms; that is, they

express the speaker's positive or negative views about the society, economy, legal system, government, institution, practice, or other entity to which the terms are replied. However, this does not mean that they express only a person's subjective opinion. Some people think that the principles of justice are objective facts and others think they are the creation of human societies. Claims about (in) justice must be based on general principles and grounded in rational discussion. For example, the justice or injustice of the distribution of wealth and income in a society can be based on the principles of egalitarianism, equal opportunity, safety net theory, just processes, or other principles. Which principle a person uses needs to be grounded in rational argument based on natural law, social contract theory, utilitarianism, convention, tradition, or coordination issues. There are, and no doubt always will be, differing views about justice, but that makes it even more important that one's views are guided by clear principles and grounded in rational argument.

### Cross-References

- [Compensatory Justice to Groups](#)
- [Distributive Justice](#)
- [Economics and Business of War and Responsibility for Unjust Wars](#)
- [Human Rights](#)
- [Liberty](#)
- [Locke, J.](#)
- [Property Rights](#)

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## Kant, Immanuel

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## Synonyms

Categorical imperative; Freedom; Goodwill;  
Moral realism; Practical reason; Universal law

## Introduction

Immanuel Kant, with his “brilliantly dry style” (Schopenhauer), expounds the notable theory that “objects are approaching to the mind” via the spectacle metaphor by addressing transcendental idealism in support of the mind as an active knower (mind-making nature), not passive in a realistic sense, while objects of knowledge conform to the mind begotten in categories of understanding. On Kant’s view, James Conant writes, “Kant’s term for this unity, considered at this level of abstraction, is the original synthetic unity of the understanding. This admits of forms of further determination, one sensible and one intellectual. This form of unity – categorical

unity – characterizes both the manner in which objects are given to us in intuition and the manner in which concepts are combined in judgments” (Conant 2016: 114).

Insofar the same pioneering stance is reflected in the *Groundwork of Metaphysics of Morals* (Kant 1972) and the *Critique of Practical Reason* (Kant 1996), where Kant underscores the accessible account of reason and freedom as the content of fundamental moral principle toward a kind of universalizable moral duty attuned with the formulation of categorical imperative. The justification and groundwork of these moral laws cannot be liaison in sensory experience but on pure reason, which Kant calls “a priori,” a conviction stems from the understanding of rational necessitation of moral obligation and free autonomous agency. This interpretation absorbs the practical principle that underlies the subjective maxim to justify the necessary and sufficient conditions for a universal moral law. Kant starts out saying that an act is morally right if it is performed for the sake of broadening the vista of maxim infused by goodwill consisting of the categorical imperative that sounds an exceptionless command, abstract law, and universally applicable normative principle as well. For Kant, the categorical imperative has many-sided structures:

- a. Ethical requirements are rational requirements of the moral agent.
- b. The rational requirement goes toward universal laws.

- c. These moral requirements must be followed by equality, freedom, and goodwill.

## Human Dignity and Objectivity

In Kantian ethics, human dignity and value are cluster approaches as having non-natural and intrinsic properties, thus they look for the property of autonomy. Humanity itself stands for dignity where all human beings obligatorily have the duty to acknowledge and respect other human beings equally, since “respect is recognition of dignity” without any condition or preference. Kant emphatically stresses that morality has a rational foundation. The reverence for moral laws enables self-esteem and guides us in all the imperatives that ought and ought not to be to contravene the ethical depravity in the society. Kant never abstains from extrasocial moral duties to expand duty to oneself (Potter 1998: 34–35).

An act dictated by the faculty of pure reason is objectively normative and also subjectively necessary as a moral motivation. It is subjectively necessary because an act will govern through reason and motivation, which are practically necessary, i.e., good and quite apart from any utilitarian craving. Had it been the case that reason subjectively chooses the instincts of impulses (instead of reason), then the act would not have coincided as being objectively necessary. Jan Narveson considers, “Universality does suggest that there are aspects of human nature and of culture which, taken together, make a strong case for us all to adhere to them. To show that morality is universal or at least has a universal basis, one must appeal to *practical reason* and all that it is based on. This is certainly subjective in that it is about people and their actions, therefore their interests and such - which are by definition ‘subjective’ but not in a way that would show morals to be subjective” (Personal correspondence February 2022).

Thus, the conception of an objective condition is the command of will (reason) and is understood as an imperative produced by practical reason, and the sensible world consists in the object of pure reason aimed at its application. Moral laws are

necessary in every respect since they are rooted in reason and not contingent on human experience. Sanjit Chakraborty writes, “In modern philosophy, Immanuel Kant fairly introduces the idea of objectivity in his epistemology by bringing the conception of the universal as a necessary condition, which constitutes all the objects in relation to its syntactic power. One alternative that Putnam focuses on his writing talks about a pragmatic alternative to the objective judgment, a stance of ‘intersubjective’ point of view that derives from a historical background by considering the ethical ideals of rightness and wrongness in terms of the speakers and the hearers’ communications” (Chakraborty 2019: 374).

## Goodwill and Categorical Imperative

Kant, in his book *Anthropology from a Pragmatic Point of View* (Kant 1974), claims that in the case of good fortune (wealth, power, and aristocracy), people have an innate propensity to think that they have the merit to deserve all these fortunes, and this egotistical delusion provokes them to act certain moral evils to others in society. Goodwill would produce good spontaneously and naturally without being stimulated by any conditions. According to Kant, a person’s happiness promoted by badwill as a condition seems bad in itself. Of course, the qualified good likes to encompass “good within itself” that will be the agent’s inner worth. Kant writes, “It is impossible to conceive anything at all in the world, or even out of it, which can be taken as good without qualification, except a *good will*” (Kant 1972: 59).

Actions may be maintained (a) *out of duty* and (b) *in accordance with duty*. The former, that is, actions done *out of duty* (duty for duty’s sake) implies actions from pure reason, i.e., knowing what we ought to do relying on moral laws, whereas the second one (*transgression*) is a matter of acting in accordance with what they require, but not consistent with duty. This “ought” is categorical (moral), and hence it is therefore intuitive, immediate, absolute, unconditioned, and reliant on rationality. Contrary to this kind, there is another kind of “ought,” which is hypothetical

(non-moral), entailed by instrumental reason, and those done *under a transgression/reatus*, out of empathy and with the purpose of ulterior gains. Hence, as conditioned by free will, morality is reflected through right conduct as and when the element of pure reason successfully combats the enticement of passion and pleasure. This opinion differs from Darwinian metaethics that denies moral or religious myths about morality, as Ruse argues, “The Darwinian says that we humans have evolved naturally with our moral code” (Ruse 2021, 182).

An act, for being moral, obliges to the three maxims of morality: *the principle of universality*, to be able to apply everywhere without any contradiction occurring; *the formula of humanity*, i.e., a shift from means-centric approach to end-centric approach; and *kingdom of ends*, make decisions autonomously which would be acceptable to a community of rational agents. Unlike the hypothetical ones, categorical imperatives are elements of moral obligation, and hence its commands are also of necessity, an a priori command. Its necessity (like hypothetical imperatives) is not of mere practical consistency, instead these are non-analytic, and hence synthetic. Thus, the categorical imperative stands as a *synthetic* a priori judgment of practical reason. The categorical imperative is a rational moral requirement, having a universalistic stance and based on the ideals of equality and reverence.

Different contemporary interpretations of Kant’s formula (*universal law*) decipher diversified directions as Thomas Nagel embarks on placing the Kantian moral agent in the position of billions of other people, while Rawls interprets Kant’s formula by emphasizing rational will instead of knowing ourselves and the circumstances. Even an unprejudiced bystander’s stance could be placed in the case of Kant’s formula as suggested once by T. C. Williams. In contrast to the mentioned opinions, Parfit interestingly argues, “Kant may assume that what any one person could rationally will must be the same as what everyone else could rationally will. . . This assumption, I have claimed, is false. What could be rationally willed by many of those who are

men, rich, or powerful could *not* be rationally willed by many of those who are women, poor, or weak” (Parfit 2011: 340).

## Reason, Freedom, and the Highest Good

In this classic work *I and Thou*, Martin Buber vindicates Kant’s philosophical predicament between the notions of necessity and freedom in a relative way. Kant assigns the necessity in retrospect of the world of appearance, while for freedom to invite epiphanic entanglement, he brings up the world of human beings so that freedom could blend in the necessity, and these two settings have much to offer in the world of thought (Buber 2004, 74). In reflections about conscience or moral values, Freud apparently outlines conscience as an infantile opening out that should not occlude because of impoverished paternal values. Nevertheless, for Kant, the staking idea of conscience (significantly goodwill) is innate, which Freud begs off. In Kantian treatment, morality is nothing but the passage on the awareness of the inner court, and it may be more than moral feeling since here the proclivity has been subservient by the concept of duty for duty’s sake. Richard Sorabji clarifies, “How can different faculties play the same role? The solution may be that conscience is not the name of any one faculty, but of the whole quasi-judicial process in the court” (Sorabji 2014: 180–181).

Accepting the notion of conscience that plays many facet roles exacerbates the intricacy of an erroneous conscience about moral laws, which might not be blameworthy in many cases. As Kant depicts, moral rules are categorically applied to all. What would be the case if some people tried to live outside of Kantian moral laws and refused moral systems and the obligations that bind them? Kantian normativity in actual searches for the universalized principle, but neither pragmatically nor transcendently. The term “reason” is a universally and objectively valid principle similar to the concept of freedom that Kant vividly installed in his masterpiece to preserve moral laws from two subsequent premises:

- a. Moral laws are *a priori*, so these are necessary statements and deal with pure reason and universal evaluation. This rationalist account of the conceptual truth clenches rationality and reasoning to adapt the categorical imperative.
- b. Implementation of moral laws in human life is based on experience.

Unlike utilitarianism, like Aristotle, Kant also considers that nothing is without reason. It does not mean that we are always rational and reason-based animals in nature, but it invokes a capability approach to pursue something (behavioral exposition) based on rationality and reasoning. For Kant, the positive aspect of freedom is nothing more than the capability of reason-based thinking. Actually, our deliberation opts for free thinking, whereas rationality motivates actions by pure reason.

And the many-sided rational requirement turns toward universal law that is pure reason centric (more intention-based conceptual thought), which could not be avoided by making it context specific. Kant's ideal sphere, where he induces the formula of the *Kingdom of Ends*, has latched on a systematic reason-oriented approach to dealing with different rational agents who are under control by common goodwill and common laws. The underlying scenario is that we are free only when we act from duty, constraining to the common sensual notion that exposes freedom as being unrestrained.

But Kant identifies freedom with duty, the only stimulation of moral act. Acting from desires is to act from intrinsic impulses that are under the control of nature. Only when we choose to obey the moral law can we pull ourselves away from nature's control and act as a free, autonomous, and rational agent. True freedom pins down obeying categorical imperative, dutiful commands, and true moral incentive governed by moral laws. An act is deemed righteous if performed by a duty-bound agent and executed through freedom and goodwill. Goodwill preserves a *a priori* principle-infused actions, so it looks formal while a *posteriori* (experience)-stimulated motive looks material. Through this, it is presumed (as part of the duty) that there is a causal nature of moral

intention and the existence of the highest good, which remains inseparable from the idea of supreme happiness. Lewis White Beck writes, "the highest good (*summum bonum*) consists in the exercise of perfect virtue accompanied by the just degree of happiness" (Beck 1988: 301). For highest good, a consistent hookup of both (virtue and happiness) is a requirement that Kant says is not possible in the realm of nature, but possible in supersensible (noumenal) form. Only then the soul would progress incessantly toward ideal virtue (immortality of the soul), and a moral governor of the world (God) would exist to reward the virtuous with happiness. O'Neill brilliantly points out, "Kant speaks of such perfect co-ordination of moral virtue and happiness as the highest good. Producing the highest good will take a long time: so we have to postulate immortal souls as well as divine providence. This picture has been lampooned time and again" (O'Neill 2002: 180). What is a moral will? Kant argues that moral will coupled with moral laws motivates the highest good (*Kingdom of Ends*).

### Kant's Special Moral Realism: An Antinomy

Turn next to the realism versus antirealism debate, which affects Kantian moral parameters. For the moral realist, there are moral facts, and moral judgments concerning moral facts can be seen to be true or false. For them, moral judgments imply mental cognition, and there are good reasons to generate action. The moral antirealist holds that we cannot judge the truth value of the moral facts since no moral facts correspond to the moral prediction at the objective level. Moral judgments vindicate only our emotional attitudes, because these are emotive and never exemplify any descriptive judgments. Like many others at that time, Kant was fascinated by Hume's argument that every event must have a cause and that has no rational justification. Still, it is a habit of expectation resulting from the constant association of experiences in the past. However, even if Kant is impressed by this view, he is later reluctant to say that the causal laws recognized in the natural

sciences define objective sequences in nature, but epitomize simply subjective experiences in the minds of men.

Why is Kant not an antirealist? The points are appended below:

- Kant denies that emotions are what motivate morality, as the antirealist claims.
- For Kant, knowledge of the good is feasible, since our moral judgments are based on practical reason. Reason is conceived as a capacity of knowledge that is the origin of moral as well as scientific concepts and maxims.

Interestingly, Kant's moral realism does not fit the ordinary notion of realism. First, ordinary moral realism believes in the cognition of a subject that directs toward moral facts. In addition, the subject can intuitively or immediately comprehend the moral qualities of a particular fact. But Kant prefers practical cognition in favor of reasoning that brings the object of cognition to reality. Kant argues against the basis of intuition for knowing the moral facts since he considers that agents have immediate access to moral laws when they encounter maxims for performing an action. Secondly, moral realists typically believe that moral laws are mind-independent; for example, being intrinsically prescriptive, the property of child labors looks as if malicious. Now the query is: Can normative property supervene on the natural property? Perhaps Kant's answer would be yes, as the maxim (universalizability) determines the moral quality of our actions. So, moral facts are mind-dependent and constituted by the agent's mind, even if some interpreters consider that it is the *universalization* of our maxims that does this. Hence, the concept of absolute respect for morality warrants a realist milieu of moral motives (*universally lawgiving will*) toward an objective law regarding what is the right thing to do, despite being foisted upon subjective choices.

It is possible to think, like Christine M. Korsgaard, that Kant's moral realism is a special kind of moral realism, where values may be projected in the world, but goodness was not to be found in the objects themselves, but rather in their

performance (or not) at the behest of the categorical imperative, thus preserving a tie to our rationally based reasoning and subjective choice. Korsgaard writes: "Kant saw that we take things to be important because they are essential to us – and he concluded that we must therefore take ourselves to be important. In this way, the value of humanity itself is implicit in every human choice" (Korsgaard 1996: 122).

## Summing Up

The paradigmatic feature of Kant's metaethical constructivism uploads the merits of unconditioned objectivity anchored in universalized moral principles. Kant comes up with the idea of the categorical imperative, which imposes a constraint (the constraint of universalizability) on our maxims in order to make them morally acceptable. Why might Kant have supposed this? Singer writes, "According to Kant, we act morally only when we have put aside all motives streaming from our desires or inclinations. If duty is not to be 'everywhere an empty delusion,' then 'bare conformity to universal law as such' must serve as the motive for moral action. By 'universal law' Kant meant the moral law – and in particular his famous 'categorical imperative' that tells us to act only in accordance with principles that we would be ready and willing to enact into universal laws. Thus he was saying that we must do our duty for duty's sake" (Singer 1997: 215). The principle of beneficence doubtlessly contains this universal practical law formula of the categorical imperative. Kantian contractualism is a doctrine that envisages adequacy of moral principle anchored in intuitive reasoning to merit the agreement of all rational human beings without any exception. Kant insists on the prior significance to the notion of justice before settling what is good pertaining to virtue in the public sphere for exercising external freedom. But in the exercise of internal freedom, we are the austere agents of moral laws and subject to them, who should act in step with practical reasoning and goodwill regardless of personal interest in all circumstances. Kant is the principal advocate of the contentious idea of



prohibition of lying and deception in any case where an agent's ends are possibly rejected irrespective of the circumstance. The duty not to speak lies should always be morally worthy and legally just to cohesively enforce universal consent of members of society to abide by moral rules rather than any conflicting desires that would invoke depriving other persons of their moral rights and freedom. Kant gets into a mess when he deals with the case of lying in order to save lives, and such. In his paper, "On a Supposed Right to Tell Lies from Benevolent Motives" (Kant 1898), where he falls into his own trap and insists that we are not morally allowed to do this and wrong in the case of consequence-based actions and self-benefits. Needless to say, Kant's challenge to received doctrine collides with any kind of consequentialism instead of the duties that follow from the categorical imperative. This is the true pursuit of goodwill and universal law, capturing the notion of the *synthetic use of pure practical reason* for mankind.

## Cross-References

- [Agency Theory](#)
- [Deontology](#)
- [Equality of Opportunity](#)
- [Humanitarian Ethics](#)
- [Normative Ethics](#)
- [Rawls' Theory of Justice](#)
- [Sen, Amartya](#)
- [Utilitarianism](#)

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## Laissez-Faire Leaders and Trust

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### Synonyms

Faith in leaders; Faith in organizations; Passive leadership

### Introduction

People tend to portray leaders as “someone with charisma and heroic attributes” because of the positive connotation of leadership in their minds. This tendency, however, ignores the fact that many people in positions of leadership act destructively, harming the legitimate interests of followers and organizations. As a result of this realization, scholars have begun to look into the negative aspects of leadership, especially the destructive or dark side of leadership in recent years. The full-range leadership theory (Bass and Avolio 1990) proposes five transformational and three transactional leadership characteristics, as well as one facet that represents a lack of leadership, to embrace both positive and negative/destructive kinds of leadership (Verlage et al. 2012).

Despite the importance of transformational and transactional leadership for organizational and employee results, the purpose of this chapter is to reveal how laissez-faire leadership, or a lack of leadership, undermines trust in management and the organization. The reason for focusing solely on laissez-faire leadership is that, as Aasland et al. (2010) posit, the absence of leadership is more common than real abuse in organizations. By failing to provide their followers with any kind of exchange or orientation, laissez-faire leaders put followers in situations where they do not know how and when to do their tasks (Aasland et al. 2010), thus creating role ambiguities and role strains within the organization. Given the focus on purely constructive (i.e., transformational, charismatic, and authentic leadership) and destructive (i.e., tyrannical and abusive leadership) forms of leadership, it seems worthwhile to explore the role of laissez-faire leadership, whose effects appear to be underestimated in the existing literature.

The purpose of this chapter is to conduct a thorough evaluation of the research on the effect of laissez-faire leaders on followers’ faith in their companies and managers. To begin, the notions of laissez-faire leadership and trust will be briefly discussed to facilitate comprehension and to provide more comprehensive picture. Second, previous study findings on the relationship between laissez-faire leadership and trust will be discussed, as well as a theoretical framework.

## The Concept of Trust

Trust is a multidimensional and elusive concept, which makes it hard to define and conceptualize. In their pioneering article, Mayer et al. (1995) provided a state-based and psychological definition, stressing the dynamic nature of trust and mental mechanisms to deal with uncertainty and associated vulnerability: *“the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party”* (p. 712). Likewise, Rousseau et al. (1998) conceptualize trust as *“a psychological condition characterized by the desire to accept vulnerability in the face of positive expectations about another’s intentions or behavior”* (p. 395). Despite the abundance of trust definitions, these definitions highlight key elements and commonalities. First, trust entails individuals’ beliefs, assumptions, and expectations about the positive effects of others’ future behavior, therefore it involves the existence of two parties: the trustee (i.e., the party being trusted) and the trustor (i.e., the one who is trusting). Second, trust is a changing and dynamic concept that is based on the trustor’s views of the trustee’s attitudes and conduct. Third, trust is a psychological mechanism that allows people to suspend their doubts about other people’s behavior, making knowledge of another person’s trustworthiness momentarily certain. This allows trustors to take a leap of faith toward positive expectations that would not be justified by good reasons alone (Möellering; cited in Dirks and De Jong 2022).

In addition to its conceptualization, the dimensions of trust are also controversial. McAllister (1995) distinguishes two forms of trust (i.e., affect-based trust and cognition-based trust) based on the premise that the meaning and content of trust may alter depending on the situation. Accordingly, individuals in affect-based trust relationships show genuine care and concern for others, and emotional ties between two parties become the basis for trust. On the other hand, individuals in cognition-based trust relationships assess the other party’s trustworthiness, character, and competence based on accessible clues or direct

knowledge; as a result, evidence-driven processes become the foundation for trust. Unlike McAllister, Mayer et al. (1995) believe trust is one dimensional but distinguish trustworthiness from trust. Emanating from three characteristics of the trustee (ability, benevolence, and integrity), trustworthiness is argued to be an antecedent of trust between the trustee and the trustor. In the ability dimension, the trustor believes that the trustee has the necessary competencies to perform well in a specific domain. The other dimension, benevolence, involves whether the trustor regard the trustee’s behaviors as directed to helping him/her or serving only their self-interest. The final dimension, integrity, shows the trustor’s assessment of the trustee’s behavior in terms of principles and standards, implying that the trustor analyzes the trustee’s integrity by examining whether the trustee follows a set of principles that the trustor considers acceptable (Mayer et al. 1995). Although the conceptual divergence between trustworthiness and trust is still debatable, one needs to comprehend both Mayer et al.’s (1995) and McAllister’s (1995) perspectives to understand the multidimensional and complex nature of the trust-building process.

Trust involves the existence of two parties, therefore scholars should clarify different referents of trust and levels of analysis by looking at the trust from the perspective of both the trustee and the trustor. The trust’s referents, or the party being trusted, could be an individual, a group, management, or the entire organization. These trust referents must be clarified because a trustor is subject to various types of dependencies and thus risks during his or her interactions with the trustee, which makes the trust-building process complex and different. In addition, scholars and practitioners should take note that their level of analysis could matter given that trust at the individual level could be different from trust at the team, group, and organizational level.

## The Concept of Laissez-Faire Leadership

In economics and political science, the phrase “laissez-faire” refers to *“a policy of minimal government intervention in the economic affairs of*

*individuals and society*” (Encyclopaedia Britannica n.d.). Laissez-faire is frequently used in the extant literature to refer to a “hands-off, let things ride” approach to influencing people in the workplace (Northouse 2016). Laissez-faire leaders, in contrast to so-called “ideal leaders” (transformational or authentic leaders), are viewed as ineffectual, unconstructive, and even destructive. This type of leader avoids direct contact with their followers and abdicates responsibility (Bass and Avolio 1990), which is why laissez-faire leadership is also referred to as “non-leadership” (Breevaart and Zacher 2019). Laissez-faire leaders are viewed as ineffectual and damaging because they deny followers access to information and feedback and fail to support them in challenging work situations. Following this inference, it is suggested that laissez-faire leadership has negative repercussions for followers, including increased distress and more conflict with coworkers, as well as decreased job satisfaction, leader satisfaction, and leader effectiveness (Skodgstad et al. 2007).

Laissez-faire leaders fail to provide any type of exchange or orientation to their followers. As a result, followers are placed in circumstances where they are unsure of how to carry out their tasks. Lack of leadership is more widespread in businesses than actual/real abuse (Aasland et al. 2010), yet laissez-faire and its practical consequences are usually disregarded. That is, while scholars have recognized the destructive nature and negative aspects of laissez-faire leadership, few studies (e.g., Skodgstad et al. 2007) have examined the detrimental impacts of laissez-faire leadership on subordinates and organizations.

## Laissez-Faire Leaders and Trust in Organizations

Leadership’s presence, continual support, and input are required for employees’ faith in their leaders and organizations. Leaders and managers can foster a culture of trust by establishing credibility (i.e., doing what they say they will do) and demonstrating consistency (i.e., behaving in a predictable way) (Tosunoglu and Tayfur Ekmekci

2016). Certain leadership activities, such as articulating a shared purpose, direction, and vision, clarifying tasks and responsibilities, communicating frequently and promptly, and establishing high-quality interpersonal relationships, are also said to aid in the development of a culture of trust. In this vein, laissez-faire leaders are said to prevent employees from creating and sustaining trust since they have little or no interaction with those employees (Northouse 2016), do not intervene in difficulties, and do not give timely feedback (Gillespie and Mann 2004). Laissez-faire leaders fail to satisfy the followers’ legitimate expectations as well as create role ambiguities, conflict, and work-related tensions due to their lack of involvement, support, and engagement with their followers (Skodgstad et al. 2007). Unmet expectations and laissez-faire leaders’ hands-off management style may diminish followers’ faith in them.

According to Burris et al. (2008), negative feelings and lack of trust toward a supervisor can spill over into feelings against the organization, resulting in negative feelings and attitudes about the company as well. This argument is plausible because employees view their manager or leader as a representative of the company, causing them to associate negative feelings toward him or her with the entire organization. Working with an unfavorable, inept, or destructive manager/leader may also give employees the impression that the company does not intervene to safeguard them. Such negative attitudes could also destroy trust in organizations day by day.

The social exchange and psychological contract theories could provide theoretical frameworks for explaining the relationship between laissez-faire leadership and trust. According to social exchange theory, reciprocal exchanges between two parties, such as resource transfers or helping acts, have a role in the development of trust (Clarks and Mills 1979). It can be argued that laissez-faire leaders are unable to develop reciprocal exchanges by failing to provide direction and vision to their followers, ensure frequent and timely communication inside the company, and assist followers when needed.

A psychological contract reflects “an individual’s perceptions of the terms and conditions of a reciprocal exchange agreement between that individual and another party” (Rousseau 1989). When employees believe their companies or supervisors fall short of their promises, they suffer a psychological contract breach (Rousseau 1989). According to Rousseau (1989), psychological contract violations erode trust by undermining two fundamental pillars of trust. Integrity is a vital component of trust because it reflects “the perceived consistency of another’s behavior and the degree to which another’s actions conform to his or her word” (Mayer et al. 1995, p. 719). According to Robinson (1996), when an employee perceives a disconnect between management’s words and actions, or when the employee believes the leader or manager lacks integrity, the employee loses faith in the organization’s and leaders’ ability to reciprocate future efforts. By failing to adhere to pledged obligations (e.g., by failing to exhibit concern for employees or by failing to offer counsel), laissez-faire leaders or managers may seem inconsistent to employees, compromising their integrity and leading in psychological contract breaches. As a result, employees’ confidence in their bosses and organizations may dwindle. Along with undermining perceived integrity, psychological contract violations endanger interpersonal connections by casting doubt on supervisors’ or management’s perceived goodness. When leaders or supervisors violate psychological contracts, they undermine the values of “respect” and “concern for one’s own wellbeing,” which are at the heart of all trusting partnerships (Tosunoglu and Tayfur Ekmekci 2016). By demonstrating a lack of concern for the well-being of their subordinates, laissez-faire leaders and supervisors erode trust in themselves and their companies.

Numerous studies have found positive correlations between constructive leadership styles (transformational and ethical leadership) and various trust referents (i.e., organizational trust and supervisor trust). Given that the absence of constructive leadership and accompanying behaviors may imply the presence of laissez-faire leadership, a negative correlation between laissez-faire

leadership and organizational or supervisory trust seems reasonable. Gillespie and Mann (2004) reported a negative correlation between laissez-faire leadership and leader trust, concluding that passive and avoidant leaders forego the opportunity to win their followers’ trust, and if they already have it, their behaviors are likely to destroy it over time. According to the study, laissez-faire leadership behaviors destroy confidence by indicating that the leader is untrustworthy or ineffective and are not actively supporting or achieving the team’s goals.

As indicated before, laissez-faire leadership undermines not only trust in the leader but also trust in the organization. Nevertheless, a recent study (Tosunoglu and Tayfur Ekmekci 2016) reported a negative relationship between a supervisor’s laissez-faire leadership style and organizational trust. Accordingly, employees seem to perceive supervisors’ or leaders’ lack of regard (i.e., laissez-faire behaviors) as a reflection of the organizations’ uncaring attitude toward them, which in turn undermines the faith in those organizations.

Recognizing that a leader may employ both transformational and laissez-faire leadership styles concurrently, Breevaart and Zacher (2019) investigated the main and interactive effects of transformational and laissez-faire leadership behaviors on perceived leader effectiveness and trust. They found that when leaders demonstrated a combination of less weekly transformative and more laissez-faire leadership than normal, trust in the leader decreased. However, when leaders demonstrate more transformational leadership behaviors, followers appear to express a greater level of trust in their leader, regardless of the leader’s laissez-faire conduct. These findings indicate that both transformational and laissez-faire leadership styles appear to have a fluctuating effect on supervisory trust over time, rather than remaining constant. Considering the interplay between transformational and laissez-faire leadership, Breevaart and Zacher (2019) question the common notion that laissez-faire leadership is destructive and always associated with decreased levels of trust. The researchers argue that some leaders adopt a laissez-faire

leadership style and so purposefully avoid interfering with their followers, not because they are incompetent or negligent, but because they have previously motivated followers to work independently.

## Conclusion

This chapter summarizes past research and provides a theoretical framework regarding the plausible relationship between laissez-faire leadership and trust. Laissez-faire leader behaviors are mostly positioned as the opposite of effective leader behaviors (i.e., transformational and transactional leader behaviors). Given the premises of psychological contract theory and negative connotations, laissez-faire leaders are assumed to undermine trust in the organization, management, and managers. However, it should be noted that leadership is affected mostly by how subordinates perceive their leaders/managers, and these perceptions can vary according to context. As Yang (2015) posits, laissez-faire leadership can be interpreted as a sign of ignorance or inattention, yet it can also be interpreted as a manifestation of a leader's respect. Given that laissez-faire leadership can be a strategic choice made by a leader and/or perceived positively by subordinates, a more balanced approach to laissez-faire leadership is required. Therefore, the practitioners and researchers should avoid the implicit negative judgments about laissez-faire leaders (Yang 2015) and their roles in adverse work outcomes.

## Cross-References

- [Destructive Leadership](#)
- [Differences Between Transactional and Transformational Leadership](#)
- [Ethical Leadership](#)
- [Leadership Integrity](#)
- [Leadership Moral Foundations](#)
- [Leadership Theory](#)
- [Servant Leadership and Internal Social Capital](#)
- [Transformational Leadership](#)

- [Transformational Leadership and Goal Setting](#)
- [Trust and Institutions](#)

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## Large-Scale Resource Extraction and Violence Against Women

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### Synonyms

Domestic violence; Gender inequality; Human rights defenders; Intersectionality; Large-scale mining; Oil & gas development; Resource extraction; Sexual violence; Sexual violence in conflict; Structural violence; Violence against women; Women's rights; Workplace violence

### Introduction

Resource extraction plays a significant role in the economies of many states and it also produces natural resources crucial for economic activity and contemporary society. Large-scale mining and oil and gas development can increase job opportunities and fuel economic growth. Yet extractive activity also brings with it environmental degradation and human rights violations. It can exacerbate social tensions, ignite or promote armed conflict, and can transform economies from subsistence agriculture to cash-based, disrupting social and cultural norms.

The impacts of large-scale resource extraction are not gender-neutral. Women may be the victims of harms related to resource extraction that are different from those that may be experienced by men. At the same time, it is crucial to acknowledge the agency of women in this context. While

these industries tend to be male-dominated, women are increasingly entering these work forces, which are transforming the political economy of resource extraction (Lahiri-Dutt 2015).

Violence against women is a complex and pervasive global phenomenon. One in three women is affected by gender-based violence globally in its many forms – including physical, sexual, psychological, emotional, economic facets, among others – involving interpersonal, collective, and structural violence. Such violence constitutes the violation of women's human rights, and it has severe consequences for women's physical and mental health, for our communities, and our societies.

The economic and human costs of violence against women are considerable. They include physical and mental health, employment, productivity, criminal justice costs, legal expenses, and women's loss of a sense of safety and security, among many others. It has intergenerational impacts on women and can exacerbate a cycle of poverty and vulnerability, making already vulnerable populations prone to further violence.

The United Nations *Declaration on the Elimination of Violence against Women* defines such violence as “any act of gender-based violence that results in, or is likely to result in, physical, sexual or psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or private life.” The term “gender-based violence” is often equated with “violence against women” because violence against women is simultaneously a cause and consequence of gender inequality. In turn, gender inequality can manifest itself in many forms. It includes discrimination in opportunities in the political, economic, social, and cultural spheres, unequal responsibilities within and outside the household, limited autonomy of women and control of resources and over their own bodies, restricted or conditional access to power and resources rooted in the sociocultural notion of men as superior to women, restricted access to justice, and no or limited enjoyment of their human rights, which is both a cause and consequence of poverty, marginalization, and poor health conditions. If

women are not economically independent, they may continue to be trapped in a cycle of violence and poverty.

## Large-Scale Resource Extraction and Violence Against Women

Large-scale mining and oil and gas development continue to be male-dominated industries. Women's engagement with, and relationship to, resource extraction is complicated and multifaceted. Women may be employees in extractive corporations, including board members, managers, clerical workers, miners, lawyers who represent extractive corporations, activists who oppose extractive activities, members of communities in which such resource extraction takes place, among other things (Seck and Simons 2019).

The direct and indirect impacts of resource extraction differ between women and men. Gendered impacts may include, among other things: environmental contamination of land and water supplies and the increased workload on women who may have the responsibility of sourcing food and collecting clean water; the effect of toxic contamination on the health of communities and increased burdens on women of caring for sick family members; voluntary or involuntary displacement of communities and the shifts from an agrarian economy to a cash-based economy, both of which may have an impact on gender roles; and an increased risk of violence against women (Jenkins 2014). Such violence appears to be a cross-cutting impact of extractive activity.

Women's experiences of violence in the context of resource extraction are by no means homogeneous. Rather, they may differ by country and region and as between women, depending on a range of intersecting factors, from race to socioeconomic status. However, there is growing evidence that large-scale mining and oil and gas development pose significant risks of violence for women and girls. Additionally, there "appear to be some notable similarities in the causes and the multi-faceted nature of gendered violence associated with mining and oil and gas projects

across the globe" (Simons and Handl 2019). Acts of gender-based violence in the context of resource extraction are linked to "structural gender inequalities that manifest themselves in the subordination of women in society" (True 2012).

## Gendered Violence in the Workplace

Within the extractive industry, men tend to disproportionately obtain highly paid job opportunities. Women may be underemployed, underpaid, and may face additional barriers in seeking promotion because of gender-based bias and discrimination in employment. The few women employed in extractive projects are also affected by an unfair gendered division of labor: they work in occupations traditionally disregarded as "feminine," such as performing as worker's camps cleaners, cooks, housekeepers, laundry services, or providing other support services – jobs that are undervalued and under-remunerated in our societies. The work environment tends to be highly masculinized, and the working conditions for women may be precarious and unregulated including short contracts, long working hours, and no rest. Women working within large-scale mining and oil and gas corporations, whether as miners, rig operators, administrative workers, managers, cleaners, or cooks, may face frequent sexual harassment and/or become victims of sexual assault (Simons and Handl 2019; Eftimie et al. 2009). Sexual violence in the workplace directly affects women's equal participation in the workforce, affecting their physical and mental health and overall productivity, increasing the incidence of trauma, depression, learned helplessness, stress, anxiety, loss of self-esteem and motivation, and loss of a sense of security and purpose, and compromising their financial security. Such violence has far-reaching, intergenerational consequences.

## Domestic Violence

Domestic violence is also associated with resource extraction in a number of ways. First, in some countries, large-scale mining and oil and gas development may bring about significant socioeconomic changes that transform communities and destabilize traditional livelihoods, including

women's status. The structural shift from an agrarian to a cash-based economy can disrupt traditional gender roles, land ownership, and exacerbate power imbalances between women and men (Jenkins 2014). Where communities are displaced, extractive companies may negotiate for property rights or access with male members of the household, even in cases where the land title is held by women and men receive the compensation (Simons and Handl 2019). Men may also be employed by the extractive company. The increase in cash in the hands of male members of the community can often lead to increased alcohol consumption, which may in turn be related to an increase in incidents of domestic abuse (Kotsadam et al. 2017; Jenkins 2014).

Second, large-scale mining and oil and gas projects employ large groups of predominantly male workers who engage in highly paid stressful intensive shift work in remote areas for several weeks at a time. Between shifts, they may return home after bouts of drinking or drug use and then engage in domestic violence (Simons and Handl 2019).

Additionally, where men are hired disproportionately in comparison to women and women are not guaranteed a job, women will be more dependent on men, which increases the likelihood of incidents of domestic violence (Eftimie et al. 2009). This financial dependency increases a woman's risk of being trapped in an abusive relationship. Without access to employment, income-generating land, and restricted access to resources for their own survival, women can become victims of economic violence and more vulnerable to other types of violence.

### **Violence Against Women in Local Communities**

Large-scale mining and oil and gas development also creates a heightened risk of sexual violence for women living in and around extractive projects or in urban centers that serve as hubs for extractive activity. The arrival of large numbers of transient male workers has been shown to result in increases in violence against local women including Indigenous women. Such violence

includes sexual violence and trafficking of women (Simons and Handl 2019). In addition, security forces engaged in protecting the assets of extractive operations may perpetrate human rights violations against members of local communities, including engaging in rape and gang-rape of women and girls as an intimidation tactic. Major extractive corporations have been denounced and even sued for such egregious acts of sexual violence.

Resource extraction is also linked to conflict. Large-scale extractive projects may create or exacerbate local tensions as well as foment and fuel violent conflict. It is widely recognized that that women face a high risk of violence, including sexual violence in conflict and post-conflict situations. At the same time, it is important to recognize that "gender-based sexual violence perpetrated in situations of conflict is not an aberration," but rather reflects the structural nature of women's inequality and oppression. Indeed, gender-based violence is an everyday and every night risk for women (Simons and Handl 2019).

### **Intersectional Experiences of Violence Associated with Resource Extraction**

Nowhere in the world are women exempted from gender-based violence. However, poor women belonging to marginalized groups, such as Indigenous peoples, migrants, refugees, human rights defenders, ethnic or racial minorities, those with disabilities, or those living in conflict situations, are generally more vulnerable to violence. This violence is experienced differently in intensity because of compounding and overlapping intersectional identities (Crenshaw 1989). For example, Indigenous women and girls face specific challenges and obstacles due to intersectional discrimination.

The expansion of extractive industries into Indigenous peoples' territories has deeply affected these communities economically, culturally, socially, and spiritually (Morales 2019). Large-scale resource extraction projects, which employ high numbers of transient shift workers with high salaries bring with them increased alcohol and drug abuse; increases in crime, sex work,

and trafficking of Indigenous women; as well as incidences of rape of Indigenous women. In addition, the desecration and pollution of Indigenous lands, and the exacerbation of socioeconomic dependence of women on men, may lead to domestic violence within such communities (Final Report: Reclaiming Power and Place 2019).

Women human rights defenders also suffer compound experiences of discrimination and suffer violence more intensely because of the intersection of their gender, sex, class, ethnicity, marital status, public persona, and status within their communities, among other factors. In fact, although women human rights, environmental, and land defenders are a diverse group, similar types of violence (often deadly violence) is perpetrated against these women by corporate actors often with the support of governments (Le Tran et al. 2020).

Furthermore, Indigenous women human rights defenders are especially vulnerable. They face violence including sexual violence, criminalization within the justice system, stigmatization, marginalization, among other acts from within their community all intended to silence them. Indigenous women human rights defenders who face extractive industries simultaneously challenge corporate power, patriarchy, colonialism, and indigenous traditions by engaging in public advocacy and vocalizing the concerns of their communities (Simons and Handl 2019). They are subject to intersecting levels of discrimination because they are women, Indigenous, and public advocates who are challenging powerful economic actors and governments.

The connections between the extractive industry, physical and sexual violence, and women's exploitation are not merely coincidental. Within the extractive industries, deeply rooted patriarchal social relations of power between women and men are constructed and exacerbated to extremes. "Supernormal profits" exacerbate and rely on "supernormal patriarchy," whereby transactional sex and women's roles as workers, sex workers, or wives are significantly reinforced (Bradshaw et al. 2017).

## Structural Violence and the International Legal System

The international legal system forms part of the structures that perpetuate women's inequality and oppression, and that enable violence against women. International law does not adequately address gender-based violence and states have not done enough to implement their international legal obligations to respect, protect, and fulfill the human rights of women, including the right not to be subject to discrimination. States have developed international law to protect and facilitate transnational business activity. Yet many states continue to insist that regulation through soft norms and mechanisms is the most appropriate way to address corporate conduct that adversely affects human rights (Simons 2017). Most multi-stakeholder and intergovernmental initiatives that purport to address transnational corporate conduct in the absence of adequate domestic regulation and binding international law, including the United Nations Guiding Principles on Business and Human Rights, ignore gender or fail seriously to consider it. They do not sufficiently address the differentiated impacts of corporate-related violations of human rights on women, corporate complicity in gender-based sexual violence, or the structural inequalities that oppress women. What has resulted is an ongoing governance gap that leaves women vulnerable to violence (Simons and Handl 2019).

## Conclusion

Large-scale resource extraction projects can bring benefits to communities and states. However, they also increase the risk of violence against women. The gendered impacts of resource extraction are complex and multifaceted. Women may face harassment, discrimination, and sexual violence in the workplace. They may be trapped in abusive domestic relationships and subject to increased violence from their intimate partners employed within the industry. They may suffer sexual abuse at the hands of transient workers or security forces protecting the extraction infrastructure. They may experience limited access to resources

and be burdened with the gendered division of labor at the family and community level. Women's health may be negatively impacted. They may suffer because of forced displacement, conflict, land-grabbing, and environmental pollution. They may experience the intensity of intersectional discrimination and violence when facing powerful corporate and governmental actors and disrupting patriarchal norms. Women can be victims and survivors and simultaneously resist and exert their agency at the individual and collective level.

Such violence against women is the result of, as well as a contributor to, structural gender inequalities (True 2012). States need to address the patriarchal structures that perpetuate the oppression of women. They must also address corporate impunity by taking adequate legislative and other measures to regulate domestic and transnational extractive activity and provide effective remedies, taking into account the gendered impacts of such resource extraction. States should also engage in good faith in the current negotiations at the United Nations for a treaty on business and human rights. Such a treaty is a necessary step toward gender justice, which demands corporate accountability. However, simply adding reference to women as an afterthought – the “add women and stir” approach – or paying only “special attention” to women and “other” disadvantaged groups in certain contexts in domestic law and policy reform and in the treaty negotiations is insufficient. Transformative measures will be needed to prevent and address gender-specific risks of resource extraction, meeting women's symbolic and material needs, and ensuring justice is accessible to women. What is necessary are their rights and nothing less.

## Cross-References

- [Business and Human Rights](#)
- [Business Ethics and Corporate Responsibility in South Africa](#)
- [Business Ethics and Sexual Harassment](#)
- [Corporate Governance](#)

- [Corporate Social Responsibility and Domestic Violence](#)
- [Ethics and Corporate Social Responsibility](#)
- [Feminist Economics and Agency](#)
- [Feminist Ethics](#)
- [Gender-Based Violence Against Women and Girls](#)
- [Harassment in the Workplace](#)
- [Human Rights](#)
- [Human Rights, Capability Approach, and Corporate Responsibility](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Resource Extraction](#)
- [Resource Extraction in Latin America and Human Rights](#)
- [UN Guiding Principles and Transnational Business Governance](#)

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## Leadership Development

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### Synonyms

Psychological development; Sustainable growth; Values-based leadership

### Introduction

No one is born a leader. A leader is someone you become: not in the same way you become an engineer, businessman, a dentist, or a doctor. It is a role you grow into. Some people naturally grow into leadership roles; some go all out to seek a leadership role and others have leadership thrust upon them. Some, like me, choose not to be a leader of people, but a leader of thoughts. Whatever the case, the journey to becoming a *successful* leader is the same; there are seven stages of psychological development you must master to become a great leader. If you fail to master a particular stage, you will not become a great leader. You may become a good leader or a

recognized leader, but you will not be remembered as a great leader. Becoming a great leader is the journey of evolutionary leadership through ego development to soul activation (Barrett 2010).

### Overview

Every person on the planet follows the same evolutionary path during the first 24 years of their lives. This is called the journey of ego development. There are three stages to this journey, learning how to survive, learning how to keep safe, and learning how to feel secure. The extent to which you are able to master these stages of development affects your ability to master the last three stages of psychological development – the stages of soul activation.

The fourth stage of your journey is the bridge between the ego stages of development and the soul stages of development. This stage, which begins in your mid-20s and continues through to your late 30s, is called individuation. During this stage of development, you learn to master the fears you developed during the first three stages of development so that you can become an adaptive, viable, independent individual. Only when you have successfully mastered this stage of development are you fit to embark on the last three stages of development and learn how to become a great leader.

To master the soul activations stages of development, you must learn how to self-actualize – find your purpose and express your unique gifts and talents, make a difference by connecting with others in unconditional loving relationships, and serve the greater good through continuously contributing acts of selfless service.

### Leadership Development

From a leadership development perspective, we can split this journey into four stages: individuating, self-actualizing, integrating, and serving (Barrett 2014, 2016).



**Leadership Development, Table 1** The stages of psychological development

| Stages of psychological development | Age range        | Developmental task                                                                 | Motivation                                       | Developmental focus |                 |
|-------------------------------------|------------------|------------------------------------------------------------------------------------|--------------------------------------------------|---------------------|-----------------|
|                                     |                  |                                                                                    |                                                  | Internal            | External        |
| Serving                             | 60+ years        | Alleviating suffering and caring for the well-being of humanity and the planet     | Satisfying your need for selfless service        | Compassion          | Contribution    |
| Integrating                         | 50–59 years      | Connecting with others in unconditional loving relationships                       | Satisfying your need to make a difference        | Empathy             | Connection      |
| Self-actualizing                    | 40–49 years      | Expressing your true nature by embracing your soul's values and purpose            | Satisfying your need to find meaning and purpose | Authenticity        | Self-expression |
| Individuating                       | 25–39 years      | Discovering your true identity by letting go of your dependence on others          | Satisfying your need for freedom and autonomy    | Responsibility      | Accountability  |
| Differentiating                     | 8–24 years       | Establishing yourself in a community by displaying your gifts, skills, and talents | Satisfying your need for respect and recognition | Security            | Achievement     |
| Conforming                          | 2–7 years        | Feeling safe and protected by staying close to your kin and your family            | Satisfying your need for love and belonging      | Safety              | Harmony         |
| Surviving                           | Birth to 2 years | Staying alive and physically healthy by getting your survival needs met            | Satisfying your need for physiological survival  | Health              | Survival        |

Depending on the lens through which you view leadership development, you can say these four stages are (a) an evolutionary journey of psychological development, (b) an evolutionary journey of spiritual development, or (c) an evolutionary journey of personal fulfillment. Whatever lens you use, it is impossible to avoid the importance of mastering the ego-soul dynamics of the stage of development you are at and the stages of development you have passed through where you still have unmet needs, because the mastery of each stage of development is a necessary prerequisite for the mastery of the following stage. If you fail to master one stage, you will need to go back, review, and adjust the changes you made to your values and beliefs in the previous stage in order to move forward.

In this respect, the individuating stage is paramount. You will find yourself constantly returning to this stage of development as you move through

the higher stages of development. This is because we cannot self-actualize if we still have survival fears from the first stage of ego development; we cannot integrate, if we still have relationship fears from the second stage of ego development; and we cannot find fulfillment through acts of selfless service, if we still have self-esteem fears from the third stage of ego development. With this context, we are now in a position to understand the seven stages of psychological development which are summarized in Table 1.

## The Seven Stages of Psychological Development

### Surviving (0–2 Years)

The quest for survival starts before the human baby is born; it begins in the womb. From the moment the reptilian mind/brain becomes

functional, around the end of the first trimester of gestation, the primary focus of the mind of the fetus is survival.

Because of its species programming, the fetus, and later the baby, instinctively knows how to regulate its body's internal functioning, how to suckle once it is born, and how to signal to its mother that it has unmet physiological needs. At this stage of development, the baby is completely dependent for its survival on its mother or other primary caregivers.

The first thing the baby has to learn, as soon as it is born, is to interact with the world around it so it can get its survival needs met. If the infant finds this task difficult or challenging because its parents or caregivers are not vigilant, or if it is abused or left alone or abandoned for long periods of time, the infant may form subconscious fear-based beliefs that the world is an unsafe place and that it is not loved.

Thereafter, throughout his or her life, this person will seek to control their environment and relationships to assure their needs get met. Such a person will be cautious and vigilant and have a tendency to control or micromanage whatever is happening in their world. They may also be impatient and demanding about getting what they want. If the hardships suffered during this stage of development are severe, this person will be suspicious of the intentions of others and may have much suppressed anger which they project onto others when they don't get their needs met later in life.

If the infant's parents or caregivers are attentive to its needs and are watchful and responsive to signs of distress, then the child will grow up with the feeling that the world is a safe place and people can be trusted. Feeling competent and confident about taking care of your needs is an essential prerequisite for mastering the self-actualization stage of development later in life.

### **Conforming (2–7 Years)**

Toward the end of the surviving stage of development, the child becomes mobile and learns to communicate. This is the time when the limbic mind/brain, also known as the emotional mind, becomes dominant. The focus of the limbic mind/

brain is on physical and emotional safety – keeping the body safe from harm and satisfying its need for love and belonging. Thus begins the conforming stage of development.

At first, the child rebels: it wants what it wants when it wants it. It has not yet learned that the people it depends on for its survival and safety also have needs. To get its needs met, the child learns to follow the rules laid down by its parents. It learns that life is more pleasant and enjoyable, less threatening, and less difficult, if it can live in a state of harmony with its caregivers and siblings.

Conforming – obeying the rules – has benefits: it allows the child to meet its physical and emotional safety needs. Participating in family rituals are also important at this stage of development because they contribute to the child's feeling of belonging and safety. If the parents make the child's adherence to rules conditional on the child getting its desires met, or the child is coerced into behaving in specific ways, the child will learn that love is conditional.

If, because of poor parenting or lack of attention, the child feels unloved, unimportant, not accepted, and not protected or it doesn't feel a sense of belonging, the child may develop the subconscious fear-based belief that it is unlovable. When you do not get your safety needs met at a young age, they do not go away; they are imprinted in the subconscious memory of your emotional mind. As an adult, you become subconsciously needy, always searching for love or wanting to be liked. You will blame others for your mistakes because you desperately need the love and adoration of the authority figures in your life.

If the child's parents or caregivers are attentive to the child's needs and if it is raised in a caring, loving environment, where it feels safe and protected, then the child will grow up with the desire and willingness to form committed relationships when it reaches adulthood.

Learning to feel safe, comfortable, and loved is an essential prerequisite for mastering the integrating stage of development later in life. If you don't feel safe with others – if you have fear-based beliefs about your emotional safety in the presence of strangers – you will find it difficult to reach out and connect later in life.

### **Differentiating (8–24 Years)**

Around the age of 7 or 8, the neocortex mind/brain becomes functional and dominant. The focus of the neocortex mind/brain, also known as the rational mind, is on physical and emotional security. Thus begins the differentiating stage of psychological development.

At this stage of development, the child is beginning to explore the world outside of the home. Whereas parental and sibling relations were of significant importance to satisfy the child's safety needs when the locus of its life was the parental home, relations with peers and authority figures, such as teachers, now take on added importance.

Once a child enters a community outside the home, it can no longer rely on its parents for its personal safety. It takes responsibility for its self-protection by belonging to a group, community, or gang. This means building friendships, fitting in, and being respected by members of the group. Taking on dares can become a rite of passage for membership of some groups in the teenager's or young adult's world. This may lead young people "off the straight and narrow." They may do things they know to be wrong simply to belong to a group where they can feel recognized and secure.

Feeling respected and recognized by parents or members of a group enables us to establish a feeling of self-worth; feeling accepted and acknowledged gives us a sense of belonging and security. The gifts, skills, and talents that allow us to feel recognized become important to us. We focus on them because they are our passport to security.

The types of gifts or talents we develop depend to a large extent on the type of community we belong to. These could include beauty, intelligence, strength, sporting ability, musical ability, fearlessness, etc. Developing our strengths – the things that bring us recognition – allows us to establish ourselves in a community. If, however, we want to become the group leader, we need to stand out from the crowd. We may need to prove our superiority or defend ourselves from those who also want to lead the group.

What is important at this stage of development is exploring your talents and getting positive

feedback and appreciation for your efforts. If your efforts are not appreciated by those who are important to you, particularly your parents and teachers, you will stop trying and may begin to develop a low sense of self-esteem. If, instead of having your efforts appreciated, you are constantly reminded of your failures, you will grow up lacking in confidence, with a low sense of self-worth, and with the belief that you are not good enough.

When you do not get your security needs met in your childhood or teenage years, they do not go away; they remain in your subconscious mind. Later in life, you will either become highly competitive or seek status or power so you can be acknowledged as someone important or someone to be feared, or you will hold back, never speak, and hide in the shadows.

If you do not get the approval and feedback you need from your parents, you may seek out groups, gangs, or communities where you feel accepted and valued and where your gifts, skills, or talents are recognized. This may create conflict in your life at home because you may get caught between two value systems: the values of your parents and the values of the group with which you identify. If this situation is not handled sensitively by your parents, your home life will become difficult and may become intolerable. You will rebel.

From a parental perspective, guiding rather than controlling, allowing rather than preventing, encouraging rather than denigrating, and trusting rather than doubting give teenagers the space to safely explore who they are and find their sense of identity in the larger world outside the family home.

Feeling physically and emotionally secure in your community – being respected and recognized by others – is an essential prerequisite for mastering the serving stage of development later in life. If you don't feel confident and secure in your community, you will not be able to contribute.

### **Individuating (25–39 Years)**

Around your mid-20s, you begin to feel a new impulse: you want to explore who you really are.

You want freedom and the feeling of independence. To do this, you must let go of your parental programming and cultural conditioning and find your own way in life.

If you can transition through the first three stages of development without experiencing any significant trauma or without developing too many subconscious fears, you will find it relatively easy to establish yourself as a viable independent adult in the social and cultural framework of your existence.

So long as you can find opportunities to earn a living that allow you to explore your freedom and work that gives you autonomy, everything will be fine. If you cannot find work that allows you to taste your independence, you will feel demoralized or dispirited.

The task at the individuating stage of development is to find your authentic self. You are finished with being dependent; you are seeking to become a viable, independent adult. You are no longer looking for the validation of others to feel good about yourself. You want to be responsible and accountable for every aspect of your life; you want to embrace and express your values. Without realizing it, you are disembedding yourself from your parental and cultural background and beginning to align the motivations of your ego with the motivations of your soul.

This shift from dependence to independence can be one of the most difficult stages of human development to master because it brings us face to face with our survival, safety, and security fears. Many find it difficult to extract themselves from the influence of their parents; others, such as those who live in authoritarian or repressive regimes, may be afraid to express themselves because they know they can be locked up or lose their life for speaking their truth or expressing any sexual preferences that go against the norm.

If you were fortunate enough to have been brought up by self-actualized parents and to have lived in a community or culture where freedom and independence are celebrated, where higher education was easily available, where men and women are treated equally, where differences are valued, and where you are encouraged from a young age to express your needs and think for

yourself, you will find it relatively easy to move through the individuating stage of psychological development.

If the contrary is true; if you were brought up by authoritarian parents; if you do not live in a democratic regime; if you are discriminated against because of your gender, sexual preferences, religion, or race; and if you developed fears about not being able to meet your survival, safety, or security needs, you are likely to have difficulties moving through the individuating stage of development. Struggling to survive and seeking the safety and security you did not get when you were young can keep you anchored in the lower levels of consciousness all of your life.

#### Leadership Development Goals at the Individuating Stage of Development

The primary leadership development goals at the individuating stage of psychological development are (a) to know yourself, identify your most important values and the behaviors that align with those values, (b) become responsible and accountable for every aspect of your life, and (c) learn to manage your feelings and develop your emotional intelligence skills. In addition, you will want to be given challenges that allow you to explore your gifts and talents – opportunities to find out what you are good at and like doing and what you are not so good and do not like doing. Without such challenges, you will become depressed and dispirited.

I was very fortunate in this regard, because when I was 26, I was asked by the prestigious British engineering firm I worked for to open an office in Paris. I learned during the next 5 years that I was good at my work and good at getting work, but I did not enjoy managing people. I swore after that experience that if I ever started a company of my own, I would not employ many employees. I also realized during this period of my life that I was in love with my own creativity. I was never happier than when I was using my mind to find solutions to intractable problems.

#### Self-Actualizing (40–49 Years)

When you reach your 40s, sometimes a little earlier and sometimes a little later, your soul begins

to make its presence felt in your life. If you have mastered your survival, safety, and security needs and have successfully moved through the individuating stage of development, you will start to search for meaning and purpose in your life; you will be looking for a vocation or calling that allows you to fully express your authentic self. Welcome to the self-actualizing stage of development (Maslow 1968).

For most people, finding their vocation or calling usually begins with a feeling of unease or boredom about their job, profession, or chosen career – with the work they thought would enable them to feel secure by providing them with a good income and prospects for advancement leading to increased wealth, status, or power. Uncovering your soul's purpose not only brings vitality to your life; it also sparks your creativity. You will become more intuitive and spend more time in a state of flow, being totally present to what you are doing and feeling committed and passionate about your work (Jung 1933).

Some people find their vocation early; others discover it much later; some spend their whole lives searching. Uncovering and embracing your soul's purpose is vitally important because it is the key to living a fulfilling life.

Mastering the self-actualizing stage of development can be challenging, especially if your vocation or calling offers less security than the job, profession, or career you trained for earlier in your life. You may feel scared or uncomfortable embarking in a new direction that does not pay the rent or finance your children's education but does bring meaning and purpose to your life.

Your ability to manage your survival needs will significantly influence your ability to make progress at the self-actualizing stage of development. Knowing you can take care of yourself gives you the confidence you need to explore your self-expression. If you are afraid that you might not be able to survive doing what you love to do, you may deny your soul expression.

The subconscious beliefs you learned during the surviving stage of development play an important role at this time in your life. If you have any subconscious fear-based beliefs that the world is

an unsafe place, you will tend to err on caution; you will not take risks. You will never reach your full potential. This will lead to suffering later in life. If you have any fear-based beliefs about meeting your survival needs, they will show up at this stage of your life.

#### Leadership Development Goals at the Self-Actualizing Stage of Development

The primary leadership development goals at the self-actualizing stage of psychological development are (a) to release any fears you have about fully expressing who you really are, (b) to find your purpose in life, the work that you love to do, and (c) to align your work with your purpose.

By the time I reached my mid-40s, I had reached the top of my profession. I was a full-time advisor to the World Bank on matters of urban transport planning and engineering. It was precisely at this moment I became bored with my career. I realized my passion lays elsewhere. I had learned that I did not want to manage people and that I was no longer interested in engineering. I quickly realized, having spent some time thinking about it, that what I was passionate about was transformation, not transportation. I realized that I had been studying psychology, spirituality, and philosophy all my life. During the next few years, I wrote a couple of books on personal and corporate transformation, invented a way of measuring consciousness by mapping values to the seven levels of consciousness model, and left the World Bank. It took me 7 years to work through this process.

#### Integrating (50–59 Years)

If you learned how to master your survival, safety, and security needs and were successful in traversing the individuating and self-actualizing stages of development, when you reach your 50s, you will want to embrace your soul's purpose by making a difference in the world. To do this, you will need to connect with others and to form unconditional caring relationships with those you want to help and those you want to collaborate with to leverage your impact in the world. Welcome to the integrating stage of psychological development.

Connecting with others who share your passion and purpose and connecting with those who will be the beneficiaries of your gifts and talents are essential components of this stage of development. To connect with and support others, you will need to tap into your empathy skills. You will need to feel what others are feeling if you are truly going to help them.

At this stage of development, you must be able to recognize your limitations, cooperate with others, assume a larger sense of identity, and shift from being independent to being interdependent.

Some people get so wrapped up in themselves and their calling at the self-actualizing stage that they are unable to make this shift. They get lost in their own creativity, focusing only on their self-expression, rather than the larger contribution they could make if they connected with others. There is nothing wrong with this approach; however, in normal circumstances, learning to work with others in service to the common good is more likely to bring a sense of fulfillment to your life than working on your own.

How well you mastered the conforming stage of development will significantly influence your progress through the integrating stage of development. Being in touch with your feelings and knowing you can handle your relationship needs – knowing you are lovable – give you the confidence to create unconditional loving relationships with others later in life. If you have any fear-based beliefs about feeling loved, they will show up at this stage of your life.

#### Leadership Development Goals at the Integrating Stage of Development

The primary leadership development goals at the integrating stage of psychological development are (a) to release any fears you have about forming unconditional loving relationships, (b) to develop your empathy and social intelligence skills, and (c) to connect with others to make a difference in the world.

I realized by the time I reached my mid-50s that if I wanted to make a significant difference in

the world, I would need to connect with other like-minded people who were interested in transformation. I set up the Barrett Values Centre and started promoting the Seven Levels of Consciousness Model<sup>®</sup> and the associated Cultural Transformation Tools<sup>®</sup>. We developed partnerships with individuals all over the world to train people in the use of the Cultural Transformation Tools. Within a few years, we were working in 25 different countries.

#### Serving (60+ Years)

The last stage of development follows naturally from the integrating stage. This is the serving stage of development. This stage of development usually begins to occur in your early 60s, sometimes a little earlier and sometimes a little later. The focus of this stage of development is on selfless service to the community you identify with. It is about making a contribution. It does not matter how big or small your contribution is, what is important is knowing that your life has a purpose. Alleviating suffering, caring for the disadvantaged, and building a better society are some of the activities you may want to explore at this stage of your life.

As you enter the serving stage of development, you will find yourself becoming more introspective and reflective – looking for ways to deepen your sense of connection to your soul and whatever you consider divine. You may become a keeper of wisdom, an elder of the community, or a person to whom younger people turn for guidance or mentoring.

As you make progress with this stage of development, you will uncover new levels of compassion in your life. You will experience a deep sense of meaning and feelings of fulfillment and well-being that you never experienced before. You will begin to see how connected we all are and how, by serving others, you are serving your larger self. At this level of consciousness, giving becomes the same as receiving.

How well you mastered the differentiating stage of development will significantly influence your progress through the serving stage of



development. Having a healthy sense of self-esteem will give you the confidence to go out into your community and make your skills, gifts, and talents available to those who need them. If you have any fear-based beliefs about your self-worth, they will show up at this stage of your life.

#### Leadership Development Goals at the Serving Stage of Development

The primary leadership development goals at the serving stage of psychological development are (a) to release any fears you have about your self-worth, (b) to develop your compassion skills, and (c) to let yourself be guided by your soul's inspiration.

Having spent 8 years building up and managing the Barrett Values Centre, it was time to focus on my real passion; it was time to liberate myself from managing people and unleash my creativity. One of my colleagues took over as the CEO of my company, and I became Chairman. This freed me up from the day-to-day management of the company and allowed me to focus on becoming a thought leader in field of values, culture, and leadership. From my mid-60s to the present day, I have written six books – a book every year. This is my contribution to building a better world. Every day, I wake up full of purpose and can't wait to get to work. I have never been happier and more fulfilled Vailant (1977, 2012).

## Conclusion

Each stage of development represents an expansion of consciousness. The more conscious you are, the more ability you will have to manage complexity. If you never make it past the individuating stage of development, the best you can hope for is to become a good manager. If you are able to individuate and self-actualize, you may become a good team leader. If you are able to individuate, self-actualize, and integrate, you may become a good organizational leader. But to be remembered by society as a great leader, you will need to master the serving stage of development (Barrett 2013).

## Cross-References

- [Corporate Social Responsibility](#)
- [Leadership Theory](#)

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## Leadership Integrity

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## Synonyms

Behavioral integrity; Ethical leadership; Leadership ethics

## Definition

Integrity in leadership is a frequently used term but is often ill-defined and used to represent a variety of concepts such as wholeness, consistency of words and actions, consistency in adversity, being true to oneself, or as general moral or ethical behavior. At its heart, though, leadership

integrity involves a leader's identity-conferring commitment to a particular set of values.

## Description

Palanski and Yammarino (2007) summarized and critiqued the ways that the word "integrity" is used in leadership research and practice. Their summary is a helpful orientation to a broad overview of leadership integrity. Later, Bauman (2013) argued for a more narrowly defined and robust definition of integrity as an identity-conferring commitment to a particular set of values. Leadership integrity is generally valued as an important attribute in most cultures, but the particular aspects of integrity are more or less important, depending on the particular culture (Martin et al. 2013).

Leadership integrity is important because it gives followers a sense of confidence and trust in the leader. Specifically, the display of integrity fosters a sense of credibility (Simons 2002), and attributions of integrity act as a powerful proxy for missing information about a leader (Moorman and Grover 2009).

## Various Meanings of Integrity

### Integrity as Wholeness

Sometimes integrity is used to represent a sense of completeness; for example, the hull of a ship has integrity when it is watertight. When used to a sense of wholeness, integrity implies an overall sense of good character in a leader.

### Integrity as Consistency of Words and Actions

Integrity sometimes implies that a leader "talks the talk and walks the walk." In other words, the leader demonstrates consistency between words and actions. Simons (2002) coined the term "behavioral integrity" to represent a perceived consistency between words and actions specifically, between espoused and enacted values, and promise-keeping. Behavioral integrity is generally a robust predictor of leader effectiveness.

### Integrity as Consistency in Adversity

Some writers have argued that in order for integrity to truly be integrity, the leader must maintain consistent behavior in the face of adversity. Put another way, anyone can maintain consistency under normal conditions, but only a person with integrity can do so under adversity. This meaning of integrity is very similar to the virtue of courage.

### Integrity as Being True to Oneself

"To thine own self be true" summarizes this use of integrity. Proponents of this definition hold that a person of integrity must always act according to his/her conscience. This meaning of integrity is closely related to a sense of authenticity.

### Integrity as Moral or Ethical Behavior

Sometimes integrity is used as a synonym for a general sense of moral or ethical behavior, and the phrase "a leader of integrity" denotes a leader who acts in a moral or ethical manner. At other times, integrity is used as a synonym for more specific ethical actions such as being honest, trustworthy, just, respectful, open, or caring.

## A More Robust Definition of Integrity

### Identity-Conferring Commitment

Given the variety of ways integrity is used in the leadership field, Bauman (2013) argued for a more focused, robust definition of integrity as *an identity-conferring commitment to a particular set of values*. Identity refers to a person's self-concept about who one is and is not, involving both present (who one is today) and future (who one wished to become tomorrow). Thus, integrity involves a deep commitment – so deep, in fact, that it affects one's identity. Put more simply, it means, "In order for me to be truly me, I must maintain this commitment to a particular set of values." The type of values to which one commits helps to shape a particular form of integrity (Bauman 2013).

## Forms of Integrity as an Identity-Confering Commitment

### Substantive Leadership Integrity

Substantive leadership integrity involves identity-conferring commitments to moral values, that is, values that members of a moral community expect all members to follow. These values include honesty, respect, fairness, trustworthiness, and benevolence. Substantive leader integrity normally results in trust in the leader.

### Personal Leadership Integrity

Similar to the notion of integrity as being true to oneself, personal leadership integrity involves commitment to a set of values that are neither moral nor immoral in and of themselves *but for a particular individual take on the importance of a moral commitment*. These values could involve many forms, such as life goals (e.g., serving in a developing country), lifestyle choices (e.g., recycling), or religious principles (e.g., eating only certain foods).

### Formal Leadership Integrity

Formal leadership integrity may be thought of as pseudo-integrity or a shadow of integrity, as it involves commitment to a set of immoral principles. It may, for example, involve commitment to harm others or to advance one's own interests at all costs. This conceptualization is especially helpful for answering well-worn questions such as "Did Hitler have integrity?" The answer to such a question would then be "yes" but only in a formal sense.

## Summary

Leadership integrity is recognized as a universal characteristic of good leaders and is important because it provides other with a sense of confidence and trust in the leader. Integrity is sometimes used as a synonym for wholeness, consistency of words and actions, consistency in adversity, being true to oneself, or general ethical behavior, but at its heart, it is best defined as an

identity-conferring commitment to a particular set of values.

## Cross-References

- [Ethical Leadership](#)
- [Leadership Moral Foundations](#)
- [Pseudo-transformational Leadership](#)

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## Leadership Moral Foundations

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## Synonyms

Ethical leadership; Moral foundations; Moral intuition; Moral pluralism

## Definition

The moral foundations theory [MFT] is a social psychological theory aiming at describing and explaining the origin and differences in human morality (Graham et al. 2013). Rooted in Haidt's

(2001) social intuitionist model and Shweder and colleagues (1997) theory of the “three ethics,” MFT is characterized by four main propositions: first, human morality is partially innate; second, innate predispositions are shaped within a particular culture; third, ethical decision-making is strongly influenced by intuitive factors; and fourth, moral judgment is based on different moral foundations.

By considerably challenging established theoretical positions in the field of morality research, the MFT has gained increasing attention in both basic and applied research and offers important implications for the ethical dimension of leadership.

## Description

A major focus in research on human morality is how moral judgments occur and what are the underlying processes. Over the last years, behavioral ethicists have started to challenge the predominantly rational and normative approach to ethical decision-making. This position was explicitly reflected in Rest’s (1986) four component model of moral behavior, which is among the most widely used frameworks in research on ethical behaviors in organizations. According to this model, moral competence includes the ability to recognize moral issues in a given situation (i.e., moral awareness), the determination of the ideal course of action (i.e., moral judgment), the motivation to act accordingly (i.e., moral motivation), and sufficient perseverance to execute and implement the selected course of action (i.e., moral character). However, a growing body of research has expanded this perspective and reframed ethical decision-making around dual processes of moral reasoning and automatic, intuitive reactions (Haidt 2001; Reynolds 2006). The particular focus of the MFT is on the description, analysis, and explanation of these intuitive affective reactions and their implications for ethical decision-making.

## Key Claims of MFT

### Innateness of Morality

A main tenet of MFT is that human morality may not be appropriately understood solely as a

product of socialization and learning processes. Rather, the MFT proposes that individuals are born with predispositions for specific moral intuitions, which are then shaped by external factors such as social and cultural influences and individual experiences (Haidt and Joseph 2004, 2008). This claim does not imply a final and unchangeable innate character of morality, though it accentuates dispositional structures “organized in advance of experience,” promoting a certain trajectory of development (Graham et al. 2013, p. 7). Within the MFT, moral knowledge represents a function of adaption processes referring to recurring social challenges faced by a species over long periods of time. Thus, not all possible forms of “utopian morality” (Graham et al. 2013) can develop and not all values and standards be learned equally. Accordingly, Marcus (2004) has compared moral intuition with a book, whose first draft is written by the genes and then revised by experiences.

### Moral Culturalism

Moral culturalism focuses on the cultural impact on moral foundations. Children are born with predispositions for specific moral foundations, which are then shaped by experiences within a specific cultural environment (Haidt and Joseph 2004, 2008; Graham et al. 2013; Shweder et al. 1997). Even though people’s moral concerns around the world rely on the same basic foundations, there is a high variance in terms of occurrence and relative strength. Children within a certain culture grow up surrounded by cultural practices, related values, beliefs, and rules. These factors may enhance the formation of certain foundations and determine the development of a narrow or pluralistic perspective on morality. It is important to note that this “cultural knowledge” is not limited to explicit contents, nor is it always explicitly taught to children. Rather, adopting and acquiring cultural knowledge widely relies on processes of implicit learning, observing, imitating, and participating in culture-specific activities and practices, often without a conscious intention to learn (Haidt 2001).

### Moral Intuitionism

Whereas traditional approaches in the field of human judgment have seen the underlying processes ruled by rational and conscious moral reasoning (Dember 1974; Kohlberg 1981; Neisser 1967; Rest 1986), the MFT stresses the key role of intuitive and non-deliberative processes in ethical decision-making. The MFT conceptualizes moral judgments as an interplay of two processes, moral intuition and moral reasoning. Moral intuition can be defined as “the sudden appearance in consciousness of a moral judgment, including an affective valence (good-bad, like-dislike), without any conscious awareness of having gone through steps of searching, weighing evidence, or inferring a conclusion” (Haidt 2001, p. 818). Importantly, the MFT explicitly states the primacy of moral intuition in every process of moral judgment. This means that before a person can start a conscious evaluation, an intuitive and automatic response to the stimulus already exists. Then, this automatic process is followed by conscious moral reasoning, which, in general, tends to justify the affective reaction.

Nevertheless, this does not mean that moral judgments are static and unchangeable. In the paths of his model, Haidt (2001) has specified three ways in which the conscious moral decision may modify or change the intuitional judgment: (1) conscious moral reasoning, (2) reframing the situation with a new perspective followed by new intuitions, and (3) communication processes with other persons, offering new arguments for the moral judgment in turn followed by new intuitional and reasoning processes.

In summary, although moral intuitions are initially automatic and affective, they can nonetheless be shaped and, furthermore, developed over time, offering a promising route to leadership development.

### Moral Pluralism

Between and within cultures, individuals often have very different beliefs about right and wrong. The MFT represents this pluralistic position to morality. Building on research by Shweder and colleagues (1997), it expands the traditional perspective with a focus on aspects of justice and

care (Kohlberg 1981; Gilligan 1982) and introduces a more differentiated set of moral content domains. So far, the following five moral foundations have been identified (Graham et al. 2013; Graham et al. 2011; Haidt 2012), which are suggested to represent stable cultural and interindividual differences for moral preferences, including different sensitivities for specific domains of morality and the willingness to violate them:

1. Care/harm (i.e., focus on the reduction of suffering and increasing well-being)
2. Fairness/cheating (i.e., focus on a decrease of cheating and an increase of justice, fair, and trustful interactions and reciprocity)
3. Loyalty/betrayal (i.e., focus on a need of coalition building and punitive actions against outgroups)
4. Authority/subversion (i.e., focus on hierarchical relationships)
5. Sanctity/degradation (i.e., focus on purity and cleanliness and an avoidance of contaminants)

It is important to note that the current model is not in a final stage and may be extended. Most notably, recent research provided initial evidence for a sixth foundation referring to conflicting priorities between liberty and oppression (i.e., focus on concerns about autonomy and freedom vs. oppression and dominance). These six foundations are usually divided into two superordinate groups: binding foundations including loyalty/betrayal, authority/subversion, as well as sanctity/degradation and individualizing foundations including care/harm, fairness/cheating, and liberty/oppression (Graham et al. 2009; Iyer et al. 2012).

### MFT and Leadership

Despite the growing interest in moral intuitionism in management research, attempts to specify the potential impact of moral foundations in the leadership process are scarce. Two aspects have spurred particular theoretical interest so far: first, the relationship between leader moral foundations and actual leadership behaviors and second, the

role of (mis)fit between leader and follower moral foundations.

### The Role of Leader Moral Foundations

Recent theoretical research (Weaver et al. 2014; Fehr et al. 2015) proposed that the moral foundations of leaders can be linked to leadership values and prototypical behaviors associated with popular leadership styles. In fact, when leaders differ in their sensitivity for certain aspects of morality and the willingness to violate them, they may adopt a different explicit and implicit understanding of leadership and thus prefer (and avoid) specific forms of leadership behaviors. For instance, a manager with a strong care orientation and less concern for authority would be more able to forgive subordinates when confronted with offenses, conflicts, or mistakes. In a similar vein, a middle manager with a strong preference for loyalty over care or fairness values would be less inclined to expose follower or corporate wrongdoing.

Connecting the MFT to certain leadership models, the care/harm moral foundation is akin to genuine people-oriented leadership such as the individualized consideration component of transformational leadership and servant leadership. The fairness moral foundation parallels the balanced processing component of authentic leadership as well as rewarding and transactional leadership. The sanctity/degradation moral foundation is reflected in spiritual leadership, whereas the loyalty/betrayal moral foundation relates to the inspirational motivation component of transformational leadership as well as self-sacrificial leadership. Finally, whereas the authority/subversion moral foundation refers to directive and authoritarian leadership, the liberty/oppression moral foundation is related to empowering leadership.

### The Role of (Mis)fit Between Leader and Follower Moral Foundations

MFT has been used to explain why and how followers come to view their leaders as ethical (Fehr et al. 2015). It is proposed that followers perceive their leaders as ethical when the leader behavior is consistent with their own moral

foundations or the moral foundations endorsed by the organizational culture. This process is referred as to “moralization” (Fehr et al. 2015). For example, a leader with a strong authority orientation would be less likely perceived as ethical by followers who predominantly endorse care and fairness values in their moral judgments.

Notably, according to this notion, also the culture of an organization can be described in terms of moral foundations, including considerable variations across different organizations. Even if followers and organizations’ moral foundations are not aligned, followers understand what behaviors are regarded as ethically correct in a given organization. For instance, humanitarian and development organizations are usually focusing on care and compassion as basic moral values, whereas in military organizations, the focus is more on loyalty and authority. A leader with a strong care orientation would likely not be perceived as ethical in an organization culture built on values of authority.

Building on this, it is argued that moralization motivates followers to engage in value-consistent behaviors in two ways. First, it is theorized that acting in line with leaders’ moralized behaviors helps followers to maintain positive self-regard, because individuals generally seek to act in accordance with standards they regard as relevant and desirable. Second, leaders’ moralized behaviors promote social learning enabling followers to understand what it means to maintain a moral reputation within an organization.

Within this framework, an important assumption is that the specific behaviors moralization encourages depend on what ethical content is moralized. Followers are motivated to behave prosocially (i.e., helping others within or beyond the organization) when they moralize leader behavior that is consistent with the care/harm and the fairness/cheating foundation. When followers moralize leader behavior referring to the loyalty/betrayal and sanctity/degradation foundations, they will be motivated to engage in pro-organizational behavior (i.e., promoting the organization’s interests). Proleader behavior (i.e., promoting the leader’s interests) results from the moralization of



leader behavior relating to the authority/subversion moral foundation. Finally, when the moralization process refers to leader behaviors that are consistent with the liberty/oppression moral foundation, followers will be motivated to show pro-individual behaviors (i.e., promoting the autonomy of others).

## Conclusion

The MFT has been established as a powerful theory to explain the development of and variation in human morality. As such, it has important implications for leadership. It is plausible that specific leader behaviors represent a function of leaders' moral foundations. Moreover, the (mis)fit between leader's and followers' moral foundations may influence followers' ethical leader perceptions and, eventually, their behaviors. The consideration of moral diversity and the interaction of different moral foundations within and between leaders and followers promote a more differentiated understanding of the relation between ethics and leadership. Finally, as the inclusion of MFT into leadership research continues to mature, current research is also increasingly focusing on the plasticity of moral foundations, which is highly relevant for ethics training and education.

## Cross-References

- [\(Managing\) Diversity](#)
- [Destructive Leadership](#)
- [Core Values](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Leadership](#)
- [Leadership Theory](#)
- [Person–Organization Fit](#)

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## Leadership Motives or Intentions

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### Synonyms

Implicit motives; Implicit needs for power, affiliation, and achievement; Recurrent concerns

### Definition

Implicit motives are an inner striving for certain types of incentives a person perceives as pleasurable. They orient, select, and energize actions and are thus among the major determinants of human conduct (McClelland 1985). In driving a person's behavior, three classes of implicit motives have come to be seen as primary: the need for power, the need for affiliation, and the need for achievement (Bernecker and Job 2011).

### Description

#### Implicit Motives

Implicit motives evolve early during a person's childhood. Therefore, they are non-linguistically represented and consciously inaccessible (McClelland and Pilon 1983). Yet, they determine how one feels and behaves (Fodor 2010). Implicit motives are related to spontaneously occurring life outcomes such as a person's career success as well as to long-term behavioral trends (McClelland et al. 1989). Dependent on whether a person's behavior is predominantly motivated by the need for power, by the need for affiliation, or by the need for achievement, these behavioral trends vary and so do the incentives one seeks pleasure from: People motivated by the need for power seek pleasure from exerting an impact on others or the world at large. Therefore, they strive to regulate, control, or persuade other people

(Winter 1994). Those motivated by the need for affiliation seek to establish, maintain, and restore harmonious relationships with those around them (Heyns et al. 1958). They are concerned with affiliative and companionate activities and feel sadness in situations of separation (Winter 1994). People motivated by a highly developed need for achievement seek pleasure from working on challenging tasks, strive for exceptional accomplishments, and compete with a standard of excellence (Winter 1994). Commonly, people are motivated by more than one motive at a time (cf. McClelland 1992) and each motive may find expression in a variety of behaviors (Schultheiss and Schultheiss 2014). Even though implicit motives relate to certain types of behavior, their behavioral manifestation is not straightforward. On the one hand, it depends on the interplay of those motives making up a person's particular motive disposition (Steinmann et al. 2016). On the other hand, it is modulated by the degree of activity inhibition inherent in a person, a stable tendency that refines and inhibits one's motivational impulses (McClelland 1979).

#### Implicit Motives and Unethical Leadership Conduct

The value of implicit motives to leadership performance and effectiveness in political as well as corporate realms has widely been acknowledged theoretically as well as empirically (Winter 2010). Although scholars mainly concentrated on the role of the need for power, the needs for affiliation and achievement have also been considered in the context of leadership and have been related to different instances of unethical conduct of leaders.

##### The Need for Power

The need for power is of special importance to success in leadership positions as it inherently drives leaders to seek pleasure from exerting an impact on others (McClelland 1985) and keeps the individual's interest in leading on the long-run (House and Aditya 1997). If highly power-motivated leaders are equally high in activity inhibition, they use their power in socially intelligent ways and for the benefit of others or the welfare of the organization they are part of (Winter 1973).

Such leaders are characterized by a socialized power motive. If, by contrast, the ability to inhibit motivational impulses is hardly developed in leaders, they use their power self-servingly and to aggrandize themselves. They show a personalized use of power (McClelland and Wilsnack 1972). People high in such an unconstrained display of power favor antisocial decisions in situations of conflict (Magee and Langner 2008) and try to maximize their personal gains (Terhune 1968). Being in leadership positions, personalized power-motivated people coerce followers to foster their promotion and to increase their own benefits irrespective of the costs resulting for these subordinates or the entire organization (McClelland 1985). Often, such leaders even use their power to the detriment of others (House and Aditya 1997). Having an excessive, nonrestricted power motivation, leaders become superior, impatient, outspoken, as well as dictatorial and show aggressive, antisocial, and (morally) reprehensible conduct (Winter 1973, 2000). Given these attributes and behaviors, a personalized use of power has been considered an important motivational antecedent of unethical and destructive leadership behaviors (House and Aditya 1997; Howell and Avolio 1992; Padilla et al. 2007).

#### The Need for Affiliation

The need for affiliation has been said to impede effective leadership (McClelland 1975) as leaders characterized by this implicit motive are overly concerned with being liked by followers (McClelland and Boyatzis 1982). Given their drive to keep their subordinates' affection, such leaders try to satisfy their followers' individual needs. These attempts often lead to particularistic judgments which other team members perceive as unfair (McClelland 1985). In order to maintain harmonious relationships with those around them, affiliation-motivated leaders further base managerial decisions on liking instead of organizational necessities and are thus prone to practice favoritism (House et al. 1991). Accordingly, the need for affiliation has been related to corruption in political and bureaucratic organizations (Spangler et al. 2014). Fairness and integrity, however, are core components of ethical leadership (Kalshoven et al. 2011) and essential in being

perceived as ethical leader. In addition, research on the need for inclusion – a need closely resembling the need for affiliation – showed that people high in this concern tend to engage in more unethical behavior directed at the good of their team if they face the risk of being excluded from that group (Thau et al. 2015). Unethical behaviors which ensure better outcomes for one's team may hence help leaders to improve their inclusionary status within their work group (Thau et al. 2015) and to preserve positive relationships with their subordinates. As it satisfies their dominant need, affiliation-motivated leaders are therefore at risk to engage in pro-group unethical behaviors. As such, unethical conduct of leaders may not only result from selfish or assertive intents energized by a personalized power motive but may equally serve the purpose of maintaining one's belongingness to a social group.

#### The Need for Achievement

People high in the need for achievement are concerned with doing things personally. Therefore, this need has been assumed to be particularly relevant for leadership success in small-scale businesses, sales, or entrepreneurial positions rather than in middle or upper management (McClelland 1977). In such jobs, leaders may not only do most of the work themselves (McClelland and Boyatzis 1982). These jobs also satisfy the achievement-motivated person's interest in taking moderate risks and in doing things differently or improving them (McClelland 1985). Leaders high in the need for achievement are reluctant to delegate responsibilities (House and Aditya 1997), avoid to take decisions, and do not enforce authority (Spangler et al. 2014). Given that they are concerned with winning and successfully competing with others, they are in danger of behaving unethically as a competitive orientation potentially influences one's ethical conduct in various realms of life (Ryska 2002). Accordingly, to attain the goals they strive for, achievement-motivated people are inclined to cheat (Johnson 1981) and those high in hypercompetitiveness – a personality trait closely associated with the need for achievement which aligns one's behavior to winning – favorably judge immoral actions if these actions maximize their own gains at the

expense of others (Mudrack et al. 2012). When they are in leadership positions, those characterized by a highly developed achievement motive tend to ignore political or interpersonal issues in order to complete the tasks they are working on and to reach the unique accomplishments they long for if their unconscious motivational striving is not modulated by high levels of activity inhibition (Spangler et al. 2014). Hence, if ends matter more than means, an excessive achievement motivation may induce unethical conduct of leaders.

## In Conclusion

For different reasons, the motivational Big Three, the need for power, the need for affiliation, and the need for achievement, may energize unethical (leadership) behavior. Whereas the relation among a personalized display of power and unethical leadership is closest and the one most regarded in theory and research, high levels of the needs for affiliation and achievement may equally drive leaders to show behaviors which are normatively not appropriate. Especially if the expression of implicit motives is not refined by a high degree of activity inhibition, people in leadership positions are at risk of engaging in unethical behaviors. As such, the tendency to restrain and modulate motivational impulses seems to be an important personality facet in preventing unethical conduct of leaders.

## Cross-References

- Core Values
- Leadership Moral Foundations
- Machiavellianism

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## Leadership Theory

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### Synonyms

Charismatic leadership; Ethical leadership; Transformational leadership; Unethical leadership

### Definition

Leadership theory focuses mainly on perceptions of followers' judgment of leadership behaviors. Perceptions of leadership behaviors are highly valuable, although it is not clear which behavioral criterion is applied in employee's perceptions. There are several criteria that can be used to assess the effectiveness or adequacy of the behavior, for instance, aiming for effective and efficient goal-realization (strategic behaviors); truth and correctness (constative behaviors); sincerity, authenticity, and truthfulness (expressive behaviors); rightness and morality (normative behaviors); and personal change and transformation (inspirational behaviors). Thus, for instance, acting morally means applying rightness and morality criteria for evaluating behavior rather than strategic, constative, expressive, or inspirational criteria.

### Description

To maximize perceptions of ethical leadership, one should be clear about what one means by *ethics* in ethical leadership. This presupposes however that leaders are able to construe different behavioral criteria and manage others in line with these. For instance, an issue might be defined in



line with a moral criterion and/or an efficiency criterion. That is, aiming for effectiveness and goal-realization (strategic behaviors) or aiming for morality and justice (normative behaviors). A clear example is that public opinion considers larger bonus unethical – so an ethical problem – while top-level managers argue these on account of efficiency. Another example of ethical leadership behavior “*sets an example of how to do things the right way in terms of ethics*” (Brown et al. 2005), it may be asked why this is an example of particularly *ethical* leadership behavior? and how this is different from other types of leadership?

Habermas (1984, p. 329), building on the work of Austin (1975) and Searle (1975) on speech acts, distinguished five general types of “communicative behaviors.” In a speech act, we do something by saying something, as when issuing an order (Bach and Harnish 1979). Speech acts are commonly taken to include such acts as ordering, promising, or changing/transforming. Since through a speech act, a person performs an act

by the very activity of speaking, speech acts are part of communicative behavior. Habermas applied the concept of speech acts to communication behaviors in general. Communicative behavior refers to more than only speaking, for instance, ideas and norms can also be communicated by writing or by setting behavioral examples. Examples of Habermas’ five types of communicative behaviors and related “speech” acts are: “I tell you to...”; “I advise you...”; “I confess to you...”; “By this I confirm...”; or “I change you into...” (see Table 1). The five communicative behaviors correspond to five *behavioral criteria*: aiming for effectiveness and goal-realization (strategic behaviors); aiming for truth and correctness (constative behaviors); aiming for sincerity, authenticity, and truthfulness (expressive behaviors); aiming for rightness or morality (normative behaviors); or aiming for personal growth, development, and change (inspirational behaviors). The fact that people can mix up *behavioral criteria* by reacting emotionally to factual (constative) behavior serves to illustrate the usefulness of these distinctions (Haidt 2001). Thus,

**Leadership Theory, Table 1** Overview of illocutionary speech acts, behavioral criteria, communicative behaviors, as well as links with leadership types

| Illocutionary speech act              | Behavioral criterion                      | Communicative behavior | Type of leadership | Example items                                                                                           |
|---------------------------------------|-------------------------------------------|------------------------|--------------------|---------------------------------------------------------------------------------------------------------|
| Directive<br>( <i>I order...</i> )    | Effectiveness and goal-realization        | Strategic              | Transactional      | ... gives me special recognition when my work is very good <sup>a</sup>                                 |
| Assertive<br>( <i>I know...</i> )     | Truth and correctness                     | Constative             | Rational/expert    | Has considerable professional experience to draw from in helping me do my work <sup>b</sup>             |
| Expressive<br>( <i>I am/feel...</i> ) | Sincerity, authenticity, and truthfulness | Expressive             | Authentic          | ... says exactly what he or she means <sup>c</sup>                                                      |
| Commissive<br>( <i>I promise...</i> ) | Rightness, morality, and justice          | Normative              | Ethical            | ..gives credit to others when credit is due                                                             |
| Declarative<br>( <i>I change...</i> ) | Growth and development                    | Inspirational          | Transformational   | ... has ideas that have challenged me to reexamine some of basic assumptions about my work <sup>d</sup> |

Based on: Austin (1975), Bach and Harnish (1979), Searle (1975)

Note

<sup>a</sup>MLQ

<sup>b</sup>Rahim (1988)

<sup>c</sup>Walumbwa et al. (2008)

<sup>d</sup>Podsakoff et al. (1996)



following Habermas, classifying behaviors as *ethical* requires the application of a moral behavioral criterion (Treviño et al. 2006).

### Applying Behavioral Criteria to Distinguish Leadership Types

Classifying behaviors as *ethical* requires the application of a moral norm (Treviño et al. 2006). That is, behaviors are ethical leadership behavior when an ethical behavioral criterion is applied in employee's perceptions: *what counts is the criterion, not the behavior*. For instance, the ethical leadership behavior, [my manager] *sets an example of how to do things the right way in terms of ethics* (Brown et al. 2005), may be classified following the classification of communicative behaviors in Table 1, as an instance of strategic, of constative, of expressive, of moral, or of inspirational behavior depending on the criterion that is applied:

- Strategic: setting an example of ethical behavior may help achieve goals. Since setting an example of ethical behavior is not the same as *being* ethical, it could be an instance of strategic, purposeful communication. The manager is a strategist.
- Constative: setting an example of ethical behavior may help reach the truth. The manager may, through showing ethical behavior, help to uncover the facts in a work situation.
- Expressive: setting an example of ethical behavior may be truthful in the sense that there is no gap between what the manager does in the outer-world and what is felt or thought within the innerworld. Managers do what they mean or feel.
- Normative: setting an example of ethical behavior may be a demonstration of the correct behavior if it complies with an applicable moral norm. Here, the manager behaves ethically.
- Inspirational: setting an example of ethical behavior may inspire employees to do likewise and in that way be an intervention for personal transformation. In such cases, the manager is a change agent.

This example shows that this ethical leadership behavior, [my manager] *sets an example of how to do things the right way in terms of ethics*, will remain ambiguous with respect to which type of leadership it represents, as long as the criterion is not specified. Acting morally means applying a moral behavioral criterion rather than a strategic, constative, expressive, or inspirational behavioral criterion. In the specific case of ethical leadership, the moral behavioral criterion refers to both demonstrating ethical leader behavior and stimulating ethical employee behaviors. Moral awareness is essential, so that one can recognize that different behavioral criteria exist and that morality as a criterion is important in working life (Treviño et al. 2006). Deliberately neglecting the existence of distinct behavioral criteria, or enforcing, for instance, a strategic behavioral criterion as the dominant managerial criterion, amounts to “moral disengagement.”

Whereas in current research ethical leadership refers to a leader behaving ethically or stimulating employees to behave ethically, in our approach based on the Habermas framework ethical leadership means *stimulating or ensuring, through proper communicative actions, that specific behavior (such as being earnest) is assessed or valued according to a moral criterion rather than, for instance, to a strategic or expressive criterion*. Again, the leader may apply a moral criterion him/herself or stimulate employees to frame or conceive the situation using rightness and morality criteria. The distinction between applying an ethical criterion or exhibiting ethical behavior has the advantage that whereas framing a situation as ethical can be measured, however evaluating actual ethical leader behavior poses problems since this presupposes that such behavior and therefore the specific situation has already been assessed using application of a morality criterion.

As stated earlier, ethical leadership in the sense of applying a morality behavioral criterion instead of effectiveness or correctness may be denoted as moral awareness. So in our view, ethical leadership involves stimulating moral awareness among followers (Treviño et al. 2003). For instance, in a group discussion about top manager bonuses, the

manager would stimulate thinking about what types of arguments or behavioral criteria are allowed, or are applicable, or actually used, in a discussion. Are that arguments of effectiveness (e.g., in solving an agency problem), and/or of sincerity (e.g., openness or transparency), and/or of morality (e.g., justice)—so, business rationality or societal responsibility? Another example is the appropriate criterion in reacting to an employee's complaint. Should one take the employee to court, or admit the truth? In such discussions about behavioral criteria, the most interesting responses are those that are ambiguous. Admitting the truth and taking the blame can be argued for on the grounds of good publicity (a strategic criterion), or the employee being right (a truth criterion), or justice (a moral criterion).

### **Ethical Leadership: Managing Conflicts Between Different Behavioral Criteria**

In a society where communities meet and have to work and live together, people have to get along together in their moral behaviors but without completely given up their ethical principles. This requires at least being able to communicate about your own and others' moral norms in order to reach some sort of workable agreement (Habermas 1984).

In such situations, there may well be conflicts between different behavioral criteria. Take for example the statement: *"I will do everything to save my organization."* This can be the basis for a conflict between different:

1. Behavioral criteria: for instance, arguing about large bonuses on the criterion of effectiveness and goal-realization using agency and labor market reasons or on the criterion of morality and fairness using reasons of social justice.
2. Instances of various normative behavioral criteria, that is, between different ethical principles: for instance, all human beings are equal ↔ you should take care of your own employees particularly within the organization (see e.g., Eisenbeiss 2012).

To explain the second point on basis of various distinct normative criteria, behavior can be

denoted as ethical, for instance, because it is instrumental in achieving a valued result for the greatest number of people, or because it complies with a general moral principle, or because it agrees with what is considered a virtue in the current situation. However, in a Habermasian perspective, ethical leadership involves influencing the behavioral criterion that is applied in a given situation and focusing specifically on an ethical norm by communicating about ethical norms in an open "power-free way" (Habermas 1984). For instance, in a group discussion about different criteria of morality, the latter would have to include (a) explaining the criteria of morality that are in use and (b) discussing the effects of these different ethical criteria on the assessment of the rightness of specific behaviors.

### **Conclusion**

Ethical leadership means explicating different behavioral criteria and influencing employees in the appropriate, obviously situationally contingent use of a moral criterion. By doing so, these leaders ensure that employees both know and understand which concrete behaviors belong to a given norm. We have distinguished ethical behaviors as behaviors where a behavioral criterion of morality /rightfulness applies, from strategic (effectiveness/goal realization criterion), constative (truth/correctness criterion), expressive (sincerity/authenticity criterion), and inspirational (growth and development criterion) behaviors. Since this list of speech acts is not exhaustive, more leadership types are possible.

Since the debate on ethical norms can never be closed, ethical leadership will forever be a dynamic, open construct, and other conceptualization of ethical leadership remain well possible (e.g., Eisenbeiss 2012). Communicative behavior refers to more than only speaking, for instance, ideas and norms can also be communicated by writing, or by setting behavioral examples. Therefore, leaders could be trained in these communicative behaviors. Important concepts in conversations about ethical norms are, for instance, framing/sensemaking, background narratives, moral imagination/reflective equilibrium, and the role of disagreement.

## Cross-References

- [Ethical Leadership](#)
- [Leadership Integrity](#)
- [Leadership Moral Foundations](#)
- [Narcissistic Leadership](#)
- [Toxic Leadership](#)
- [Transformational Leadership](#)

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## Leading Human Resource Strategy for Diverse Cultures

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## Synonyms

Affirmative action; Compensation equity; Diversity; Diversity audit; Diversity education and training; Inclusion; Performance appraisal; Professional development; Recruitment and retention

## Introduction

While the concept of diversity, as an issue for US businesses to focus on, really only gained traction in the late 1980s, in the past two decades, the realization that there is a strong connection between diversity and having a competitive business advantage has increased as businesses have expanded their activities into the global marketplace. Workplace diversity acknowledges the reality that people differ in many ways, visible or invisible, including races, ethnicities, genders, ages, religions, disabilities, and sexual orientations, and these same people may also have differences in education, personality, skill sets, experiences, and knowledge bases that all need to be understood, accepted, and valued (Shen et al. 2009). It is no surprise then, that the increase in internationalization and globalization of businesses has exacerbated the importance of workplace diversity. Diversity itself, however, is neither meaningful nor beneficial if it does include the creation of an environment of inclusion. Inclusion means going beyond compliance-based, minimum requirements-

set-forth-by-law prerequisites to create a place of business that actually harnesses and maximizes the talent of the company's greatest asset: its people (Danna 2017). One study found that companies more often gave more weight to diversity than inclusion when it has been shown that diversity plus inclusion is what leads to improved business performance (Deloitte 2013). As such, diversity and inclusion together are essential components of a healthy and successful organizational culture. In fact, this same study found that when employees think that their company is highly committed to, and supportive of diversity, *and* they feel highly included, then they are 80% more likely to agree that they work in a high-performing company (Deloitte 2013).

One of the more critical aspects of a Human Resource professional's job is to create and cultivate an environment supportive of the different experiences and perspectives among their particular organization's workforce to ensure that it attracts and retains talent, which is one of the many ways a business can remain competitive in the marketplace. Moreover, effective HR professionals must develop strategies that focus on improving the organization's flexibility and knowledge base to foster and cultivate a work environment that is conducive to diversity and inclusion management. After all, diversity and inclusion management are not just a part of what human resources managers do, they should be critical components of their company's practices and policies. A workplace that supports diversity and inclusion attracts top talent because talented people naturally gravitate toward organizations that embrace diversity in such a way that it can yield meaningful career paths for these engaged and motivated employees.

Diversity and inclusion are no longer simply compliance-based, meeting the minimum requirements of the Equal Employment Opportunity Commission (EEOC) or Affirmative Action (AA) expectations; rather, they are now considered important aspects of successful businesses. They are also the result of what science tells are peoples' deep-seated needs to belong and to be noticed and appreciated.

## Diversity and Inclusion Management

Managing diversity refers to a proactive approach intended to manage a heterogeneous workforce in such a way that potential advantages of diversity are maximized, while its potential disadvantages are minimized (Kundo 2015). That means, enabling a diverse workforce to perform to its full potential in an equitable work environment where their individual differences are deeply valued to build a more effective and profitable organization (Kundo 2015). Inclusion can be described as an active process of change or integration, as well an outcome, such as a feeling of belonging. Inclusion means that the employees feel that they work in a place of fairness, respect, value, and belonging and that their unique value is known and appreciated (Deloitte 2013).

In the past, the efforts to diversify a workforce were driven by a need or desire to insulate a company against claims of discrimination. Concepts of Equal Employment Opportunity (EEO) and Affirmative Action (AA) were largely born out of the civil rights movement of the 1960s (Shen et al. 2009). The modern, twenty-first century concept of diversity management and inclusion is a departure from the negative connotation of the past, rather, it is focused on the positive attributes that accompany a diverse and inclusive workplace. In a nutshell, diversity management "takes advantage of the growing cultural pluralism that results from the internationalization of business, development of world markets, growing workforce mobility, and the increasing awareness of individual differences" (Shen et al. 2009).

## Objectives and Practices of Diversity Management and Inclusion

While one of the obvious objectives of human resources diversity management is to be compliant with EEO and AA requirements, human resources managers also need to realize that additional objectives include assembling a workforce/workplace that is creative, flexible, attractive to future employees, and aides in retaining the

current workforce. In order to achieve these objectives, human resources managers need to incorporate the mindset of diversity and inclusion into every aspect of their role as people managers. They need to develop a culture that unifies diverse employees under a common value set which will, in turn, help the company embrace diversity as a tool for augmenting organizational effectiveness and performance (Kundo 2015). Because the effects of diversity can be positive, negative, or neutral, depending on how well it is managed, as well as if the environment is one of inclusion, it is imperative that a company's diversity management strategy address organizational cultural change to insure that diversity is both valued and encouraged (Kundo 2015). Achieving a diverse and inclusive workplace is not something that can be achieved overnight or without significant effort. In the constantly changing and evolving landscape of business, it can be difficult to find new ways to connect diversity and inclusion to business value and, in turn, shape a workplace culture that thrives even in the most unpredictable business climates.

### **Building a Foundation of Diversity and Inclusion**

HR professionals should lead the charge to create a business environment that fosters inclusion. Unfortunately, when it comes to issues of diversity and inclusion, most organizations tend to take knee-jerk or "band-aid" type actions without incorporating both into the foundation and culture of the business itself. Some of the barriers that HR professionals must overcome when taking a leadership role in implementing systematic and comprehensive diversity and inclusion education programs are: (1) too many educational programs are stand-alone or piecemeal programs that lack a connection to a cohesive organizational diversity management framework; (2) the absence of an auditing or process for measuring the acquisition and application of learning to the workplace; (3) lack of diversity in the facilitators of the diversity education programs; and (4) failure to include all levels of employees in the diversity development process (Chun and Evans 2018).

Inclusion can only be successful if it starts with building a solid business culture foundation that supports its goals and objectives. That means that businesses first need to define what kind of culture they would like to exist in their workplace. While this is often accomplished from a top-down perspective (senior management dictating to the masses), it is essential to realize that many of the most effective ideas for inclusion can come from below. Next, the business needs to self-assess the existing cultural strengths and weaknesses with the organization. This will also help identify assets that already exists that can support and reinforce the diversity and inclusion mission as well as identify areas that need improvement. After that, the organization can reach out and form focus or identity groups to bring people together to solicit ideas. This would be followed up by collecting those ideas, along with any data that is mined in the process, and then develop strategies, policies, and education programs to implement whatever ideas the organization feels best support its diversity and inclusion mission. In a nutshell, HR managers should be the researchers that gather the data needed to develop the most effective diversity and inclusion initiatives and they can also act as the advocates for the program since they have the ability to communicate across the different departments and focus groups. HR managers, in effect, are both facilitators and influencers, all the while aware of the various political nuances that exist within a particular business to help protect and nurture the diversity programs, support all of the various participants, and to think strategically while being mindful of the long-term and short-term goals to support the diversity and inclusion mission (Gutmacher 1998).

### **HR's Role in Diversity Management and Inclusion**

Diversity management and inclusion are not separate activities that HR professionals engage in; rather, they are integrated into the various practices and policies of the core functions of their practice: recruiting talent, performance management, benefits, pay issues, education, and



development. Throughout an employee's lifecycle, there exists critical points where the employee is more vulnerable to decision-making bias or behaviors that can unconsciously create an advantage for some and a disadvantage for others that undermine aspirations of diversity and inclusion (Deloitte 2013). Diversity management and inclusion should be integrated not only into these vulnerable moments, but into the fabric of equality of opportunity, flexible working hours, work-family balance, meaningful and participative performance assessment, and inter-cultural education (Kundo 2015). In the end, all businesses would prefer to recruit, retain, reward, and promote a heterogeneous mix of talented employees. Moreover, employees would prefer to work for a company where promotion and development opportunities were based on merit, recruitment processes supported the selection of the best person for the job, and performance management/appraisal processes enabled employees to demonstrate their particular and unique skill set (Deloitte 2013).

### **Diversity as Part of Recruitment**

Many companies have been successful in hiring a more diverse workforce that includes women, minorities, disabled persons, and other socially disadvantaged persons in a way that resembles the more diverse environment within which they are situated. To support an effective policy of diversity and inclusion HR managers need to help managers make hiring and promotion decisions based on diversity sensitive criteria. That includes having visible diversity in hiring committees as well as hiring and promotional decisions based on specific job-related qualifications, competencies, and experience (Kundo 2015). In order to attract a diverse array of candidates, HR managers need to also ensure that the company has a work-life balance and benefits package that has flexibility built-in and considers the diverse needs of today's workers. Benefits such as flexible work schedules, work from home, child-care options, parenting leave, and an array of other work-life balance issues all need to be a regular part of how the company does business. This supports the concept of inclusion; that is, that

these benefits are not available to select employees/managers or are even in existence to solely to satisfy a legal requirement, rather, they are part of the culture of the organization and are available to all employees.

### **Education and Development**

It is important to distinguish between the term "education" and "training." People are educated while animals are trained. While this may seem like semantics, it is important to stress that the language and terminology used in this area are critical because unfortunately, most diversity education programs used by businesses employ language that has the negative and unintended impact of reinforcing existing norms, values and perspectives of the dominant segment of the organization. Initially, US companies developed "diversity training courses" that could last from an hour to more than a day as a way of wiping out biases against women and minorities in the workplace (Lipman 2018). In the past, diversity education sessions were treated like all other information disseminating exercises; that is, they were one-time events or something that was rolled out after a violation was experienced. To be effective, diversity and inclusion education needs to be a systematic process where the entire workforce – top management down to the lowest-ranked employees – is educated about the cultural, socio-economic, racial, identity, and religious differences among employees (Kundo 2015). Recently, studies have found that, in many instances, diversity training has actually had the unintended consequence of making things worse in the workplace because many of the participants have interpreted the key learning point as having to walk on eggshells around women and minorities and having to choose their words carefully so as not to offend (Lipman 2018). In some instances, women and minorities leave the training with a belief that their coworkers are even more biased than originally believed and that learning about others' biases can actually heighten one's own (Lipman 2018). Because so many companies improperly handle the issue of diversity education, many employees claim to suffer from "diversity fatigue" (Lipman 2018).



When diversity education is made mandatory, focuses primarily on the legal aspects of discrimination, and is specific to only certain categories of employees (i.e., managers), then it is most likely going to be unsuccessful. Rather, when diversity and inclusion education focus on perception and awareness, including everyone at all levels of the organization, and recognizes that everyone can engage in unconscious biases, it has a higher likelihood of success.

### **Performance Assessment**

Discrimination in performance appraisal is one of the root causes of job dissatisfaction and demotivation for a diverse workforce and, as a result, women and minorities often feel neglected and do not believe they have an upward career path (Kundo 2015). Because of this, women and minorities often do not feel like valued employees and, instead, feel like they are “diversity props” or tokens of diversity without actual inclusion (Jackson 2019). It is part of an HR managers’ responsibility to create an environment where all employees feel valued and included. It is incumbent on HR managers to make sure that a company’s performance appraisal practices are objective and not subjective, that they are directly related to the job and company and are fair to all employees while avoiding special treatment. As part of diversity management, HR managers should review performance appraisal processes to excise any language or consideration of the employee’s race, gender, or other diversity characteristics. In addition, one of the reasons that many diverse workers feel that their upward trajectory has been stunted is because of a lack of effective mentoring. It is imperative that HR managers examine both formal and informal mentoring arrangements and identify situations where a successful senior member of the workforce can be paired with an underrepresented junior employee with the objective of guiding them and to help remove any invisible barriers that may impede the advance of their career.

### **Compensation and Flexible Schedules**

Pay equality is part of effective diversity management. Compensation structure, wage determinants, and benefits schemes should be designed

around objective factors relating to the individual and position at issue and should be free from discriminatory factors. It should not be a surprise that a diverse workforce will have different priorities when it comes to their families and their work–life balance. As such, an individual-driven compensation system can support individual lifestyles and will further promote diversity (Shen et al. 2009). It is not uncommon for big companies to adopt an array of policies/benefits relating to work schedule flexibility to accommodate varying lifestyle needs such as: day care, work from home needs, flex schedules, and even accounting for employee’s desires to use time for charitable or health related endeavors. Not every employee has the same family situation or expectations and HR managers, as part of their diversity management efforts, need to make sure that the company is open to supporting these diverse needs and expectations.

### **Workplace Environment**

HR managers are also charged with making sure that the day-to-day work environment is one that embraces diversity and provides for inclusion. That means also being mindful and aware of the changing landscape of diversity. The most recent change to the area of diversity in the workplace is the subject of identity. Gender identity and transgender issues have become the focus of considerable attention in recent years, as both famous and ordinary people have shared their experiences and stories. Greater public awareness has followed. Even so, many employers find themselves unsure of how to navigate the shifting landscape (Hayes 2017). HR Managers can start by making sure that gender identity is included in all of the company’s discrimination policies, dress code policies, and any other policy that may create a feeling of exclusion or discrimination, as well as be prepared to respond and provide guidance to all employees should the issue of a transitioning employee arise. Ensure that the workplace is one that insists on civility and respect, which includes making sure that proper use of pronouns is enforced and that employees feel that their identity requests are being honored in all aspects of their employment. Workplace civility and respect are not limited to gender identity, rather the same policies need to be

reviewed and modified, if necessary, to cover issues of race, disability, sexual orientation, national origin, traditional gender issues, and all other areas of diversity present in the workplace.

### **Auditing Effectiveness**

A diversity audit can help eliminate hidden biases, overcome conscious and unconscious unfairness and remove glass (or other) ceilings that may contribute to the decline in worker satisfaction and prevent the creation of an atmosphere that does not support inclusion. In addition, once the above strategies and policies are put in place it is important for the HR manager to audit their success. This is one of the biggest failures on the part of most companies. Companies are quick to recognize the need to adopt a strategy to address diversity and inclusion issues but most fail in the follow-through or neglect to circle back and measure the effectiveness of those strategies. This should be a box-checking scheme that looks solely at data and outcomes; rather it must be an interactive and inclusive process that requires engaging with all members of the workforce to ensure that the diversity management and inclusion policies are effective and working. Periodic audits of diversity and inclusion are necessary to identify the areas that require improvement, as well as companies can use this data to benchmark their position in the industry or region.

### **Conclusion**

Even today, among an array of global organizations that promote the diversity of their workforce, inclusion is not achieved. While most, if not all, companies are aware and conscious of equal opportunity issues, largely because of the legal jeopardy associated with noncompliance, very few go beyond the minimal requirements of the law and still suffer from different internal perceptions of what diversity management means and requires. It is true that successfully managed diversity will lead to a competitive business advantage, particularly in areas such as problem-solving, global understanding,

creativity, innovation, and flexibility (Kundo 2015). Properly managing diversity and inclusion helps enable companies to reduce the costs associated with employee absences, high turnover, legal expenses, and decreased productivity. That is because companies that respect and value diversity and inclusion are able to attract and retain the best employees in their field. Effective diversity management and inclusion can only be achieved when they are valued by all levels of management there is a culture within the organization that supports diversity and inclusion initiatives. HR managers play an important role here and can be the catalyst to help define an organization's approach to these issues, which, in the end, will positively impact individual, team, and organizational performance.

Some scholars have suggested that HR managers can take the lead on these issues by: (1) working to develop an organizational diversity learning plan that includes areas of weakness, outcomes assessment (i.e., audits) and accountability; (2) promoting a data or research driven approach to these initiatives based on the particulars of their specific organization in lieu of using a generic diversity plan; (3) taking the lead in structuring and scheduling educational initiatives, specifically with respect to content and objectives, to make sure diversity and inclusion efforts are coordinated across the entire company; (4) creating an incentive structure that recognizes contributions to diversity and inclusiveness; and (5) examining both conscious and unconscious barriers in the company's hiring, promotion, compensation, and benefits policies and practices to eradicate subjective factors that affect outcomes. (Kundo 2015).

Finally, HR managers need to consider and treat diversity management and inclusion as an ongoing and positive process and not as a problem to be solved. In the end, it doesn't matter how emphatically a company claims it embraces diversity and inclusion if its own policies and practices scream otherwise. With the leadership of HR managers, and the sincere investment of the entire workforce, a company can create a workplace that is simultaneously equitable and free from hostility as well as healthy and competitive.

## Cross-References

- [Affirmative Action in Business](#)
- [Harassment in the Workplace](#)
- [\(Managing\) Diversity](#)
- [Racial and Ethnic Diversity in Business](#)
- [Workplace Bullying](#)

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## Lesser Evil Principle

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## Synonyms

Lesser evilism; Lesser of two evils principle; Principle of the lesser evil

## Introduction

The principle of the lesser evil (PLE), typically rendered in proverbial form as *the lesser of two evils is to be chosen*, has a long history in Western moral, political, and legal philosophy. Among ancient Greek philosophers, Plato, Aristotle, and Epicurus appealed to it, and Cicero popularized the principle for the Roman Latin world. Despite such a noble pedigree, this principle of practical reasoning remains controversial when understood as enjoining an agent to perform an evil act, albeit a lesser one. The numerical restriction to two evils in the typical rendering of the PLE may reflect that difficult choice options often consist of a pair of contradictories ( $A$ ,  $\sim A$ ), where an agent must select between an act and its omission. Other formulations of the PLE, however, envision a wider slate of options and recommend that agents who possess no good alternatives should always choose the *least* evil.

The PLE has received sustained analysis primarily in two contexts by medieval and early modern thinkers: (1) moral dilemma theorizing and (2) counsel for those bent on wrongdoing. In contemporary philosophy, the principle has been examined anew from various points of view.

## Lesser Evil Reasoning and Moral Dilemmas

Despite its lengthy ancestry as a proverb (Singer 2002), the PLE was first subjected to theoretical

scrutiny in the medieval canon law tradition, where canonists considered whether agents could ever be trapped in moral dilemmas. In Distinctions 13–14 of the *Decretum*, the influential twelfth-century textbook of canon law, Gratian considered the PLE as the solution for agents who find themselves inescapably forced to choose between two moral evils. The master of canon law appealed to the authority of Gregory the Great, who had earlier defended the existence of moral dilemmas in his *Moralia*, the influential biblical commentary on the book of Job. Several of Gregory’s examples involved agents who make promises and are thereby caught between the dilemmatic prongs of fulfilling or not fulfilling the promise. Another example involved an agent who uses bribery to acquire a position of authority and then faces the choice of resigning (and thus abandoning those dependent upon his care) or not resigning (and thus retaining the authority unworthily). Appealing to the text of a church council, Gratian proposed that agents in such situations should use “the acuity of pure reason” to determine which of the two options is the lesser moral failure and then choose it accordingly (Gratian 1993: 49). A comparison of moral evils was not an innovation, as moral evils had long been classified into various categories such as major (mortal) and minor (venial), and a select class of especially grave moral failures had traditionally been specified as “deadly” or capital. Still following Gregory, Gratian proposed that when wrongdoing is strictly unavoidable, an agent should minimize it, and by using the PLE the agent will pass to greater virtues. Gratian nevertheless limited the applicability of the PLE to agents who personally find themselves in moral dilemmas; it was not permissible, he argued, to commit a lesser moral evil to prevent someone else from committing a greater one.

Gratian’s defense of the PLE arises out of his consideration of whether the moral law ever admits of exceptions. On his view, a moral evil is never in itself advisable, but when an agent is faced with an inescapable choice between it and a greater moral evil, it becomes recommended as the comparatively lesser moral evil. Gratian’s position was controversial. The authors of the

*Glossa ordinaria*, a multi-authored medieval commentary on the *Decretum*, criticized Gratian severely, arguing that there cannot exist situations where an agent must necessarily commit a moral evil. They argued that agents who believe themselves to be in moral dilemmas are simply foolish or ignorant; a morally permissible way of acting always exists and the commission of moral evils is always avoidable. On this view of the glossators, the PLE is rendered superfluous for practical reasoning in the case of moral dilemmas, since the problem it is meant to solve is only in the mind. The glossators assert that, “In the truth, there is no entanglement” (Gratian 1993: 50). Throughout the later medieval period, Gratian and the glossators became often-cited authorities in continuing debates about the existence of moral dilemmas (Dougherty 2011).

For some medieval philosophers, the PLE was treated as a contrary-to-duty imperative for agents who commit moral wrongs and then find themselves unable (or unwilling) to fulfill all future obligations. On one popular interpretation, a present moral failure may render impossible the fulfillment of a future obligation, and in these cases, the PLE was recommended to minimize wrongdoing.

## Counseling the Lesser Evil

Beginning in the early modern period, the PLE was debated in a related context. Moral theorists examined whether it was permissible to suggest a lesser evil to a malefactor bent on wrongdoing. If a malefactor were irrevocably committed to some form of wrongdoing, would it be licit for a bystander to propose some lesser evil instead? These considerations presupposed that all attempts to persuade the malefactor to desist from the originally intended evil had failed. The counseling bystander in this case would seek to minimize the wrongdoing by providing direction to a lesser, previously unconsidered evil. To one bent on committing murder, for example, perhaps simple assault might be counseled. To another bent on robbery, perhaps drunkenness might be counseled. The debates on this issue focused on

whether such counsel of a lesser evil was permissible, and if so, how restricted the counsel had to be (Flannery 2011). Further considerations inquired whether counseling the lesser evil was simply recommended or outright obligatory.

Among those who defended the permissibility of counseling the lesser evil to a “hell-bent” malefactor, controversies arose (Hannigan 1949). Some argued that the counselor’s proposed lesser evil could differ only in degree from the originally intended evil; on this account, one could only counsel stealing a lesser amount to a thief who had envisioned stealing a greater sum. With this strict view, the counselor could not propose a lesser evil from a different species (e.g., drunkenness instead of theft). Some theorists questioned whether a counselor could suggest that a robber select a rich victim over a poor one, on the understanding that for a rich person to suffer a finite monetary loss is a lesser evil in comparison with the same loss suffered by a poorer person. Advice could be general (“if you must steal, steal from the rich”) or particular (“if you must steal, choose wealthy Richard over poor Robert”). These discussions prompted a consideration of whether a counselor would later owe restitution to a victim if the particular advice given had caused the malefactor to change victims. Among theorists who defended the permissibility of counseling the lesser evil, the major debate concerned whether the newly proposed evil had to be different in degree, or whether it could be different in kind. Even the stricter or less permissive defenders of the PLE had to consider difficult cases. Some theorists questioned whether a vengeful would-be murderer could permissibly be counseled to remove a limb instead, on the grounds that taking of a limb from a victim in an act of revenge was implicitly or virtually contained in the murder, and hence not a moral evil of a different species.

## Twentieth- and Twenty-First-Century Considerations

In more recent times, appeals to the PLE have arisen in a variety of contexts. In the mid-twentieth century, when the topic of moral

dilemmas received renewed interest by Anglo-American philosophers, again the PLE was examined as a possible solution (Donagan 1977: 152). Considerations of the PLE also arise in debates in political philosophy; the principle is often invoked in discussions of voters facing an obligation to cast a ballot from a limited slate of undesirable candidates. Similarly, analyses of the PLE arise in accounts of the so-called problem of “dirty hands,” where political activity is envisioned as requiring some malfeasance on the part of authority to secure a greater social or political good (Shugarman and Rynard 2000). In legal philosophy, the PLE is a key element of the necessity defense for immunity from criminal liability (Alexander 2005). What is normally forbidden by law (e.g., the evil of destroying another’s property) may be exculpable if doing so is necessary to avoid extreme danger or harm on a large scale.

Borrowing from traditional critiques of utilitarianism, some philosophers have criticized the usefulness of PLE by arguing that many evils, like many goods, are incommensurable, and therefore cannot be compared in terms of greater and lesser. One response has been to argue for forms of measurement that could be the foundation for some comparisons of evils (Spielthener 2009).

The PLE also appears in arguments found in contemporary moral theology, particularly in debates concerning proportionalism and the law of graduality. Proportionalism is a controversial approach that originated in Catholic moral theology in the twentieth century as way to justify exceptions to moral norms in certain circumstances (McCormick and Ramsey 1978). It implied a rejection of the traditional view that certain exceptionless moral norms exist. The law of graduality is a practice used in pastoral formation. It encourages those whose lives fall short of perfection in some particular domain to improve gradually; if one cannot (or will not) desist altogether from a particular moral evil, she or he can at least be encouraged to reform gradually (Burggraeve 2014). Proponents of gradualism consider slow reform (i.e., a reduction of the number of moral failures) to be a lesser evil in comparison with no reform at all. Unlike

proportionalism, gradualism is consistent with the view that there are exceptionless moral norms.

While a moral application of the PLE is often controversial, little controversy exists in the context of a nonmoral use of the PLE. If presented with otherwise equal treatments for curing a serious illness, for instance, the one with less harmful side effects should be chosen over the one with more harmful side effects. The evils in this case are the foreseen but unintended side effects. The PLE simply enjoins the minimization of such physical evils.

## Cross-References

- [Behavioral Ethics and Rationalizations](#)
- [Ethical Dilemmas](#)
- [Ethical Engagement: Observer Obstacles](#)
- [History and Philosophical Foundations of Ethics](#)
- [Oaths, Professional](#)
- [Professional Ethics in Healthcare](#)
- [Utilitarianism](#)

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## Levinasian Ethics in Business

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## Synonyms

Responsibility as substitution; Responsibility for the other; Thinking-of-the-other

## Definition

Emmanuel Levinas’ rethinking of ethics in *Totality and Infinity* from 1961 and *Otherwise than Being* from 1974 opens a new perspective on ethics, in which the social relation between moral actors is highlighted. In my face-to-face encounter with another person, I experience the primacy of the other who appeals to me and asks to act and behave ethically. This other is not an object of knowledge but a radical other who is unknowable, and at the same time calls for ethical behavior in response to his or her call.

## The Essentials of Levinasian Ethics

For Levinas, the point of departure of ethical behavior is found in the face-to-face encounter with the singularity of another person. Traditionally, this encounter of another person is characterized by the reduction of his or her otherness to the same and similar. In *Totality and Infinity*, Levinas



argues: “Western philosophy has most often been an ontology: a reduction of the other to the same by interposition of a middle and neutral term that ensures the comprehension of being” (Levinas 1969: 43). This middle term is a general principle, rule, or category in light of which different persons appear *as* the same – for instance, as a workforce, a shareholder, or a stakeholder. In such a general principle, their singularity and situatedness is neglected. Moreover, this middle term is traditionally found in oneself: “The relation with the other is here accomplished only through a third term which I find in myself. The ideal of Socratic truth thus rests on the essential self-sufficiency of the same, its identification in ipseity, its egoism” (Levinas 1969: 44). Because we find this general principle, rule, or category in ourselves, traditional ethics is characterized as ego-logy in which we see the other person like we see ourselves.

Contrary to this ego-logy of a moral subject in traditional ethics, Levinas develops an ethics which is primarily *responsive* to the demand of the other (he spells the other with the capital letter O – Other – in order to indicate the unbridgeable otherness of this other). And contrary to the focus on moral principles, rules, and universal norms in traditional ethics, Levinas develops an ethics which is primarily responsive to the singularity and situatedness of another person, here and now. Ethical responsiveness does not consist in following ethical rules and norms according to Levinas, because “from the start, the other affects us despite ourselves” (Levinas 1998: 129). This means that according to Levinas, we are unconditionally and always responsible for the other “to the point of substitution for the other”, i.e., we are responsible for the other despite ourselves (Levinas 1998: 75). This singularity is not primarily accessible by our rational judgments, but by our bodily sensibility and sensation in proximity to the other. Bodily sensation “breaks up every system” (Levinas 1969: 59) of rational and universal principles in favor of the singularity of the other, and enables us to take unconditional responsibility for the other in our performance of ethical behavior.

Four main characteristics of a Levinasian ethics can therefore be discerned (Levinas 1969, 1974):

1. Ethics is not an ego-logy but responsive to the demand of the other.
2. The ethical orientation is not found in universal rules but constituted in the confrontation with the singularity of this other.
3. The other is not accessible through rational judgment but through our bodily sensitivity in proximity to the other, in which we perform ethical behavior in response to the call or need of the other.
4. The face-to-face encounter with the other enables us to take unconditional responsibility for the other.

## Levinasian Ethics and Business

The radicality of Levinasian ethics poses not only difficulties for scholars who are interested in the applicability of his ideas in practical questions regarding ethics and justice, but especially for scholars who are interested in the application of his thought in the field of business ethics.

Various scholars have pointed at a fundamental tension between Levinas’ concept of ethics and business. While Levinas rejects the primacy of the moral subject, the focus on universal principles like codes of ethics and conditional responsibilities toward the other, corporates *presuppose* such an ego-logy and focus on universality. Business is primarily self-interested while Levinas’ ethics is criticizing the economic rationality of self-interest and argues for an interest in the other (Roberts 2001). The singularity of the face of the other provides a moral impulse, but this moral impulse is neglected and instrumentalized in totalizing bureaucracies and governance structures in business life, such as codes of conduct and ethical codes (Bauman 1989). Roberts for instance argues that business is characterized by a “narcissistic preoccupation with the self” (2001: 109) and Bevan and Corvellec argue that “serving its self-interest with profit” is a corporations “*raison d’être*” (2007: 212). Because corporations cannot

submit themselves to the other, a Levinasian business ethics is impossible according to these authors.

On the contrary, corporations systematize and regulate corporate responsibility by the introduction of corporate governance and codes of ethics, in which the singularity of the other is neglected in favor of universal norms and principles. Because corporate governance neglects the singularity of the other, corporate codes of ethics can be seen as an oxymoron from a Levinasian perspective (Bevan and Corvellec 2007). In their book on business ethics, Jones and colleagues provide good reasons for a rejection of corporate codes from a Levinasian perspective. Corporate bureaucracy enforces rule-following and with this releases the individual from his or her responsibility for the other (Jones et al. 2005). Also Bauman argues that bureaucracy creates a “moral distance” (Bauman 1989; cf. Mansell 2008).

The incompatibility between moral impulse and bureaucratic governance structures leads to a dualistic conception of business ethics, with the corporation on the one side and ethics on the other. Based on this dualism, the possibility of a Levinasian business ethics is rejected (Bevan and Corvellec 2007; Roberts 2001). Bevan and Corvellec for instance argue that a code of Levinasian ethics would be a contradiction in its own terms.

Another argument against a Levinasian business ethics is that ethical responsiveness to the singularity of the other presupposes a bodily sensation in proximity to the other and that only human beings are able to achieve such a proximity to the other, contrary to corporates. Only human beings can submit to the other, and because a corporation is not a human, it cannot take over this role as a “corporate” citizen: “Corporations lack the bodily subjectivity that is the precondition of a Levinasian approach to the Other; only humans can act ethically and because corporations are not humans, it is impossible to speak of corporate ethics, and we can only speak of managerial ethics” (Bevan and Corvellec 2007: 217).

While a corporate business ethics is impossible from a Levinasian perspective, Bevan and

Corvellec argue that individual managers in such corporations can take responsibility for the other. Byers and Rhodes (2007) move beyond this role of individual management and extend it to employees. They take the social relation to the other in organizations as point of departure in their research and identify cultural practices in organizations in which the singularity of each member of the organization – not only managers and business leaders but also employees – is respected. Such a notion of individual responsiveness, contrary to corporate responsiveness, does not imply that ethical responsiveness to the call of the other is more easily achieved by individual managers and business leaders. If one thing can be learned from the application of Levinas’ philosophical insights in the field of business ethics, it is why egoism and self-interest is so self-evident in business life (Demond 2007).

## Toward a Levinasian Business Ethics

In the discussion of corporate versus individual responsiveness, a strict distinction is made between the corporate level with its bureaucracy of ethical rules and regulations, which is rejected from a Levinasian perspective, and an individual level of leaders, managers, and employees who may develop the sensibility to take care of the other without being able to codify this responsibility in a system of corporate rules and regulations. Some scholars are hesitant to remove all regulation and to count on the moral impulse at the individual level of business leaders and managers alone. Mansell for instance argues: “To the extent that a person can be held accountable to others for the ethical content of their actions, the need for rational justification can be seen as an indispensable requirement of their ethical disposition, even if it cannot be its foundation. If rationalisation can be seen as an integral part of ethics, then perhaps it is understandable that corporations attempt to codify their responsibilities in a set of principles” (Mansell 2008: 566). Mansell maintains a strict distinction between rule following and responsibility for the other, but argues that rules can be seen as a codification of a moral

experience which always remain beyond the rules and cannot be found in these rules (Mansell 2008). According to Mansell, corporate governance is embedded in the moral experience of the other. In this respect, corporate rules and individual managers' sympathy for the singularity of the other belong together in corporate ethics.

As a consequence, rules and codes should be applied in a flexible way in order to account for the singularity of the other and we should reflect continuously on the applicability of these rules in a given situation (Mansell 2008: 573). This reflexivity is also necessary because rules and regulations are not only expected to lead to ethical but also to self-interested behavior of individual managers (cf. Weaver and Trevino 1999). In order to prevent a purely symbolic use of codes and regulations (Arya and Salk 2006) through an ethics of self-interest, in which not being ethical but being *seen* as ethical is essential (Robert 2001), flexibility of corporate governance and reflection on its applicability is a necessary condition to combine rules and responsiveness according to Mansell, which is at least consistent with Levinas' ethics. In this way, Mansell can defend the possibility of a Levinasian business ethics.

Another defence of the possibility of a Levinasian business ethics can be found in the rejection of a strict distinction between the corporate level of bureaucratic governance systems and the individual manager or employee level (Ten Bos and Willmott 2001; van de Ven 2005). According to Ten Bos and Willmott, "bureaucracy may actually accommodate and protect some space for the expression of moral impulses, at least to the extent that it outlaws or inhibits practices (e.g., nepotism) that engender greed or fear" (Ten Bos and Willmott 2001: 789). Van de Ven for instance distinguishes between two types of self-interest of companies – pure egoism which should be rejected from a Levinasian perspective and a type of self-interest that acknowledges its dependency on the other and is presupposed in taking responsibility for the other: "... the constructive integration of a CSR strategy requires that it is compatible with the reproduction (self-interest) of the system. If the management of a firm does not acknowledge this, it could risk the continuity of

the firm" (van de Ven 2005). In other words, only if the continuity of the firm is served, it can take corporate social responsibility for the other. When actors were completely open and responsive to the demands of the other without any self-referentiality or ego-logy, there would not be a "self" at all which is open to these demands of the other. As Blok (2014) argues, our efforts to act and behave responsive to the demand of the other will remain imperfect, because of the self-referentiality of the self (self-interest), which is a necessary condition of our responsiveness as well (cf. Aasland 2007). Because of this egoism or self-referentiality as a necessary condition of our responsiveness to the other, all our efforts to be responsive to the demand of the other remain *imperfect*. And it is the imperfection of our effort which can be taken as a call to substitute for the other, i.e., take responsibility for the other despite our own interests in business. According to authors like van de Ven, the self-interest of actors is inescapable and a condition for the responsibility for the other and in this respect, Levinas' ethics can make business leaders sensible for the ethical in the business context.

Notwithstanding the ambition to transcend the dualism between corporate rules and principles on the one hand and the moral impulse on the other, van de Ven, like Mansell, argues that this moral experience lies beyond rules and regulations. In other words, their ambition to transcend this strict distinction is not achieved while the precise relation between the two is not subject of reflection.

Other philosophers tried to reconceptualize the notion of corporate rules and regulations to solve this dualism in favor of a Levinasian business ethics. Mollie Painter-Morland for instance rehabilitates the notion of corporate codes of ethics by focussing on the relational aspects of codes and by stressing that codes of ethics should be part of an ongoing questioning of decisions and practices, i.e., a questioning of its content, its applicability, and its limitations within the business context. With this, the incompleteness and imperfection of corporate codes is stressed (Painter-Morland 2010). Inspired by Levinas, Vincent Blok developed a performative concept of ethical oaths (Blok 2013) and corporate codes (Blok 2017) in

which the incompatibility between moral impulse and corporate rules and regulations are bridged. Four characteristics of a Levinasian concept of business ethics can be distinguished, based on his work:

1. Business ethics concerns corporate actor's self-regulation to act ethically in response to the call of the other.
2. Self-regulation is constituted by firms' responsiveness to the call of the other and by their self-interest or egoism (self-referentiality).
3. Because of the structural possibility that firms serve their own interests, instead of being responsive to the call of the other, the possibility of the imperfection of firms' responsiveness should be acknowledged in business ethics.
4. Because of the structural possibility of the imperfection of firms' responsiveness to the call of the other, the call should be taken as a call to substitute for the other, despite firm's tendency to serve their own interests (Blok 2013, 2017).

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## Liberalism

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## Synonyms

Equality; Freedom; Individualism; Liberal democratic capitalism; Libertarianism; Neoliberalism; Open society; Property rights

## Definition of Liberalism

Liberalism is a complex cluster of political and moral values which arose in the seventeenth and eighteenth centuries in Europe and which has been central to politics and political thought in “the west” ever since. The key values of liberalism

are individualism, liberty or freedom, equality, human rights, democracy, rule of law, property rights, free markets, capitalism, social justice, and progress.

Liberalism comes in many forms, depending partly on which liberal values are advocated and partly on the priority of various values; more importantly, forms of liberalism depend on the definition and interpretation of liberal values. In particular, concepts of liberty (also known as freedom or autonomy) can vary greatly; such variations have led to different forms of liberalism, especially the split between big-government and small-government liberals.

## Description of Liberalism

All of the values of liberalism are applied at the level of the individual human being. Thus freedom means freedom for individuals, equality is equality of individuals, private property means ownership by individuals, and so on. Liberalism rejects such values as the greatness or power of states; pursuit of class, caste, corporate, or sectarian interests; and any other value that prioritizes the interests of any collective over those of individuals. For this reason, liberalism relegates to the private area of individual freedom opinions and beliefs about the purpose of life, life plans, conceptions of the well-lived life, religion, mores, sexual orientation, marriage, children, careers, conceptions of gender, and many other choices, values, and beliefs. Neither the state nor society has the right to interfere with individuals' commitments or choices in any of those areas. Because of this wide definition of private autonomy, the key political issue for liberalism is how to design just governments and laws for societies in which there is no agreement on religion, the purpose of life and other basic convictions (Rawls 1971, 2005).

Variations in conceptions of freedom give rise to the most significant differences of opinion among liberals, though all agree it is the freedom of individuals that matters. Negative freedom is freedom from external coercion, force or threats; an individual is free to do an action if there are no

laws or external threats that prevent that individual from doing that action. Positive freedom includes negative freedom plus the capability of doing the action. For example, I have negative freedom to buy a Bentley if there are no laws to prevent me from doing so and if the Mafia will not take it from me. I only have positive freedom to buy a Bentley if I also have or can borrow the money to pay for it. However, most liberals are more interested in freedom to commit to and implement life plans than in freedom to do specific actions; that is, I may not be able to afford a Bentley at the moment, but I am free if I could have chosen a life plan that included owning a Bentley. Also of concern to some liberals are internal restrictions on freedom; they would consider people as not free to do something if those people cannot know about or conceive of doing that action. For many liberals, a lack of education or literacy can restrain freedom as much as laws or violence.

Liberals value equality, but most do not advocate strict economic equality. What all liberals do value is social and political equality and what is best called equality of respect. In rejecting social inequality, liberals reject all social hierarchies, including those based on class, race, gender, caste, intelligence, education, or wealth. Historically, early liberalism defined itself as a reaction against feudal hierarchy, powerful remnants of which existed throughout the nineteenth and early twentieth centuries – indeed, Britain has still not ended inherited seats in parliament. Liberalism's rejection of political inequality commits liberals to democracy; they recognize that all people have an equal stake in social and political arrangements that will allow them to fulfill their own life-plans, and hence everyone deserves one and only one vote. Equality of respect for every individual means liberals champion human rights and champion equal rights for all individuals including the disabled, people of nondominant sexualities or genders, racial minorities, religious minorities, and all others open to stigmatization.

A belief in social and political equality also entails a firm commitment to the rule of law and equality before the law. Since no person, even those elected by a majority of voters, can ever legitimately claim the right to personally order

about any other person, all governments must function through laws established and enforced by legitimate democratic processes and applied equally to all people, even to those in government. Liberals also think that freedom requires that people are able to act within predictable and stable legal systems.

The freedoms defended by liberals include economic freedoms such as the freedom of individuals to own private property (including businesses, the means of production, land, natural resources, copyrights, patents, and trademarks), to participate in consensual exchanges, to form voluntary associations for the purpose of conducting business, and to sell their own labor and the products of their labor (Locke 1690; Mill 1859). In short, most liberals support extensive free markets, free trade, and capitalism. Liberals tend to limit free markets only by prohibitions on buying and selling people, human body parts, military weapons, and other objects and services which violate or threaten the security and freedom of individuals. Liberals also object to the buying and selling of political power; indeed libertarians (who are a type of small government liberal – see below) view the corruption of governments as such a serious and objectionable problem that they want to reduce government to a minimum (see *libertarianism*).

For a liberal, any unjustified restriction on personal freedom is a social injustice. Liberals are especially concerned with the oppression of groups of people; that is, they object to discrimination based on any irrelevant characteristic. For this reason, liberals campaign against racism, homophobia, Islamophobia, anti-Semitism, and so on. Liberals support civil rights for all identity groups – though it should be noted that it is the same rights and freedoms liberals advocate for all. Because of their belief in equality, liberals never advocate special rights for anyone.

Most liberals think that social injustices can be corrected; humankind can make nonviolent and nonrevolutionary progress toward a more just society. Indeed, progress has always been central to liberal beliefs. Liberals believe the widespread rational application of liberal principles will create societies which are free, peaceful, secure, and rich. The abolition of injustices may require

much effort and constant vigilance, but liberal democratic capitalism has already created the freest, most inclusive, longest-lived, and wealthiest societies humankind has ever achieved (see *the Great Enrichment*). Liberals believe more progress against specific injustices is possible and morally required.

## Varieties of Liberalism

Liberalism comes in several varieties depending on definitions of freedom and other values, the priority given to various values, and views about how the world works (especially about the relative effectiveness of governments and free markets). The most important split is between big-government liberals and small-government liberals. Big-government liberals think the government should be actively involved in creating the social conditions that make freedom, equality, and prosperity possible. Such liberals tend to support significant government roles in education, social welfare, pensions, healthcare, policies against injustices, and even support for the arts, research, and sports. In short, they resemble what some people call social democrats (though not socialists since liberals generally want most of the means of production to be privately owned and believe markets can be made to work fairly).

Small government liberals, of which the most consistent are libertarians, view all government action with skepticism (Nozick 1974). Often, they advocate the night watchman state; that is, they think the only proper role for government is to protect people and property. Governments should restrict their activities to police, armies, courts, prisons, and other protectors of peace and good order. Libertarian anarchists would like to see governments uninvolved even in those activities.

There are three key reasons for this split among liberals. The first is a difference in conceptions of freedom. Little-government liberals tend to restrict liberty to negative liberty; hence, the government should minimize its coercion (and taxation) of people and only concern itself with preventing criminals, thieves, knaves, and foreign



powers from interfering with citizens' negative liberty. Big-government liberals tend to have a conception of liberty that emphasizes the individual's capacity to act. For them, the government's legitimate role involves ensuring people are capable of exercising their freedoms. This involves a substantial role for governments in education, welfare, healthcare, and many other government services which ensure people have the ability to use the liberty that liberalism advocates.

But some small-government liberals, including many libertarians, derive their views not from a restricted definition of liberty but from the empirical claim that free markets are frequently, or even always, better at ensuring justice and freedom than governments are. This is partly an idealization of free markets, but even if they admit the common occurrence of market failures, libertarians think that government failures are a bigger threat to freedom. The most important government failures they cite are corruption, oppressive and greedy majorities, abuse of power, bureaucratization, intrusion into people's private lives, and inevitable government growth and bloating. Better, they say, to have market failures than government's ignorant and self-interested attempts to regulate markets and the outcomes of markets. American liberals and libertarians are especially prone to this negative view of government competence.

A third conceptual difference between big-government and small-government liberals concerns their views on the importance of private property rights. Some liberals think private property rights are sufficiently absolute that they view all taxation as a form of illegitimate confiscation. Some grudgingly think that taxation to pay for the night-watchman state is justified, but that is the sole purpose that tax revenues should be spent on. Big-government liberals acknowledge the importance of private property, but they point out that acquiring income and wealth is dependent on government-built infrastructure, government schools and universities, government research and development, and many other government activities. Hence there is no moral reason not to tax people to pay for these things.

It is sometimes said that liberty and equality are fundamentally incompatible values and that liberals differ according to which of these two they favor. However, care must be taken to see what is at stake here; it is only certain outcome-based views of economic equality that may not be compatible with freedom. In social and political spheres, freedom and equality are complementary and may be central to each other. Social equality means the absence of inherited hierarchies, and social freedom requires that all people be equally free to pursue desirable social positions. Fixed hierarchies are incompatible with both freedom and equality. A similar point can be made about politics; political freedom requires political equality. Freedom must be distributed equally.

Economics may be a different case. Although some liberals think that economic freedom requires a substantial degree of economic equality, others concede that government efforts to ensure economic equality involve limiting the economic freedom of some people. If a liberal values equality of outcome (i.e., a large degree of equality in the distribution of after-tax income and/or wealth), then strong and intrusive government action is probably necessary for achieving that equality. And such action is clearly threatening to the economic freedom of entrepreneurs, risk-takers, workaholics, savers, capable businesspeople, and all those whose exercise of economic freedom results in higher income or wealth accumulation. But if one looks at economic opportunity instead of wealth or income, many liberals think that equal economic opportunity is compatible with or even essential to economic freedom.

### **Varieties of Meaning of "Liberal"**

Although the word "liberal" properly applies to a wide variety of views on basic liberal values, the word has taken on more specific meanings in various countries. These inconsistencies can create considerable confusion. Liberalism as described in this article can be referred to as "classic liberalism." In the United States, "liberal" has

come to mean big-government liberalism, and it is often used as a label of contempt by people who dislike big government and who especially dislike the welfare state. The negativity associated with “liberal” in the United States has led some liberals to drop the term and refer to themselves as progressives. Small-government liberals in the United States often accept the label “libertarian.” Political convenience has associated libertarians with conservatives, but, conceptually, many American conservatives have views on authority, hierarchy, social mores, and other issues that are incompatible with liberalism (including libertarianism).

In Europe, “liberal” generally refers to a centrist compromise between governments and free markets – a compromise to the left of center in Britain and to the right of center on the Continent.

Parties that call themselves “Liberal” (known as Liberal with a capital ‘L’) vary greatly from country to country or even within countries. For example, the federal Liberal Party in Canada has quite different policies from the Liberal Party of, say, British Columbia.

To confuse usage further, the term “neoliberalism” is widely used to refer to small-government liberalism applied on an international and global level. Neoliberalism values free markets and free trade and is against government regulation, an extensive welfare state and the redistribution of wealth and income. Neoliberalism tends to dominate trade treaties, the WTO, and international economic organizations such as the IMF and World Bank.

## Criticisms of Liberalism

The most common reason for rejecting liberalism is based on the rejection of individualism. That is, many people believe that “the good” cannot be defined solely in terms of the aggregate good of individuals satisfying their own life plans. “The good” must, critics say, include the state of families, communities, classes, nations, and/or some other conception of identifiable groups of humans. Thus, liberalism is rejected as inadequate by communitarians, communists, and anyone

whose conception of a well-lived life includes living in a society with specific religions, language, moral, military, or other social characteristics. Religious beliefs, if they extend beyond individual private faith to strongly held views on social or legal issues, often pose significant problems for liberals. Liberals believe in religious tolerance, but not all religions believe in tolerating individual beliefs or actions in domains that liberals consider private and a matter for individual freedom.

Many people also complained that liberalism is hollow at its core and that liberalism provides no guidance about the purpose or meaning of life or about the virtues and characteristics of a well-lived life. In response, liberals suggest that the point of liberalism is to allow people with radically different views on the purpose of life to live together peacefully; liberalism intentionally does not pontificate on the meaning of life, leaving that to the autonomy of every individual. However, some liberals claim that the liberal values of tolerance, respect for others, strict separation of the private from the public spheres, and democratic participation are all virtues in a liberal society and that those go a long way toward conceptualizing a purposeful life and virtuous character.

Another argument against liberalism, or at least a reason that even liberals sometimes admit puts constraints on liberalism, is the problem of human security in a violent world of terrorism, wars, and organized crime. For example, surveillance of electronic activity and surveillance by video cameras and other means often invade the privacy and freedom of action of individuals dear to liberals but may be necessary for security. The proper trade-off between liberal values and security is difficult to establish.

## Summary

Liberalism is a cluster of political and social values, all of which emphasize the freedom, equality, and rights of individuals. Varieties of liberalism are determined by differences in interpretation and priority of these values and by differences in opinion about the relative effectiveness or corruptibility of

free markets and governments. Most importantly, small-government liberals advocate free markets, and big-government liberals support a large government role in education, healthcare, pensions, and other endeavors of the welfare state. Liberalism is rejected by people who value the interests of communities, the state, the proletariat, or some other group over the freedom and equality of individuals. Others complain that liberalism does not define any purpose in life. Finally, in the dangerous world we now live in, some think that security concerns should limit liberal freedoms and individual privacy.

## Cross-References

- [Human Rights](#)
- [Individualism](#)
- [Libertarianism](#)
- [Liberty](#)
- [Property Rights](#)

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## Definition

Libertarianism has two related aspects, often both believed by the same people. First, there is the libertarian defense of certain fundamental principles of justice and a vision of a just society that would result if these principles were the bases of law and government. Second, there are related libertarian views on law, economics, and social issues as they apply in the often unjust societies in which we currently live.

The key principles that underlie both aspects of libertarianism are these: first, that all people should be free from outside constraints on their liberty to live their lives in whatever way they choose (except insofar as everyone must respect the freedom, security, and private property of others). Restating this: no person or government should ever interfere with other people's freedom of action, their security of person, or their legitimately acquired private property. Second, private property can legitimately be acquired only by creation, just original acquisition, or free and consensual exchanges between free agents. In short, libertarians advocate perfectly free markets and free market capitalism (Hayek 1944).

Libertarians often sketch an utopia society in which government, laws, and individual morality are based on these two principles. Such a society, they argue, would be peaceful, secure, and very rich since security of private property would encourage people to create wealth.

Libertarian views on current social, economic, and political policies tend to include advocating laws, regulations, and policies consistent with the following values:

- Individual freedom of choice and action about how people lead their lives.
- Individual freedom to participate in free exchanges within free markets.
- Minimal government whose only responsibility is to provide security of person and property (often known as the "night-watchman state").
- Elimination or minimization of all taxes, possibly except those required to support the night-watchman state.

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## Libertarianism

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## Synonyms

Free market ideology; Neo-liberalism; Small-government liberalism

- Elimination of all government regulations, especially regulations designed to produce a certain economic or social outcome.
- Elimination of all government attempts to redistribute wealth or income.
- Elimination of all government roles in welfare, healthcare, pensions, education, culture, consumer protection, and so on; elimination of the welfare state.
- Free trade between nations, and (often) free international movement of people.

## Description

Libertarianism is a form of liberalism; specifically, it is the most pure form of small government liberalism (see “► [Liberalism](#)”). Forms of liberalism can best be classified by their definitions of freedom; libertarians’ notion of freedom (called negative freedom) is that an individual is free if there are no external constraints on his or her actions. This is a rejection of capacity notions of freedom in which a person is free to do an action only if they have the capacity and means of doing that action. Also, it is a rejection of positive notions of freedom in which an individual is free if he or she has the internal ability to freely choose, not just to freely do (see “► [Liberalism](#)” and Berlin 1958 for further discussion).

## Defenses of Libertarianism

There are two sorts of defenses for libertarianism. The moral defense claims that the individual’s rights to negative freedom and to private property are fundamental ethical judgments. The alternatives to these principles, libertarians believe, are coercion, oppression, violence, theft, and wrongful confiscation. Since these alternatives are ethically unjustifiable, the fundamental principles of libertarianism must be accepted. Some philosophically minded libertarians (Nozick 1974) justified these fundamental principles on the basis of self-ownership, which is the idea that all individuals own their own bodies, their own labor, and the products of their labor. This idea may not be

necessary for acceptance of the fundamental principles noted above and has been criticized (Cohen 1995).

The second sort of defense for libertarianism has a utilitarian basis. It claims that any society which respects the fundamental principles of libertarianism will develop free markets and a form of capitalism that is driven by entrepreneurship, innovation, growth, and the creation of vast wealth. Everyone except the lazy and non-deserving will benefit from this wealth creation and everyone (as much as possible) will live long, healthy, safe, and comfortable lives according to their own choices. We will all enjoy security of person and private property.

## Clarification and Historical Notes on Libertarianism

Libertarian defenses of the right to private property derived from the writings of John Locke (see “► [Locke, J.](#)”) via Nozick (1974). Locke (1690) argued that the right to private property was more fundamental than government and that governments were formed primarily for the purpose of ensuring security of person and property. His justification of private property was based on his notions of just original acquisition and just transference. Originally, god gave the planet earth to all human beings to enjoy in common. Land became the property of a single individual when that individual invested his or her labor in the land to make it more productive. This removal of the land from common ownership by labor was justified providing there was as much and as good land left for other people to do the same. This proviso was eliminated by the invention of money and the option landless people then had of being hired by people who did own land. After original acquisition, land was justly transferred through consensual exchanges or inheritance.

Robert Nozick accepted Locke’s justification of the right to private property and argued that the only justifiable government was a minimal government designed to provide basic security to people and their property. The use of government

powers such as taxation for any other purpose amounted to unjust confiscation of private property and the violation of people's freedom to use and dispose of their property as they chose.

Many modern libertarians have been influenced by Ayn Rand's (1957) argument that people are obliged to respect the constraints of not harming others and their property, but that any expectation of altruism or other ethical principles that go beyond those constraints are disrespectful of a person's integrity and harmful of a person's justified self-respect. She also thought that altruism would undermine the entrepreneurship and drive of the wealth creators in society. However, these views are not a necessary part of libertarianism and many libertarians accept or even advocate altruism, charity, and generosity, providing only that these virtues are left to the private choice of the individual and are not enforced by coercion, taxation, or other government imposition.

## Criticisms of Libertarianism

Most fundamentally, libertarianism is rejected by anyone who disagrees with the fundamental moral values of liberty and equality. This would include authoritarians of any sort, those who think "too much" freedom will lead to social chaos, and all those who think a social hierarchy of any sort (whether traditional or merit-based) should be enforced.

Also common is the rejection of libertarianism by those who disagree with its individualism, believing instead that all humans are unavoidably embedded in families, communities, and nations. Such people often think that individual negative freedom is insufficient for people's conceptions of life, desires, and goals that can only be defined and pursued relative to those around them. The first thing most people do when free is to form families, extended families, communities, and nations. Critics of libertarianism claim that at a minimum families, communities, and nations need to coordinate values and actions. The libertarian cannot argue that we choose our family and community commitments; we do not choose the family or community that we are born into.

Libertarianism is incomplete in its emphasis on individual freedom if it is true that family and community are an essential part of a well-lived human life, and that family and community obligations cannot be fulfilled within the individualistic values of libertarianism. Consider the family: a parent's duties to young children, a family's duties to the disabled, and children's obligations to depended elders all go beyond libertarian constraints, and these duties are not supererogatory – they are requirements of any moral system, and they require positive interpersonal obligations not compatible with a purely negative notion of freedom. Libertarianism seems remiss in assuming every individual is a well-functioning adult capable of living a free and independent life (see "► [Economic Man](#)").

Libertarianism is strictly neutral about the purpose of life; people can use their freedom to pursue any purpose they wish providing only that they do not violate, or get the government to violate, anyone's freedom, security, or private property (Rothbard 1978). This neutrality regarding the purpose of life is considered a virtue by liberals (see "► [Liberalism](#)"), but a problem by many others, such as communitarians and anyone whose religion or cultural beliefs include communal preferences. The language laws of Quebec which are designed to preserve a French-speaking culture are a good example of a cultural goal that cannot be pursued without violating libertarian principles of individual freedom. A libertarian would only view such laws as acceptable if she thought that living in Quebec was voluntary, which it is in the sense that people in Quebec are free to move to other provinces without any government restraints, but such migration may conflict with family or community obligations.

Libertarianism is rejected by those who disagree with the claims that private property is morally as fundamental as libertarians think. They point out that a "no trespassing" sign on private land is an external constraint on a hiker's freedom and thus a violation of negative freedom. Objectors may also argue that some forms of private property ownership such as corporations can only be established and maintained by governments and government enforced laws. For corporations

to exist, the government and the legal system must recognize the creation of corporations as separate private property owning entities with limited liability, economic rights, and so on. The existence of corporations, it can be argued, is a huge government interference in free markets which results in corporate capitalism instead of free market capitalism.

Also, many reject the idea of just original acquisition. They point out that all land on earth has at some point been acquired by violence, conquest, and/or seizure. Consider, for example, the European settlement of America and the confiscation of Aboriginal land. The current owners of land in America may have acquired it through a just transaction, but if one follows the chain of transactions back, one always finds injustice and violent acquisition that was not consistent with libertarian principles of just acquisition and just transfer. If the current ownership of all land and property is not founded on principles of justice, then libertarianism faces a problem of defining a starting point for a just libertarian society. Some advocate starting with current ownership for utilitarian reasons of convenience (Narveson 2001), but that undermines much of the moral appeal of libertarian principles. Other libertarians suggest that everyone should be given capital when they join adult society at age 18 (to be financed by estate taxes), but that ignores the fact that many people do not understand capital, do not know that investments can generate income, and have been brought up in cultures in which money is spent immediately or it is stolen. Capital can be given to everyone, but not capitalist knowledge and values.

The utilitarian justification of libertarianism will be questioned by all who think free markets are or tend to be socially disruptive, and that free markets undermine the very values of trust, respect for others, and respect for private property that libertarians so greatly value. Polanyi (1957), for example, argued that a society must and will try to defend itself against the exploitations of free markets and capitalism. Marxists, of course, and political thinkers of a similar ilk, reject the private ownership of the means of production because it causes exploitation, alienation, and extreme

inequality (although Marx himself thought capitalism a necessary stage in the material progress of humankind.)

Libertarian defenses of minimal governments may not give sufficient recognition to the fact that libertarianism's own values of private property and freedom may be more threatened by market failures, corporate market power, fraud, crime (organized, control, white collar or other forms of crime), violence, and social disintegration than they are by governments. If it can be empirically shown that a welfare safety-net achieves security of person and property for much less expense than mass incarceration, then even proponents of the minimal state should consider such a safety-net acceptable.

## Summary

The fundamental moral values that underlie libertarianism are that no one and no government should ever interfere with any individual's freedom, security, or private property. Most libertarians acknowledge other values, such as family, community, and charity commitments, but view such values as purely private matters. Only the fundamental values should be enforced by social pressure and governments – indeed the only rightful role of governments is to protect individuals' freedom, security, and private property. Libertarians use their principles to argue for policies in societies as they currently exist and to sketch a prosperous and secure utopia in which their principles are generally respected.

## Cross-References

- [Ayn Rand's Ethics](#)
- [Core Values](#)
- [Distributive Justice](#)
- [Individualism](#)
- [Justice](#)
- [Liberalism](#)
- [Liberty](#)
- [Property Rights](#)



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## Liberty

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## Synonyms

Freedom; Open society

## Opposites

Oppression, tyranny, colonialism, destitution, commitment

## Introduction

The words “liberty” and “freedom” generally mean the same thing and will be used interchangeably in this article.

Liberty can be divided into types based first of all on whether it is a people (country, nation, class, polis, etc.) that is free or separate individuals that are free. Freedom for individuals can be freedom from interference (negative freedom), freedom of having the resources and capacity to choose an

action (resource or capability freedom), or freedom to conceive of and live a way of life that individuals would choose if they could comprehend it (positive freedom). Existential freedom is a freedom we all have and can never escape, but the connection between existential freedom and commitment needs to be discussed. Once these concepts of freedom are elucidated, they can be applied to issues in economic freedom, liberty for businesses, and consumer freedom.

## Freedom of Groups of People

Benjamin Constant (1988 [1819]) called freedom for groups of people “ancient freedom” because it was much discussed by ancient Greek philosophers. For Plato, Aristotle, and many others of their time, a political community (or “polis”) was free if it was not under the control of another polis or empire. Their only concept of individual freedom was not being a slave. The ancient concept of freedom and its opposite, oppression, are still much use today especially in discussions of colonialism, self-determination, and separatist movements. The groups on behalf of whom claims for liberty are advanced can be nations, ethnic groups, provinces, classes, or religions. Oppressors can be foreign occupiers or central governments, but in the discourse of neocolonialism, the enemies of freedom are often local corrupt elites acting as puppets for multinational corporations, global financial elites, or foreign state enterprises. Corporate access to natural resources is a common motive for what some people call “neocolonial oppression.”

A good example of the use of the language of liberty in a separatist movement would be in Québec, when in the 1970s the FLQ (English = Front for the Liberation of Québec) advocated the separation of Québec from the rest of Canada. Charles de Gaulle visited and proclaimed “Vive le Québec libre!” (Long live free Québec!). He was asked to leave. The call for “liberty” for the Québec nation was powerful, though the people of Québec have twice voted in referenda to remain part of Canada.

## Negative Individual Freedom

Negative individual liberty is freedom from laws, regulations, force, violence, or threats that prevent or coerce an individual from doing an action. Freedoms of speech, of the press, of movement, and so on are generally negative freedoms. They can be interfered with by censorship, oppressive governments, powerful religious organizations, militarized police forces, organized crime, and other institutions exercising power to silence or detain individuals. It is not usual to say, except metaphorically, that freedom is restricted by non-human or natural forces or events. Snowstorms, for example, may block roads, but we do not say that they oppressively restrict liberty. Only human actions can oppress liberty.

Most people believe, or say that they believe, that extensive negative freedoms are morally valuable. And most philosophers in the Anglo-American tradition use liberty to mean individual negative liberty (Berlin 1958). However, people sometimes advocate interferences in other people's free actions; they advocate, for example, laws against hate speech, or they claim the "right" not to be offended by the speech of others. The language of negative freedom and trying to justify restrictions on negative freedom make the stakes in such debates clear.

## Resource and Capability Freedom

Lack of coercion that prevents an individual from acting does not do that person much practical good if she cannot access the resources she needs to do an action or if she has the resources but not the capability of using them (Sen 1985, 1999). For example, there may be no laws or threats which prevent people from traveling but (in a car-based rural area) lacking a car can restrict freedom, and even having access to a car will not do a blind person much good. Or another example, not only censorship restricts freedom of speech, but so do poverty, dependence on others for a living, and illiteracy.

There is a lot of political resistance to resource and capability notions of freedom, mostly based

on the worry that if many people do not have the resources for freedom, then someone will be morally expected to give them what they need. This implies redistribution of wealth and hence taking from those that have. With negative freedom, the moral expectations on others are only ones of refraining from coercion.

However, redistribution is not necessary to achieve resource and capability freedom if the socioeconomic system is designed in such a way that everyone can achieve resources and capabilities by their own efforts. Of course, there will probably always be exceptions concerning the severely handicapped, but "giving" people resources may not be generally required.

## Positive Freedom or Freedom from "False Consciousness"

One of the capabilities needed for freedom to live a certain way of life is the ability to conceive of the possibility, to conceive of the society in which that way of life is an option, and to recognize that such a way of life is superior to one's current life. This implies that freedom can come through education, experience, open-mindedness, and mind-changing art and literature. All of this is true and is good grounds for supporting public education, universities, art galleries, theaters, libraries, and so on.

However, positive freedom has historically led to an unfortunate emphasis on coercion (Berlin 1958). If a group of people such as the proletariat cannot conceive of their own freedom and they view the world through a false understanding of reality, then it becomes the duty of the vanguard who see reality clearly to force or coerce other people to be free. This line of thinking, both on the right and on the left, had horrendously disastrous results in the twentieth century and has given positive freedom very negative connotations.

## Existential Freedom and Commitment

Notions of existential freedom center on the claim that humans always have choices. Available

choices may be restricted by coercion, lack of resources, or physical restraints, but no matter how constrained humans are, they always have some choices to make, if only a choice of how to view and react to one's situation. In a modern free society, people's existence is swimming in thousands of choices daily; there is no escape from this existential freedom. Realization of its extent and necessity can make people anxious, a condition known as existential angst.

So perhaps modern societies, especially in the "West," allow too much freedom. The suggestion of too much freedom is heard often from people who have lived in traditional societies and who are now encountering modernity. It is a mistake to think that these critics of freedom are talking about negative freedom or are advocating more oppression and coercion. That would be a mockery of their thoughts. They are generally thinking of existential freedom and the angst that it causes. Limiting this sort of freedom, as Kierkegaard made clear, can come from an individual imposing on themselves ethical commitments – commitments to values, to marriage and family, to communities, to causes, and so on. Most important for many from traditional societies, but also for many conservatives in modern societies, is commitment to a religion. Since the individual limits her own freedom by making such commitments, there is no coercion or oppression involved.

## **Economic Freedom and Business Freedom**

Economic freedom is the freedom of individuals to engage in business activity as owners, entrepreneurs, consumers, employees, or contractors. Mostly, this is interpreted as negative freedom (i.e., a lack of constraints that prevent business activities), but in some cases, such as development banks or micro financing, the goal is to increase economic freedom in the resource for capability sense.

Business entities such as corporations have no inherent moral claim to freedom; ethical justifications of freedom for businesses are derivative

from the increased freedom that business freedom confers on the individual humans involved. In some cases, such as freedom of the press, freedom to form businesses and the freedom of businesses are indissolubly linked.

Libertarians argue that business freedom derives from the fundamental moral obligation that governments (and others) should not interfere with individuals and their private property. However, the connection between freedom and property is more complicated since one person's freedom to own a private property includes the right to interfere with (or coercively prevent) other people's use of that property. For example, the owners of cottages can interfere with the freedom of other people to access a lake. There is no question that a large degree of economic freedom in a society implies well-recognized rights to own a private property, including the right to own businesses and the means of production. However, the definitions of private property and of private property rights, and their moral justification, involve a balancing of the freedoms of property owners with the freedoms of others.

The right to incorporate a business is also an important economic freedom, but incorporation does not just need government noninterference; it needs the government to create the laws that recognize corporations and confer the legal ability of corporations to own a property, sign contracts, and generally engage in economic activities. In terms of economic freedom, recognition of the rights of employees to form unions has a similar ethical status as the right of businesses to incorporate.

Western business travelers to many parts of the world should not be startled by comments about "too much freedom"; it is generally not negative freedom the person is referring to – they are not advocating more oppression. Usually they are referring to existential freedom, and what they are advocating is more personal commitment to ethics, to one's community, to one's nation, or to God. Similar views are often expressed by conservative writers, though generally without the phrase "too much liberty." David Brooks, columnist for *The New York Times*, is an example.

## Conclusion

Businesses ought to recognize and value the freedom of all individual people because their own claim to freedom depends on the moral value of freedom for all people.

## Cross-References

- ▶ [Justice](#)
- ▶ [Liberalism](#)
- ▶ [Libertarianism](#)
- ▶ [Property Rights](#)

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## Living Wage and Business Ethics

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## Synonyms

Fair Wage; Just Wage; Subsistence Wage

## Introduction

The Living Wage (LW) is based on the idea that workers (and their dependents) should be able to afford a basic but decent living standard from the

wages they earn. The LW is a “relative” concept as it is set by the standards of the community in which the workers live and work (Stabile 2008). It is to be contrasted with the National Minimum Wage (NMW), a “wage floor,” which stipulates the minimum pay per hour to which workers are legally entitled. NMWs are not necessarily living wages, as in many national contexts they are rather cautiously set so as to ensure affordability for businesses and not to “undermine” economic competitiveness.

While early conceptions of the LW go back to Hellenistic and medieval thought, the LW came to prominence in the late nineteenth and early twentieth century when the squalor and poverty of factory workers became increasingly evident (e.g., Ryan 1906). The past few decades have seen a revival of the LW, most notably in the form of civil society campaigns in developed economies that have some of the largest proportions of low-wage workers, and are affected by in-work poverty and entrenched wage inequalities, such as the United States and the United Kingdom. There is also a growing focus on the LW in global supply chains and the developing economies attached to them.

The concept of the LW has direct implications for business organizations, as it concerns how much they pay their workers at the bottom of the pay scale and raises questions about the obligations of employers to their employees. As such, the LW should be of interest to business ethics and management scholarship, and not just remain an area of inquiry for economics, geography, political science, and labor studies, as it has until recently been the case.

In the following, the main philosophical arguments for the LW will be set out as well as some challenges and issues around the LW concept. This will be followed by some considerations regarding the importance and potential of the LW for business ethics inquiry.

## Philosophical Arguments for the Living Wage

Ryan (1906) conceptualized the LW as a *natural right* to which all laborers are entitled. The right to

a LW is a *derived* right, grounded in the original and universal right to subsist. Ryan argues that in societies that use wage systems as a form of industrial organization, employers, as owners of the resources appropriated from the “bounty of the earth,” have the responsibility to pay their workers a LW, as wages are workers’ only means through which their right to a decent livelihood can be realized.

More recent arguments for the LW have been put forward by the moral economy tradition. This tradition rejects neoclassical economic assumptions that wages are tied to (marginal) productivity, and that low wages are a logical consequence of low productivity, and holds that low wages persist due to a power imbalance between employers and employees (Stabile 2008; Figart 2001). Stabile (2008) puts forward three overlapping arguments for the LW – sustainability, capability, and externality – which are set out in more detail below.

### **Sustainability**

This argument is, at a basic level, about workers being paid a wage that enables them to *sustain* themselves. Stabile grounds his arguments for sustainability in a systemic, social utility view: If, because of low wages, workers are forced to work long hours, this would diminish their strength and longevity, and lead to a depletion of resources. This concern, which was already shared by early economic philosophers such as Adam Smith and industrial sociologists Beatrice and Sidney Webb, is still of relevance today, in particular in relation to immigrant workers, who may have to hold down several jobs to make ends meet.

Wages enabling the workers to sustain themselves are about more than food: They are also about those necessities that enable a worker to participate in society, which include decent accommodation, transport, clothing, and personal care. These requirements may change over time and are subject to cultural norms and macroeconomic circumstances.

### **Capability**

Related to, and an extension of, the sustainability argument is that a LW should enable workers to

enhance their capability. Stabile explicitly refers to Amartya Sen’s work on capability. Sen (1999) distinguishes between functionings, capabilities, and commodities. Functionings refer to the various “doings or beings” that a person achieves and thus to the quality of a person’s well-being. A person’s capability refers to the freedom to achieve the functionings that are important to them, reflecting a person’s freedom or real opportunity to lead the type of life they value. Income is considered an important, though not the only, means to enhance capability as it allows the purchase of commodities through which a type of life that is valued by the person can be achieved. Sen argues that even *relative* deprivation in income (for example, a relatively poor person in a rich country) can lead to *absolute* deprivation in terms of capability as more income is needed to buy enough commodities to achieve the same functionings.

Beyond the relevance of capability to the well-being and freedom of individuals, Stabile (2008) refers to people’s capability in regard to the functions they have as members of society and as workers, and parents. For example, because workers on a higher wage can afford to work fewer hours to make ends meet, they would also have more time available to spend quality time with their children, to attend evening classes to attain additional qualifications, or to get involved in their local communities.

### **Externality**

Externality relates to the fact that low wages impose cost on others. In contemporary settings, low wages pose a cost to society as they have to be supplemented by means-tested welfare payments such as housing benefit or free school meals, so that people’s needs are met. In effect, this means that tax payers subsidize employers, who can then carry on using workers as a low-cost resource. Furthermore, because business organizations do not pay the full cost of the “resource” they are using, they will produce too much of their product due to their lower costs, and thus resources are being used inefficiently (Stabile 2008), another negative externality.

## Challenges and Issues

Despite these firm arguments that support the idea of a LW, there are a number of challenges and issues attached to the LW concept. These include:

### The Difficulty of Calculating a Living Wage

The first challenge is posed by the fact that the LW is a relatively “loose” concept, depending on cultural norms and customs. What income people require to sustain themselves and enhance their capability will always be a matter for deliberation and discussion. This is made even more complicated by the debate as to whether a LW should be based on the needs of an individual or their family, and whether welfare payments to which certain households are entitled should be considered in the calculation of a LW rate. From a practical point of view, it would be unreasonable to demand from employers to pay different LW rates to different employees according to their individual needs and family situation, if they are doing essentially the same work.

Many LW movements have chosen to pursue a pragmatic approach. They promote an hourly LW rate that is based on a basket of essential goods and services that a household needs to ensure a basic standard of living in a particular geographical region as established by well-regarded instruments such as the Minimum Income Standard in the UK or the MIT Living Wage calculator in the USA. In order to get around the problem of different household sizes, in the UK, LW rates are calculated based on “averages” of subsistence needs of a selected number of different household types, while in the USA the concept of an “ideal” household consisting of full-time earner and two to three dependents has been used (see Werner and Lim 2016 for more detailed discussion). While such approaches may fall short of meeting the needs of all workers, what is important to LW movements is that the instruments used to calculate the LW enjoy legitimacy and that the hourly LW rate they promote makes a real difference to low-wage workers in comparison to them trying to survive on the NMW.

Another possibility to determine the LW is that workers negotiate a LW themselves with their employers (Stabile 2008). This approach can be found, for example, in the guidance provided by the Ethical Trading Initiative for supply chains in developing economies. Such approach may be considered a challenge in environments where organized labor is discouraged, and workers are not equipped to engage with the concept of the LW. It is interesting to note that in some countries such as in the UK, the official calculated LW rate is increasingly being used in collective bargaining processes (Heery et al. 2017), indicating the value of a precalculated rate.

### The Living Wage Does Not Solve Problems of Underemployment and Precarious Work

Hourly LW rates promoted by LW campaigns are calculated on the assumption that a worker is in full-time employment. As such, the LW movement does not explicitly tackle the problem that people may be underemployed, that is, that they would like to work more hours than is offered to them, or that they are on employment contracts which do not guarantee any fixed amount of work and income. In addition, the LW alone does not guarantee “good quality jobs” as the promotion of an hourly rate does not include considerations of working conditions (shift patterns, work load, etc.) and job security. This raises the criticism that LW campaigns may have a too-narrow focus, and thus make only a limited difference to the lives of workers.

### Who Is Responsible for Ensuring LWs Are Paid? Mandatory Versus Voluntary Approaches

The *externality* argument for the LW requires one to consider how responsibility for ensuring that people have a decent level of income that secures their livelihood should be allocated.

There is a view that it is the responsibility of governments to supplement wages if they are not high enough for people to care for themselves and their families, in the form of housing and child benefit, for example. While this argument has some merit, other observers are critical of the



problem of low pay and in-work poverty being *solely* addressed through the payment of benefits, rather than through higher wages. They would argue that higher wages would enable governments (and thus taxpayers) to *save* on welfare payments that supplement work income. And some would add that work should be the center of any welfare reform, especially in view of the fact that a life without having to depend on the help of others enhances people's autonomy, and in view of the personal and social dimensions of work (Waltman 2004).

If it is accepted that people should be able to (largely) secure their livelihoods through the wages paid to them by their employers, the question arises what "internalization mechanisms" should be adopted: regulation (mandatory approach), voluntarism, or government incentives.

A number of LW advocates favor a mandatory approach that governments make the LW the legal minimum that employers have to pay. Such approach would create a level playing field among businesses, and it would be *collectively* in the interest of business as higher wages would increase overall purchasing power (Waltman 2004). Others, however, warn of adverse unintended consequences if the LW were to be made mandatory, especially in contexts where the current NMW is low. They warn, for example, of increases in unemployment, price increases, and fewer entry level jobs ("labor substitution effects"). While such adverse unintended consequences may not materialize at a significant magnitude – as studies on mandatory local "LW ordinances" in the USA suggest (Pollin 2005), there are nevertheless concerns over abrupt mandatory implementations of the LW at national level, as transitional costs to the economy and society are thought to be more likely.

Others, therefore, favor a *voluntary*, accompanied with an accreditation scheme for employers, as found, for example, in the UK LW campaign. A voluntary approach may avoid a number of above listed unintended consequences, as the LW will be implemented more gradually. This more gradual implementation, on the other hand,

limits the positive effect for low-wage workers in the economy overall, as only those who work for accredited LW employers will benefit from a higher rate of pay. Voluntary approaches tend to emphasize the "business case" (Heery et al. 2017). That is, they argue that those employers paying at least a LW to their employees benefit from reduced staff turnover and a subsequent reduction in recruitment, training, and supervision costs, as well as a better motivated, and thus, more productive, workforce, which will offset the costs of a higher wage bill. LW accreditation is also held to generate positive reputational effects for employers.

Others, again, argue for government incentives and "soft regulation," as positive effects of voluntary adoption may not fully offset higher costs attached to LW implementation. Inclusion of LW requirements in public procurement policies, or a reporting requirement on adherence to the LW in Corporate Governance codes for all stock-market listed companies, are examples of this "third" internalization approach.

## LW and Business Ethics Inquiry

Beyond knowledge of the philosophical arguments for the LW and of the challenges related to the concept, the LW, as an area where employer practices intersect with societal concerns, opens up important and fruitful areas of inquiry for business ethicists.

The first one concerns engagement of employers with the LW. In contexts where paying the LW is not a legal requirement, what *motivates* employers to voluntarily adopt the LW? How important is the business case for the LW, or are there other motivations at play, too? What might prevent employers from adopting the LW, and what are the main obstacles? To what extent and how would answers to these questions vary for different types of business organizations (e.g., different ownership patterns, sizes, and sectors)? Emergent empirical research on LW-accredited SME employers indicates that employers are not only motivated by instrumental reasons, but that

moral and civic motivations play a role also. This research also shows that employers who already have progressive pay policies in place, or for whom an uplift to the LW will not add too much to their wage bill, are more likely to seek LW accreditation rather than those employers whose business model is heavily dependent on low-wage work (Werner and Lim 2017). Another interesting area of inquiry is to what extent and how might the LW be used as a basis for new business models that truly value the contribution of workers and lead to a different quality of value creation, thus challenging the status quo of low-wage business models.

Beyond motivation, another important area of inquiry concerns the *ethical implementation* of the LW in organizations. What do employers do to accommodate the LW? Are any costs related to LW implementation being simply absorbed or are changes made to staffing levels, work hours, work load, costs in other areas of the organization, etc., to accommodate a higher wage bill? What are the ethical implications of these changes? A particular pertinent ethical challenge of LW implementation pertains to pay structures and differentials. Will the introduction of the LW to employees on the lowest pay tier lead to a pay rise for those on higher pay levels (potentially making implementation of the LW rather expensive, thus, not financially viable), or are pay differentials allowed to decrease over time? If the latter, this can create situations where different conceptions of fairness (need vs equity) are in conflict. A similar ethical challenge exists where the LW wage replaces incentive structures (such as performance related pay or overtime bonuses), as employers need to ensure that these changes are introduced fairly and not demoralize employees (Werner and Lim 2017).

A second broad field of inquiry focuses on the dynamics and mechanisms designed to encourage and aid LW adoption among employers, emanating from governments, civil society organizations, and the wider public. What are effective incentives and pressure points that make companies adopt the LW? How can civil society organizations effectively engage with employers to

implement the living wage – a question particularly pertinent when it comes to the adoption of the LW in supply chain factories. What is the role of unions and of customers in driving the LW forward?

A third and final area of inquiry pertains to the impact of the LW on employees. This has for some time been the focus of attention of organizational psychologists, who in particular use the capability perspective as analytical lens (e.g., Carr et al. 2017). But it is also potentially a fruitful field of inquiry for business ethics and management scholars, especially as it touches on issues of stakeholder value creation.

The LW is not the only way to address issues of low wages, inequality, and in-work poverty. However, it is an idea that – short of the introduction of a universal basic income – is not likely to go away and is likely to remain a forceful concept that will help make at least some steps toward achieving fairer economies in which everyone is allowed to flourish. The LW is, therefore, also likely to remain an area of scholarly interest, research, and debate.

## Cross-References

- ▶ [Boycotting as a Social Movement](#)
- ▶ [Business and Human Rights](#)
- ▶ [Human Dignity and Business Ethics](#)
- ▶ [Humanistic Management](#)
- ▶ [Human Rights](#)
- ▶ [Humiliation and Dignity](#)
- ▶ [Online Employees and Employer Relations](#)

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## Locke, J.

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## Introduction

John Locke (1632–1704) was an English philosopher who made major contributions to epistemology and ontology in his monumental *An Essay Concerning Human Understanding* (1690), a work often considered as laying the foundations of British empiricism. He also wrote important works on education theory and religious tolerance. However, his works most relevant to business ethics are his writings on private property and government (Locke 1988 [1690]) which developed the theories that will be discussed in this entry.

## Historic Background

Locke's views on property and government are best seen as a response to Thomas Hobbes. In his book *Leviathan* (Hobbes 1968 [1651]) and in other writings, Hobbes began with the assumption that all people were independent agents who pursued their own interests. Their most important interest was survival. In a state of nature (i.e., in a state in which there was no government), every individual would be competing against all others

for survival. Life in such a state, Hobbes famously said, would be “solitary, poor, nasty, brutish, and short” (chapter 13, para 9). Since no one individual human was ever strong enough to be secure against all others, the wisest course of action would be for all to agree to form or accept a government which was powerful enough to defend the security of every individual. People, for their own protection, would agree in a social contract to form an all-powerful government.

Several aspects of Hobbes argument should be noticed. The social contract is a contract among people *about* the formation of government; it is not a contract between people and their government. Hobbes' social contract should be viewed as a logical device, not as an actual historic event. The purpose of government was the physical security of all people; as long as the government did not threaten people's security, it was a legitimate government. The form of government – monarchy, dictatorship, parliamentary democracy, or oligarchy – was not specified; a legitimate government could take various forms. The necessary purpose of government according to the social contract did not include protecting private property, only security of person (though there might be derivative arguments for private property).

Two other historic backgrounds to Locke need mentioning. The first is seventeenth-century British attempts to settle North America. This process of settlement needed a theoretical foundation that would give ownership of land settled by Europeans to those Europeans and not to the Indigenous people who had hitherto lived on those lands. Locke provided that foundation. Perhaps it should be mentioned that he had substantial financial investments in a corporation set up to settle Virginia.

Second, Locke's thought should be seen against the background of the development of capitalism. In particular, justification was needed for the claim that markets should be allowed to function independently of government control. Further, the market exchange of land and labor, which was then a recent development, needed to be included in a theory of justice.

So, the problem for Locke was to establish the right to private property as more fundamental than governments, but to do so by using Hobbes' assumption of individualism and the social contract. And to do it in a way which justified European settlement of North America.

### **Locke's Argument for the Right to Private Property**

Locke begins his argument by imagining humans living in a state of nature – that is, living without any government. But unlike Hobbes' war of all against all, Locke imagined people hunting, gathering, and laboring to feed themselves. In such a state, all land was the common property of all people because God had given the earth to all humans for them to use for sustenance. However, once a person had labored to obtain food, such as hunting a deer or picking an apple, then the products of his or her labor belonged to the laborer provided no one ever took more than he or she could consume before it rotted. Land could be removed from the commons by any individual who labored to improve the land; primarily, this meant clearing the land and planting crops. Land so labored on became the private property of the laborer. This process of removing property from the commons is generally referred to as "original acquisition." Once private ownership was established, a piece of property could justly be transferred to a new owner by mutual consent or by inheritance. Locke's famous proviso applied to original acquisition – that is, there had to be "as much and as good" left for others to acquire in a similar fashion.

But even if the state of nature was not constant war for Locke, people would have the problem of defending themselves and their property, and for this purpose, they instituted governments. The key point here is that governments were instituted to protect property as well as persons; the right to property is prior to and the basis of government. Thus, any government interference with anyone's private property is a violation of that individual's rights and a violation of the legitimate purposes of government.

England in the seventeenth century was a long way from the state of nature. It had a powerful central government, a few people own huge amounts of land, and there was no common land that the poor could homestead and claim. Original acquisition as a process was long over. Where did this leave Locke's proviso that there had to be as much and as good for everyone? And what about the constraint that no one should claim as property more than he or she could farm and consume all the produce of? Locke's answer was that the establishment of money removes both of these constraints, the proviso because people without property could sustain themselves and their families by exchanging their labor for wages. And since money did not rot or spoil, then there was now no limit on the land and capital any individual might acquire.

Applying Locke's theory to the right of Europeans to settle North America and claim the land as private property highlights several aspects of this theory. According to Locke, at the time of European contact with North American Indigenous people, the "Indians" (his usual term) were hunters who wandered aimlessly in small groups looking for animals to hunt. Locke even expressed the fear that they might get lost. Since they had not invested their labor in the land, they have no property rights to it. European settlers who labored to clear and farm the land thereby established their right to own it. There seemed to be plenty of land for Indigenous people to stop hunting and become farmers as well, so the proviso was satisfied. By inheritance and consensual transfers, current Americans have gained legitimate rights to the land that they now own.

### **Use of Locke's Theory Today**

The importance of Locke's theory of private property and government is that it is often used today to provide a moral basis for the private ownership of the means of production, for free markets, and for capitalism in general. Locke's claim that the only just role of government is to protect private property is used to justify limiting government to the "night-watchman state" (Nozick 1974).

Locke's theory is often appealed to by libertarians to justify the primacy of the right to private property (Narveson 2001).

And indeed, Locke was an important theorizer of the capitalism that was fast developing in England by the seventeenth century. Besides limiting the role of government, Locke justified the commodification of labor and land. Under feudalism, land could be acquired only by inheritance or conquest and could not be bought or sold. Labor was owed as feudal dues; hiring labor played a very limited role in the feudal economy. That role greatly increased after the plague of the "black death"; Locke's contribution was to theorize wage labor as the norm (Macpherson 1962). Bringing land and labor into market relationships was key to the rise of capitalism (Polanyi 1957).

## Criticisms of Locke

Locke's theory of private property rests on the common moral intuition that every person legitimately owns their own labor and the products of their labor. The problem is not with this intuition itself, but with Locke's use of it to justify a system of private property rights that underlies and justifies capitalism. In a capitalist economic system, laborers do not own the product of their labor; the capitalist owner of the means of production owns it. This incoherence in Locke's theory left an opening for Marx to wield his labor theory of value and to make his claim that under capitalism labor was alienated from the product of its labor.

As a justification of the current ownership of private property, Locke's theory fails because historically there seems to have been very little or no just original acquisition. Consider North America where Locke explicitly held his theory to apply. We now recognize that Locke's information about North American Indigenous people was faulty. For example, as far north as the Hurons of Central Ontario, many Indigenous people were farmers (at least part time) who did clear land. Hunting lands may not have been owned by individuals, but they were not a commons open to all; clans, tribes, and nations carefully guarded them and

often had a responsibility of care for the land – care that amounted to investing their labor in Locke's sense (Bishop 1997). And, of course, they had governments, sometimes, as with the Five (later Six) Nation Confederacy, very sophisticated governments. This throws into doubt Locke's claim that governments are subsequent to private property and created to protect the private property owned by individuals. If, as we now must concede, North American was taken by conquest, then the current ownership of land does not derive from legitimate original acquisition. This throws into doubt use of Locke's theory to justify the current ownership of property.

As a justification of capitalism, Locke's theory fails to legitimize market power such as monopolies or oligopolies. Because of the proviso, it also fails to justify the ownership of patents on vital goods such as drugs even if the patent is owned by the drug's discoverer. (There may be utilitarian justifications for such patents; the point here is that Locke's theory of private property does not defend them). Further, there is nothing in Locke's theory that justifies corporations owning property or people owning corporations as private property. Locke's theory of private property does not mention incorporation or limited liability.

The proviso applied to modern capitalism seems to imply a right to a job. But capitalism as an economic system requires a "reserved army" of unemployed. Consider, for example, the reaction of a central bank if a nation's unemployment rate dropped all the way to zero. Fear of inflation would cause the Central Bank to raise interest rates until unemployment reappeared. This undermines Locke's assumption that the proviso no longer applies because every person could, he thought, obtain employment and wages from those who own property. Currently, the forces of automation, outsourcing, deskilling, corporate oligopolies, and the global movement of capital are undermining Locke's justification of private property rights because Locke explicitly based his theory on the proviso that everyone could produce and sell enough to sustain themselves and their families, even if the only thing they had to sell was their own labor. Some politicians, capitalists, and theorizers are beginning to consider a universal

basic income (UBI) as the best way to preserve the justice of a capitalist economy based on Locke's theory of the private ownership of productive property.

## Summary

John Locke provided an early (seventeenth-century) and influential moral justification of private property rights as more fundamental than, and not dependent on, government. He also justified the buying and selling of land and labor, which was essential to the capitalism that was developing in Britain at the time. His arguments are still used today, especially by libertarians. However, the moral legitimacy of his justification of private property is dependent on his proviso, which implies that no one should be excluded from being able to earn an income adequate for herself or himself and her or his family. It is not clear whether contemporary capitalism meets this proviso.

## Cross-References

- [Capitalism](#)
- [Marxism](#)

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## Loyal Agent's Argument

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## Synonyms

Agent loyalty; Limits of loyalty; Loyalty to principal; Loyalty; Misplaced loyalty

## Definition

This is a critique of one of the most frequently used arguments by agents in defense of inappropriate, morally wrong, and/or illegal behavior.

## Description

Leaders in business and in politics often expect and even demand loyalty from presumed and avowed followers, and followers often expect and even demand that of themselves. Apart from the hierarchical relationships between leaders and followers, loyalty characterizes many other kinds of associations. Indeed, in a fine analysis of philosophical issues concerning loyalty, Kleinig (2013) remarked that “Our *loyalty* tends to be expressed in *loyalties*. That is, it is tied to certain kinds of natural or conventional associations, such as friendships, families, organizations, professions, countries, and religions.” It is also tied to ideas and causes, and if physicist Max Planck's (1858–1947) suggestion is correct that scientific theories die when their supporting theoreticians die, it is even tied to scientific theories.

As one would expect, a concept so thoroughly imbedded in human relationships has received considerable attention by philosophers, as illustrated by Kleinig and by essays on loyalty and whistle-blowing in this encyclopedia. In this essay, we will not attempt to review this literature.



Our aim is mainly to explain a rather dangerous but widespread argument concerning loyalty and business ethics. The argument identified in Michalos (1977) is called the “loyal agent’s argument” (LAA) and it runs as follows:

1. As a loyal agent of some principal, I ought (morally) to serve his or her interests as he or she would serve them if he or she had my expertise.
2. He or she would serve his or her own interests in a thoroughly egoistic way.
3. Therefore, as a loyal agent of this principal, I ought to operate in a thoroughly egoistic way in his or her behalf.

Because the word “ought” may be used to indicate a moral obligation and/or merely a matter of self-interest, the sense intended in the LAA is parenthetically flagged as moral. It is assumed that an agent defending his or her actions with LAA wants those actions to be appraised from a moral point of view, as the right thing to do morally speaking, presumably based on any plausible moral theory. It would not draw much sympathy and would be self-defeating for such an agent to have his or her appraisers believe that his or her motive was purely or even mainly self-interest, i.e., because, after all, it was smart or there was more in it for him or her behaving as he or she did. Poff (2005) considers such a case. It is also assumed that egoistic behavior is such that in conflict situations when there are not enough benefits to satisfy everyone, the actor will try to see that his or her own needs and wants are satisfied, whatever happens to the needs and wants of others. He or she may believe that invisible hand theorists are right because if everyone behaves in this way the world’s resources will be used in a maximally efficient way and everyone will be materially better off. But this is a secondary consideration. The egoist’s first consideration is to look after *Numero Uno*, himself or herself.

In the light of these assumptions, let us evaluate the LAA’s soundness beginning with the second premise. This premise can only be regarded as true of all people a priori if the first of the assumptions

just made is false. That is, the assumption in the first premise is that the actor himself or herself is or has behaved in a non-egoistic, moral way in behalf of someone or something else. So, if it is possible for actors to behave this way, it cannot be true that all actors must act in an egoistic way, i.e., the second premise cannot be granted as true a priori.

Can the premise be defended as a well-confirmed empirical hypothesis? Yes, but that does not serve our agent’s interest. If it is a good bet that the second premise is true, then it is an equally good bet that anyone inclined to defend his or her actions with LAA is not a non-egoistic actor. Evidence for the empirical hypothesis that people generally act as egoists is evidence for the truth of the second premise and the falsehood of the assumption made of the agent’s motives in the first.

What about the first premise? In a way it looks and is as good as motherhood and apple pie. Kleinig’s (2013) “working definition” of “loyalty” appropriately includes the claim that loyalty implies a “potentially costly commitment to secure or at least not to jeopardize the interests or well-being of the object of loyalty.” The trouble is that it must not be assumed that the “commitment” is unlimited. In this respect, it is like most moral principles and rules of law. Short of turning every principle and rule into a self-contained treatise, it is impossible to indicate every possible exception. Even well-formed maxims like “it is wrong to kill people” are controversial in cases involving self-defense, war, capital punishment, and euthanasia. Regarding the first premise as an unlimited constraint on an agent’s behavior would elevate the premise to a supreme moral principle licensing any and all behavior serving the interests of any old “object of loyalty,” evil or good, wise or foolish, and just or unjust. Clearly, loyalty itself cannot be granted such supremacy.

In conclusion, it is fair to say that while loyalty is a good thing, it is not the only good thing and the LAA does not provide a good reason for pressing it into service in support of every sort of enterprise or object.

(Adapted from Michalos 1977.)

## Cross-References

- ▶ [Employer Loyalty](#)
- ▶ [Leadership Integrity](#)
- ▶ [Whistleblowing](#)

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# M

## Machiavelli

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### Definition

Niccolò Machiavelli was a Florentine statesman, patriot, diplomat, military leader, and writer who lived from 1469 to 1527.

### Description

His books include *The Prince*, *Discourses on Livy*, and the *Florentine Histories*. He is included in this encyclopedia because he inspired an unethical and cynical approach to politics and management, termed “Machiavellian” as discussed below. For further information see especially Berlin’s essay on Machiavelli (Berlin 1971) and, for example, Giorgini’s review of scholarship on Machiavelli’s *Prince* which details the different ways in which *The Prince* has been interpreted down the ages (Giorgini 2013; Zuckert 2013). The Cambridge Companion to Machiavelli and the essays within it is also a good source of material on Machiavelli (Atkinson 2010).

Born into a prominent, learned, and mainly wealthy family that was indebted at the time of

his birth, Machiavelli was a diplomat for 14 years in Italy’s Florentine Republic during the Medici family’s exile. At this time Machiavelli worked for the Chief Magistrate, Piero Soderini, as secretary and advisor. In this role he met politicians as he traveled within the four states within present day Italy and across Europe, including Louis XII and Cesare Borgia. Machiavelli thereby gained experience of international politics. He was also involved in military tactics, successfully organized infantry forces, and established a Florentine militia, including one to try and prevent (unsuccessfully) the Medici’s return. When the Medici family did return to power in 1512, Machiavelli was dismissed, having been a republican, and was jailed and tortured. He wrote *Il Principe* immediately after this experience in 1513–1514, leading some to view the book as a bitter expose or satire rather than a set of recommendations to tyrants aimed at helping them stay in power.

The book’s title character, “the prince,” may have been based upon the infamous Cesare Borgia, who was an enemy of Florence at the time or perhaps on the Medici’s. Whether the original intent was satirical, an attempt to disclose the cruelty of tyrants and its moral toll on the people, or not, *The Prince* has since been regarded as a guidebook for politicians and managers on the use of ruthless cunning, and it inspired the terms “Machiavellian” and “Machiavellianism.”

Machiavelli has been referred to as the father of modern political science based on his

achievements and writings and especially because of his book *Il Principe* (The Prince) (Machiavelli 1531 (Translated 1961)). Originally written for presentation to Giuliano de Medici (perhaps as an attempt to regain a diplomatic appointment), after Giuliano's death Machiavelli sent a copy to Lorenzo de Medici as a guide to how a prince should rule his subjects. This action was not well-received by the people of Florence as Machiavelli had been a noted republican against the Medici. Thus when the Medici's were again driven out of Florence in 1527 and a new republic initiated, Machiavelli was not asked to be a part of the new government and he died later that year.

*Il Principe* was ostensibly and overtly aimed at politicians but has been taken up by management researchers who describe his concepts as being as applicable to today's management as they were 500 years ago in Renaissance Italy (Calhoon 1969). In *The Prince*, Machiavelli advises a ruler not to honor his word when it would be disadvantageous to do so, further advising that other people, being unreliable liars and cowards, would not keep theirs. He writes that a ruler should be courageous, loyal, honorable, and public minded but also, when necessary, a great liar and deceiver. The ruler should know when to act immorally in pursuit of a state that was stable and lasting and be prepared to use fear as a means of control.

The princely statesman, wrote Machiavelli, must use guile and cunning in order to guarantee the success and prosperity of the state and the people, even if this also means that the statesman thereby has to keep the riches of office (Barnett 2006). This, to some readers was a shockingly blatant, secular, and godless description (McCormick 2011) of political realism, and it tarnished Machiavelli's reputation for hundreds of years in Christian Europe and beyond.

## Cross-References

- Corporate Psychopaths
- Machiavellianism
- Narcissistic Leadership
- Toxic Leadership

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## Machiavellianism

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## Synonyms

Aggressive narcissism; Executive psychopathy; Industrial psychopathy; Machiavellian; Manipulative-ness; Organizational psychopathy; Political psychopathy; Primary psychopathy; Successful psychopathy

## Definition

Machiavellianism is a term used, often pejoratively, to describe a deceitful, cunning, manipulative, and conniving personality or style of management or leadership. This Machiavellianism involves a disregard for personal ethics and morality when necessary and has come to imply a focus on self-interest and personal advancement.

Machiavellians are deemed likely to get to the top of organizations because of their ruthless and adroit political skills and their self-promoting activities.

Based on their reading of Machiavelli's book *Il Principe* (The Prince) (Machiavelli 1531 (Translated 1961)), Richard Christie and Florence Geis developed a measure of a person's level of Machiavellianism called the Mach – IV test (Christie and Geis 1970). This is a personality questionnaire containing 20 statements relating to personal beliefs and attitudes. The research describing the construct validity of their measures was presented in their book called "Studies in Machiavellianism." However for a counter-view of Machiavelli's work see Grace and Jackson (2014) who point out that the Mach – IV scale is not as well-connected to the actual works of Machiavelli as is popularly imagined in management circles.

## Description

In his writings Machiavelli overtly supported the use of power and craftiness as tools in the service of the state, recommending that leaders be ruthless like a lion and cunning as a fox. Machiavellianism has consequently been conceptualized as a form of behavior which has no anchor in moral principles and promotes the idea that the end justifies the means.

As employees Machiavellians are more likely to be absent from work without a valid reason, engage in sexually deceptive tactics and intentions towards infidelity and not be satisfied in their jobs. Machiavellian leaders are associated with less well-performing organizations.

Machiavellians are thus dishonest, unscrupulous and crafty, and they sacrifice morality for power and material success. Machiavellianism suggests the use of a fraudulent persona when necessary (entailing the use of apparent friendliness, honesty, charm and tact to gain advantage). Machiavellianism also advocates a political approach to management and advocates the use of force if deemed necessary to achieve desired ends.

Christie, based on Machiavelli's writings, characterized a Machiavellian as being someone who has: low ideological commitment, a lack of concern with conventional morality, a lack of interpersonal emotion, a lack of gross psychopathology, and as someone who is willing and able to manipulate others through any means needed including deception (McHoskey et al. 1998). This academic management view is not shared by political scientists, historians, and some marketers, e.g., (Giorgini 2013) who point out that Machiavelli's advice was primarily concerned with the pragmatic protection and safety of the state and its people from unrest, invasion, and the denial of freedom. In other words, Machiavelli was not Machiavellian in the sense that the term has come to be understood in management and psychological research. For example, Machiavelli wrote that: "A Prince . . . should not deviate from what is good, if that is possible, but he should know how to do evil, if that is necessary" (p. 75/76) (Machiavelli 1531 (Translated 1961)). In other words, he recommended an ethical approach to leadership, apart from when it was necessary, for the greater good of the state and its people, to be unethical. This is arguably a realist approach to management.

Machiavellians (as they are understood in management research) tend to detach themselves from ethical considerations and to manipulate and use other people to profit themselves. The personality trait, Machiavellianism, correlates (among other things) with primary psychopathy, individual absenteeism, unethical attitudes, a relativistic morality, lying for gain, bullying behavior, sensation seeking, lower social responsibility, the ability to read social cues, a polished self-presentation, commitment to one's own career, and social dominance, among others. Furthermore some researchers contend that there is a demonstrable and continuing societal movement toward increasingly Machiavellian behavior in society.

Several authors believe that Machiavellianism and psychopathy – particularly primary psychopathy (rather than secondary psychopathy which is more criminally oriented in character) – are essentially the same personality trait. The difference being that the characterizations stem from

different disciplinary traditions and terminology. This is a view which the author of this encyclopedia definition has considerable sympathy with. In descriptions of the respective personalities, the main difference between psychopaths and Machiavellians is that the former have no conscience whereas the latter may have a conscience but choose to ignore it in certain circumstances.

## Cross-References

- ▶ [Corporate Psychopaths](#)
- ▶ [Enron Scandal](#)
- ▶ [Machiavelli](#)
- ▶ [Narcissistic Leadership](#)
- ▶ [Toxic Leadership](#)

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## MacIntyre and Business Ethics

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## Introduction

Scottish philosopher Alasdair C. MacIntyre (1929–) is the most widely cited virtue ethicist in the business ethics literature (Ferrero and Sison 2014). This is somewhat surprising, given MacIntyre's own hostility to business. According

to MacIntyre, our economic and social order is fundamentally compartmentalised (1999a), and we inhabit an emotivist culture in which ethical discourse is largely an expression of untutored feeling (2007). In light of this, he has suggested that the problems of business ethics are insoluble (1982), that management is inherently amoral (2007), and that business ethics courses are a waste of time (2015). Despite such claims and the obvious relevance of his critique of management, the radical nature of MacIntyre's thought is taken up relatively rarely in the business ethics literature (though see Couch and Bernacchio 2020; Sinnicks 2021). The following discussion begins with a summary of this critique of management before going on to explore the aspect of MacIntyre's work which has had the greatest influence in business ethics, his account of practices and institutions in *After Virtue* (2007 [original publication 1981]). It then concludes with an overview of the relevance of MacIntyre's more recent work for business ethics.

## Critique of Management

MacIntyre suggests that contemporary social life can be understood as a drama in which certain characters – the therapist, the rich aesthete, and the manager – play leading roles. These characters, suggests MacIntyre, provide our “culture with its moral definitions” (2007, p. 31). Unlike ordinary occupational roles, these characters “place a certain kind of moral constraint on the personality of those who inhabit them” (MacIntyre 2007, p. 27). Of the three contemporary characters MacIntyre identifies, he regards the manager as especially important. He claims that:

the manager represents in his character the obliteration of the distinction between manipulative and non-manipulative social relations . . . The manager treats ends as given, as outside his scope; his concern is with technique, with effectiveness in transforming raw materials into final products, unskilled labor into skilled labor, investment into profits. (2007, p. 30)

Because of this, the manager is incapable of genuine moral engagement and is instead an



embodiment of emotivism, the “boo-hurrah” theory of moral meaning according to which statements of moral praise and blame are nothing other than expressions of subjective feeling. On this view, to say “X is wrong” is simply to say “I dislike X, do so as well”. Hence, the distinction between manipulative and non-manipulative social relations is obliterated: all methods of bringing someone to disapprove of X are equally legitimate, according to this view. This status as inherently manipulative is not a matter of individual failing; it is instead an essential feature of the managerial role and thus aligned with the self-understanding of management. Managers:

are seen by themselves, and by those who see them with the same eyes as their own, as uncontested figures, who purport to restrict themselves to the realms in which rational agreement is possible – that is, of course from their point of view to the realm of fact, the realm of means, the realm of measurable effectiveness. (2007, p. 30)

According to MacIntyre, such a separation of means from ends gives management a distinctively Weberian flavour. This is because it allows management to understand and present itself as calculating ever more exact means by which to achieve the preset end of profit in line with Weber’s account of bureaucratic rationality. On this view, ends are not open to rational evaluation, only means, and bureaucratic experts – managers – are charged with devising and implementing these rational means.

However, MacIntyre regards this bureaucratic expertise as impossible and suggests that attempts to successfully formulate lawlike generalisations in the social sciences, of the kind required to support any claim to bureaucratic expertise, are bound to fail. He notes that:

given the best possible stock of generalizations, we may on the day be defeated by an unpredicted and unpredictable counter-example – and yet still see no way to improve our generalizations and still have no reason to abandon them or even reformulate them. (2007, p. 93)

Few would seek to defend management on the grounds that it is based on knowledge of lawlike generalisations in the social sciences. Many, including many impressed by MacIntyre’s broader body of work, would defend management

on the grounds that it can, and often does, avoid collapsing into mere manipulateness. For example, while Moore suggests that it “seems clear that the basic tenets of [MacIntyre’s] position, at least in respect of managers in business organisations under Anglo-American capitalism, remain in place” (2008, p. 495), he nevertheless concludes that MacIntyre’s argument for the amorality of management is incorrect: “Are managers simply the morally-neutral efficient achievers of pre-determined ends? Clearly... the answer is no” (2008, p. 505). While it may be the case that value-laden management – and leadership – remains susceptible to the charge of emotivism (see Sinnicks 2018), Moore’s reason for this judgement is that on his view, and contrary to MacIntyre’s own, management, properly conceived of, is a practice. This concept of practices is at the core of MacIntyre’s understanding of good work and indeed serves as a foundation for his account of the ethical life.

## Practices and Institutions

MacIntyre’s thought reserves an important place for the concept of good work. Indeed, he claims that we “ought to eat in order to work, not vice versa. The classical expression of this view is Aristotle’s, but all artists, most professors and some socialists believe it too” (1979, p. 44). His more detailed and influential discussion of good work occurs in his account of practices, the first of three states – along with narrative unity of a human life and traditions of enquiry – of his definition of virtues. To engage in a practice requires us to acquire and exercise the virtues, and indeed some virtues are required by all practices. For instance, we require courage to open ourselves up to the criticisms of other practitioners, justice to ensure that each contribution to the practice is suitably recognised, and so on.

It is worth noting that MacIntyre uses the word “practice” in a highly specific way:

By a “practice” I am going to mean any coherent and complex form of socially established co-operative human activity through which goods internal to that form of activity are realized in the

course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended. (2007, p. 187)

This definition has been central to contributions in business ethics which draw on MacIntyre's work, as such contributions often take the form of arguments in favour of certain forms of work being worthy of the status of practices. The key aspect here is the notion of goods internal to practice. These are goods which cannot be achieved in any way other than by engaging in the activity in question. MacIntyre provides a variety of examples of practices. They include architecture, chess, portrait painting, physics, football, and farming. Examples of non-practices include bricklaying, throwing or kicking a ball with skill, and turnip planting (2007, p. 187). According to MacIntyre, to:

enter into a practice is to enter into a relationship not only with contemporary practitioners, but also with those who have preceded us in the practice. . . Practices never have a goal or goals fixed for all time – painting has no such goal nor has physics – but the goods themselves are transmuted by the history of the activity. (2007, p. 194)

Clearly then, practice engagement involves intellectual discovery and requires commitment and creativity, and the historical mediation foregrounds MacIntyre's discussion of tradition-based enquiry (see 2007, ch. 15). Indeed, MacIntyre is keen to highlight the role of the relevant community for those who engage in practices. He says, "whether we are painters or physicists or quarterbacks or indeed just lovers of good painting or first-rate experiments or a well thrown pass", we must subordinate "ourselves within the practice in our relationship to other practitioners" (2007, p. 191). This admission of peripheral practitioners – lovers of well-thrown passes as well as those who play with excellence – is telling and expands the scope of practices considerably. However, it also highlights the importance of proper motivation, as it allows that the devoted admirer of, say, football can experience the relevant internal goods more meaningfully than the skilled, but entirely extrinsically motivated, player.

This issue of extrinsic motivation takes us on to another important aspect of MacIntyre's discussion of practices, particularly as it relates to business ethics: how practices relate to institutions. Institutions pursue external goods – money, fame, power – rather than internal goods. Practices thus need institutions if they are to survive – tennis needs tennis clubs, fields of enquiry need schools and universities, etc. However, they are also threatened by institutional acquisitiveness. It is this interplay that is at the heart of much research in business ethics that draws on MacIntyre's work (see, in particular, Moore and Beadle 2006).

However, MacIntyre also notes that "the making and sustaining of forms of human community – and therefore of institutions – itself has all the characteristics of a practice" (2007, p. 194). This practice MacIntyre names politics, in its Aristotelian sense. While the challenge of institutional domination, along with the critique of management outlined above, should make us wary of drawing too optimistic a picture of management from MacIntyre's work, this point allows us to conceive of managers as being engaged in a practice, politics. Furthermore, the expanded understanding of practice engagement helps us to see how managers may be partially engaged in the practice their organisation houses, even if it is worth remembering that MacIntyre continues to believe that the "practice of the virtues. . . is something difficult to reconcile with functioning well in the present economic order" (MacIntyre 2008, p. 6).

## Beyond *After Virtue*

Given the preeminence of *After Virtue* within MacIntyre's oeuvre, as well as the obvious relevance of his critique of management and his account of practices, it is unsurprising that it has dominated MacIntyrean contributions within business ethics. Nevertheless, there is much in MacIntyre's work since that is relevant to our attempts to navigate the ethical challenges presented by work, capitalism, and commercial life, even though this has been perhaps underexplored in the business ethics literature.

MacIntyre (1999a) argues that role-structured activity, of the sort required by much contemporary work, undermines moral agency because it forces us to compartmentalise the different and competing demands of the various roles we hold. This compartmentalisation prevents us from adequately perceiving the conflicts that exist between our professional and personal lives because we are unable to achieve a role-transcendent evaluation of those demands.

One noteworthy application of MacIntyre's more recent work has been developed by Bernacchio (2018), who draws extensively on MacIntyre's *Dependent Rational Animals* (1999b). In this work, MacIntyre corrects the non-metaphysical conception of ethics advanced in *After Virtue* by reflecting on the reality of human vulnerability and extends his "account of practices, institutions, and communities by illustrating the indispensability of uncalculating relationships that are sustained by virtues that serve to direct agents toward the needs of others" (Bernacchio 2018, p. 380), which Bernacchio then explores with reference to cooperation between members of ostensibly competing organisations in the garment industry.

MacIntyre (2015) addresses the ethics of finance and argues that it is incompatible with four habits that are necessary for proper moral agency: an ability to properly appraise one's own talents, an ability to distinguish between reasonable and foolhardy risks, a commitment to the common good, and the habit of focusing neither "on the present at the expense of the future nor on the future at the expense of the present" (2015, p. 10). MacIntyre (2015) also takes issue with the view that judicious reforms to business ethics curricula could lead to a significant improvement in how finance is practiced: the study of business ethics, thinks MacIntyre, "is a dangerous distraction" (2015, p. 8). The argument MacIntyre offers here has been challenged by Rocchi et al. (2021), who appeal to the ways in which finance can contribute to the creation of various common goods.

In his most recent major work, *Ethics in the Conflicts of Modernity* (2016), MacIntyre

suggests that we need to learn key truths "about the destructive and self-destructive aspects of capitalism" from Marx (2016, p. 97), that militant trade union action is a prerequisite for even "elementary justice" in contemporary society (2016, p. 107), and that market societies such as ours must treat the vice of acquisitiveness as a virtue (2016, p. 109). However, just as with *After Virtue*, where his account of practices and institutions gives us grounds for both a critique of work in contemporary society and hope about our ability to find community and engage in meaningful and good work within this society, MacIntyre (2016) also provides resources that might underpin more constructive work in business ethics. In particular, MacIntyre acknowledges that, while rare, it is still possible to find contemporary work in such good order that "[m]ore experienced workers become teachers. Managers become enablers" (2016, p. 132).

This affirmative comment on management is coupled with an approving discussion of renowned management consultant, W. Edwards Deming. In the 1950s, Deming convinced Japanese automobile manufacturers that production lines in which workers perform a single, repetitive task are less conducive to quality than those in which teams of workers cooperate and take responsibility for the product as a whole. In the latter case, says MacIntyre, the:

ends informing the workers' activity are now those of achieving through shared deliberation and decision the making of an excellent car and of becoming excellent in making such cars. It matters that they understand what they are doing and that their standards are ones that they have made their own, not standards imposed by external managerial control. They share direction toward a common good. (2016, pp. 170–171)

While Deming would not frame his thought in the language of common goods, what is notable from the perspective of attempting to apply MacIntyre's work to business ethics is the fact that MacIntyre remains alive to the ways in which relatively achievable improvements to work can contribute to our flourishing, even as he keeps the ways in which most work frustrates that flourishing clearly in view.

## Cross-References

- [MacIntyre, Alasdair](#)
- [Marxism](#)
- [Virtue Ethics](#)

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## MacIntyre, Alasdair

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## Introduction

Born in Scotland in 1929, the philosopher Alasdair MacIntyre is frequently characterized as one of the key figures responsible for revitalizing the virtue ethics tradition in late twentieth-century moral philosophy. His work, however, extends far beyond an examination of the virtues or character traits of moral agents, and, as he has drawn on Marxist, Aristotelian, and Thomistic philosophies to varying degrees through the course of his career, his views have wide-ranging economic, political, as well as moral implications.

## Marxism and Liberalism

MacIntyre's early writing reflects a Marxist perspective that he adopted from the 1950s. In 1953, he published *Marxism: An Interpretation*, in which he explored the relationship of Marxism and Christianity and highlighted certain systematic injustices associated with the capitalism of the Western world. This work was revised and published as *Marxism and Christianity* in 1968, and in the introduction to the 1995 edition he explains these injustices as being of two kinds. The first is related to the deficiencies of character that are displayed by particular individuals within the confines of the prevailing capitalist norms. This includes, for example, the dishonesty and insatiable acquisitiveness of those who perpetrate fraud. The second kind, however, refers to injustices within the capitalist system itself and has three distinct aspects. The first of these relates to the structural inequality between capital and labor; it is reflected in the instrumentalization of labor, the impersonality of relationships, the lack of any “justice of desert” in labor markets, and the

absence of any association of work with the “common good.” This “injustice of exploitation” (2002, p. 148) is not mitigated by an increase in the standard of living. The second aspect of this injustice is reflected in the lack of freedom (and lack of consent) implicit in many market relationships, where the terms of exchange are imposed on labor and on small producers (where, for example, producers of a particular product may be forced to accept low prices due to a drop in market demand). The third aspect involves acquisitive consumerism and the disposition to acquire ever more consumer goods, that is both the aim of activity and the mark of success in capitalist society. Noting that this acquisitiveness was traditionally (by Aristotle and others) the vice contrasted with the virtue of justice, MacIntyre thus claims that “Capitalism also provides systematic incentives to develop a type of character that has a propensity to injustice” (2002, p. 149).

While MacIntyre has continued to maintain this view of capitalism as systemically unjust in these different ways, he has rejected Marxism as a political alternative. This is due to his opposition to Stalinism, his views on Marxism as a social science (together with his own critique of social science itself), and its own contradictions (where “those who make the conquest of state power their aim are always in the end conquered by it and . . . become in time the instruments of one of the several versions of modern capitalism” (2002, p. 150)). However, MacIntyre has also made his rejection of political liberalism clear. He gives as reasons three observations (2002, p. 153); the first is that trade unions that have worked to reform capitalism from within have in fact lost their power, the second identifies the absence of any genuine participation in liberal politics by the vast majority, and the third notes how liberalism’s individualism and its association of morality with individual preferences excludes that consideration of the common good that is essential to participatory community (and its notion of justice).

## After Virtue

MacIntyre’s most well-known work, *After Virtue*, reflects the development of MacIntyre’s thought

regarding the justification for morality, an issue of significant concern since being faced with Stalinist atrocities that he could condemn, but where the justification for such condemnation itself remained in doubt. First published in 1981, *After Virtue* begins with the “disquieting suggestion” that modern moral discourse is in a complete state of disrepair. That is, moral debates and prescriptions have adopted an emotivist character and amount to expressions of preference (such as “Damn thievery – do so as well!”) that cannot be rationally justified, even though they may be accompanied by the appearance of rational, objective moral argument. MacIntyre traces this moral state to the Enlightenment (and post-Enlightenment) attempts to provide a rational account and justification for morality (notably in utilitarian or Kantian terms), projects that have ultimately failed (and, MacIntyre argues, were doomed to failure). Faced with either Nietzsche’s rejection of Western morality or a re-consideration of premodern Western moral philosophy, MacIntyre prefers the latter and sets out his view for a renewed Aristotelian approach to morality.

## The Bureaucratic Manager

In his critique of modern moral discourse, MacIntyre identifies a number of “characters” that model and encapsulate the modern moral approach and can be considered archetypes of emotivism. These include the aesthete, the therapist, and the bureaucratic manager, with the latter being of particular significance and influence in the contemporary cultural milieu. Characterized as an expert who draws on well-established, objective technical knowledge to make unbiased decisions that enhance effectiveness, the bureaucratic manager is given substantial authority. However, MacIntyre considers such a manager to embody a moral fiction. He describes the limitations of the social sciences (itself an Enlightenment ideal), focusing on their inability to provide law-like generalizations, their lack of predictive power, and absence of neutrality, and argues that the manager’s technical authority accordingly lacks appropriate rational justification. Consequently, the manager’s claims, while having the appearance of legitimate authority, amount to no more than (emotivist) expressions of preference.



Indeed, like the moral fictions of utility and rights, the bureaucratic manager's technical authority (and the emphasis on effectiveness) can be seen as a means of social control and manipulation. In this sense, the bureaucratic manager also represents one of the incoherencies of modern liberal individualism, where the uninhibited pursuit of one's own moral autonomy requires manipulating (and limiting) the moral autonomy of others.

### The Neo-Aristotelian Alternative

Following Aristotle, MacIntyre's conception of morality focuses on the good for each individual, the virtues (or excellences) required to achieve this good, and the importance of the good of the community. This is articulated in several ways, providing a progressively complete account of virtue. Firstly, MacIntyre locates the good in particular types of activity that he describes as "practices," where:

By a 'practice' I am going to mean any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended. (2007, p. 187)

He includes football, chess, architecture, painting, physics, and farming as examples of practices. Associated with each of these practices are particular "internal goods"; for chess he proposes "a certain highly particular kind of analytical skill, strategic imagination and competitive intensity" (2007, p. 188) and for painting he includes excellence in both the process and product of painting activity. For a practice to be established and maintained, however, institutions are required (which could include football clubs and universities for example). Such institutions necessarily deal with the allocation of "external goods" of power, wealth, and status, and while these remain "goods," MacIntyre identifies a tension between institutions and practices where the "ideals and creativity of the practice are always vulnerable to the acquisitiveness of the institution, in which the cooperative care for common goods of the

practice is always vulnerable to the competitiveness of the institution" (2007, p. 194).

Particular dispositions or character traits that are required in order to achieve the internal goods associated with any practice (and to resist the "corrupting influence" of institutions) are then identified. At a minimum MacIntyre considers Courage, Justice, and Honesty to be essential to all practices.

Although there are clear implications for how this scheme of practices and institutions, internal and external goods, and virtues might be applied to productive work and organizations, this remains only a partial conceptualization of virtues and the good life. MacIntyre proceeds to argue for the importance of understanding our individual lives as a "narrative unity"; that our behavior cannot be adequately understood without a long-term appreciation of our intentions and setting. He contrasts this with the compartmentalization of much modern life, such as in the distinction between one's workplace and home-life. In order to achieve wholeness and counteract such compartmentalization, he posits the virtue of Integrity/Constancy, whereby one's moral character and aims are consistent across differing contexts and times.

The pursuit of one's individual good through practice and throughout one's life is then complemented by the recognition that all individuals are members of some communities (including families, nations, and professions). Each of these communities has its own history, provides its own moral cues, and thus contributes to the formation of our moral and social identity. MacIntyre completes his account of virtue by identifying the need to be aware of one's own and alternative traditions.

### Recent Work

Although *After Virtue* is MacIntyre's most influential work, it has fallen to others to provide a detailed application of key aspects of this work to business (see Beadle (2015) for an overview of how MacIntyre's work has influenced research in business ethics). Nevertheless, there are a number



of areas in which MacIntyre has (subsequent to publication of *After Virtue*) further articulated his ethical stance concerning business and economics. In *Whose Justice? Which Rationality?* (MacIntyre 1988) for example, he describes internal goods and external goods as “goods of excellence” and “goods of effectiveness” respectively, re-emphasizing the problematic nature of a (managerial) focus on effectiveness, and in a 1999 lecture elaborated on the meaning of “compartmentalization,” together with the relevance of integrity and constancy. In a book chapter published in 1994, while responding to various criticisms of *After Virtue*, MacIntyre illustrated his critique of contemporary business structures and his focus on community by providing an example of two fishing crews. In one of these each crewmember is motivated by individual gain and will look for alternative work as soon as the conditions no longer suit his goals, and in the other, each crewmember considers himself to be part of a genuine community in which he recognizes the bonds that tie crewmembers and their families together. Indeed, MacIntyre suggests that the Aristotelian ethical outlook is likely to be more easily understood and practiced by “farmers and fishermen” than by those in financial, legal, and academic professions.

Lastly, opening a collection of essays on how his ethics could be related to the economic sphere, MacIntyre has considered the work of financial traders, and has argued that much of contemporary business ethics education is misplaced, in as far as it believes that in order to avoid future scandals, ethics needs to be “added” to a nonmoral education in business and economics. He specifies several ways in which such business ethics education is “irrelevant.” Firstly, business ethics education as we know it does not contribute to the development of moral character or to moral transformations; secondly, the traits required by successful financial traders are contrary to the traits required of morally responsible agents, and thirdly, how people think about the relationship between ethics and money itself is incoherent. Consistent with *After Virtue*, MacIntyre argues instead for a reconceptualization (drawing on Aristotle, Aquinas, and Marx) of financial and

economic relationships in terms of virtues and vices (he identifies intemperance, injustice, and imprudence in particular). Closing with some principles which could inform how credit is granted, MacIntyre illustrates how there remains considerable practical work in applying a contemporary Aristotelian approach to business.

## Cross-References

- [Aristotle](#)
- [Marxism](#)
- [Virtue Ethics](#)

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## MacIntyrean Approach to Employee Rights

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### Synonyms

Neo-Aristotlean ethics and the rights of employees

### Introduction

Virtue ethics is frequently thought of as being inherently opposed to notions of rights. Alasdair MacIntyre (2007), for example, a prominent proponent of virtue ethics is also known for his emphatic critique of theories of human rights. MacIntyre's account of virtue ethics has also made a significant impact within the field of business ethics. A number of scholars (see Beadle 2017; Moore 2017), have developed an extensive account of business ethics employing MacIntyre's goods-virtues-practice-institutions schema. This account focuses on the role of organizations as the context of social practices focused upon common goods and sustained by the virtues of participants. Because of the perceived tension between virtue ethics and rights theories, scholars drawing upon the MacIntyrean perspective in business ethics have rarely addressed the question of employee rights. This article proceeds by summarizing MacIntyre's critique of theories of human rights, before briefly outlining the MacIntyrean approach to business ethics, and introducing a notion of employee rights grounded within the MacIntyrean framework of goods, virtues, practices, and institutions (Bernacchio 2020).

### MacIntyre's Critique of Rights

MacIntyre's (2007) *After Virtue*, one of the most significant works of moral philosophy published

in the twentieth century, played a major role in the resurgence of interest in virtue ethics as a distinct approach within moral philosophy. The book includes both critical and constructive elements (Lutz 2012), critiquing various modern moral theories (see Anscombe 1958), before developing a distinctive neo-Aristotelian account of virtue ethics. MacIntyre's criticisms extend to utilitarianism, Kantian deontology, existentialism, as well as emotivism and intuitionism, among other positions. Likewise, MacIntyre develops a trenchant critique of rights theories. Two points concerning this critique are worth noting.

First, MacIntyre's criticisms extend to philosophical theories of *human rights*. He says, "By 'rights' I do not mean those rights conferred by positive law or custom on specified classes of person; I mean those rights which are alleged to belong to human beings as such and which are cited as a reason for holding that people ought not to be interfered with in their pursuit of life, liberty and happiness" (MacIntyre 2007: 68–69). Thus, MacIntyre targets theories of human rights wherein subjective rights provide a normative foundation for obligations on other persons rather than conventional rights grounded in specific institutional or social contexts. This issue is addressed below in the context of the issue of employee rights. Second, MacIntyre's primary claim is that there are no adequate philosophical arguments in support of human rights. He says, "The best reason for asserting so bluntly that there are no such rights is indeed of precisely the same type as the best reason which we possess for asserting that there are no witches and the best reason which we possess for asserting that there are no unicorns: every attempt to give good reasons for believing that there are such rights has failed" (MacIntyre 2007: 69). Accordingly, he rejects appeals to intuition or claims that human rights are self-evident. Thus, MacIntyre's position is incompatible with any account of employee rights that would treat such rights as foundational normative features accruing to employees merely because they are human beings and thereby grounding obligations on employers.

## MacIntyrean Business Ethics

The constructive aspect of MacIntyre's (2007) account (Lutz 2012), fuses virtue ethics and practice theory. MacIntyre (2007: 185) defines a practice as "any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended." Practices are collaborative contexts where participants pursue shared goals and adhere to socially constructed standards of excellence. The virtues play an essential role within social practices, ensuring that participants adhere to the shared standards of excellence partially constitutive of the practice, rather than opportunistically pursuing their own goals. For example, within the practice of chess, honesty ensures that players refrain from cheating even when this behavior may be undetected. More generally, the virtues ensure that participants remain committed to excellence within the practice rather than merely success or "winning."

Within business ethics, researchers have drawn upon MacIntyre's account of practices, goods, virtues, and standards of excellence, arguing that organizations can be conceptualized as practice-institution combinations that are sustained in the pursuit of excellence by members' virtues (Moore 2017). From this perspective, organizations are virtuous to the extent that they embody a good purpose (Moore 2017; Tsoukas 2018), and balance the pursuit of excellence and success, enabling their members to engage in meaningful work through the exercise of virtue (Beadle and Knight 2012). In this way, organizations promote human flourishing, among their members, and the common good, more broadly. While this account details the role of the virtues it raises the question of what, if any, role do notions of employee rights play within the virtuous organization.

## A MacIntyrean Theory of Employee Rights

The MacIntyrean approach to employee rights hinges on the idea of rights conferred by participation in practices. Baseball, for example, confers specific rights on players, giving batters three strikes each time they come to bat and teams three outs per inning. Given that organizations involve productive practices, that is, rule-governed modes of collaboration (Moore 2017), what rights do practitioners, especially employees, have insofar as they are members of these practices?

MacIntyre (1983: 10) distinguishes between natural rights and conventional rights of three types: rights conferred by law, rights stemming from promises, and "those rights which participants in practices enjoy in virtue of the rules constitutive of practices." Whereas natural rights, or notions of human rights, "were intended to provide a standard independent of all positive enactments or promises and all particular established social roles, statuses and institutionalized practices," the rights conferred by practices do not abstract from the social context in this way (MacIntyre 1983: 10). As such, they are not susceptible in the same manner to the criticisms that MacIntyre (2007) levels against theories of natural rights. In other words, rights conferred by participation in practices do not abstract from the social context but are rather grounded in the particular relationships that individuals are involved in.

How do productive practices confer rights on their participants? Within practices, participants make commitments to the internal goods specific to the practice (MacIntyre 2007; Tsoukas 2018). In effect, this commitment is constitutive of one's participation in the practice. One cannot play chess without some appreciation for the specific type of excellence achievable within the game. Likewise, participants are committed to the standards of excellence constitutive of the practice. Adherence to these standards of excellence requires one to treat fellow practitioners appropriately, as determined by these standards, As

MacIntyre (2007: 192) says, “Just as, so long as we share the standards and purposes characteristic of practices, we define our relationship to each other, whether we acknowledge it or not, by reference to standards of truthfulness and trust, so we define them too by reference to standards of justice and of courage.” Accordingly, employee rights are specified by the virtue of justice in the context of “productive practices,” practicing involving work within organizations (Moore 2017). What does the virtue of justice require of participants in productive practices? How should employers treat employees insofar as they are participating in a shared productive practice? In short, justice requires that members of the practice accord each other several rights including rights to just wages, safe working conditions, employability, non-discrimination, due process, transparency, participation in governance, and respect or non-domination.

First, justice requires a fair distribution of the external goods resulting from collaboration within the practice. This is especially the case because of the substantial time commitment that employees must make to achieve excellence within the practice. Second, employees must be granted safe working conditions as far as this is possible since it is not possible to participate in the practice on equal terms, as justice requires, if employees are forced to work in unsafe conditions merely because of their lower status within the organization. Third, justice implies the right of employability (Werhane et al. 2004), such that employees should gain knowledge and skills that make them more employable in the future through their participation in the practice. In other words, it should be the case that “practitioners become better through participation” (Bernacchio 2020: 235), especially because practices are inherently directed toward human flourishing (MacIntyre 2016; Moore 2017) such that participation should lead toward improved human capacities to achieve excellence (MacIntyre 2007: 187). Justice also requires non-discrimination as any treatment of persons based upon factors unrelated to the standards of excellence in the practice, like gender

or race, is arbitrary and unjust (MacIntyre 2007: 192).

Three additional employee rights, specifically due process, transparency, and participation in governance are direct implications of a central feature of practices: the fact that participants ought to be able to collectively define the goals and standards of excellence of the practice (MacIntyre 2016: 131). Without due process, employees may be treated arbitrarily limiting their ability to fully participate in the organization’s core practice, preventing them from contributing to the determination of the goals and standards of excellence characteristic of the practice. Similar considerations apply to transparency since it is not possible to fully participate in the practice without appropriate information. Likewise, without the ability to offer opinions and input into managerial decision-making, employees have a limited ability to shape the goals and standards of excellence characteristic of the practice. Thus, employees must have the right to participate in governance, at least to be consulted by management. Finally, employees have a right to respect or non-domination. This right “means that employees do not have a duty to indulge managers’ requests to perform personal services, i.e., washing a private car, or doing errands, or supporting specific political candidates” (Bernacchio 2020: 236). These types of requests are arbitrary and unrelated to the standards of excellence of the core practice. Thus, it is unjust for managers to use hierarchical power to benefit themselves in a way that does not further the aims of the practice.

Together these rights can be thought of as a right to meaningful work (Beadle and Knight 2012). They represent the requirements of the virtue of justice within the context of productive practices. These rights are not abstract human rights but implications of participating in productive practices, obligations falling upon practice members if they are to treat fellow practice members according to the standards of excellence partially constitutive of their shared practice (MacIntyre 2007: 192). Because managers have greater hierarchical authority and are responsible for the formal organizational structure, they have

greater responsibility to ensure that employees are accorded these rights.

## Conclusion

MacIntyre's (2007) account of virtue ethics is often thought to be incompatible with notions of rights. While MacIntyre's framework has made a significant impact within business ethics (2017), this raises the question of how the MacIntyrean approach relates to notions of employee rights. Drawing upon the notion of rights conferred by participation in practices (MacIntyre 1983), the MacIntyrean approach to employee rights addresses this question.

## Cross-References

- [Business and Human Rights](#)
- [Corporate Power over Human Rights](#)
- [Ethics of Meaningful Work](#)
- [Human Rights](#)
- [MacIntyre, Alasdair](#)
- [Online Employees and Employer Relations](#)

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## Maintaining Data Integrity

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## Synonyms

Data lifecycle; Data maintenance; Data storage; Quality control; Reliable data; Uncorrupted data; Valid data

## Definition

Data integrity requires that data for any project, paper, business, and research must be reliable and trustworthy throughout its lifecycle. Reliable and trustworthy data are not only secure, but they are regularly checked for accuracy and accidental or malicious corruption. Data must be backed up to assure that critical information is not lost. The word integrity derives from the Latin *integritas* meaning intact. Integrity is a fundamental moral and ethical value applied to individuals who are honest and trustworthy; the term has been adopted to apply to data, its storage, maintenance, and use.

## What Are the Issues?

Researchers, business enterprises, governments, regulators, and others gather large amounts of data and base decisions on that data. Assuring that those data are accurate, attributable, retrievable, and understandable requires specific measures related to security and quality control. Recent trends in data sharing among researchers support better use of research funding and

greater possibilities of reproducing scientific findings under various conditions. The issues for researchers, businesses, regulators, and others reacting to the products of recorded data have important effects on developments in business and scientific knowledge.

*Issues in the scientific enterprise.* Science relies on data to advance knowledge and support the infrastructure for decision making. To accomplish these goals, the scientific method consists of several specific steps implemented in a logical and systematic way. Scientists observe and ask questions about their observations; design a research project around a testable question or hypothesis; collect and record observations (data); analyze and draw conclusions from their data; and replicate the process and/or publish their findings. Data emerging from a scientific query must be recorded contemporaneously and stored for later analysis. Threats to data integrity can occur at any point in the implementation of the scientific method, as well as arising from outside forces. Those threats are managed by quality control of all aspects of the research and data security policies to mitigate outside risks.

Most data today are stored on computers, although in conducting research, humans may make observations and record those in one location; transfer that data into a computer storage system; and finally interact with the data in other locations once it has been stored. Data entry is one process where integrity can be compromised by human error, such as transposing numbers, entering data in the wrong location, or intentional falsification or fabrication of data. Technology has provided many advances to minimize those risks, including direct capture of data from an electronic laboratory notebook or an electronic health record. This reduces copying errors and intentional misconduct. However, data are still manipulated by users, for example, to perform statistical analyses, which may take place with a downloaded file copied onto another computer. The transfer of data and opportunities to modify the data create risk to data integrity. Additionally, copies of data housed on other computers can cause confusion if there is no way to identify the primary file or version number. Electronic solutions exist for such problems, and institutional

policies and procedures must provide for protocols to manage these threats (e.g., removing duplicate files, backing up primary data, maintaining vigilance with an automatic electronic audit trail). An overarching consideration is the security of the data and the protocols that protect these processes. All are required to ensure that data are uncorrupted and thus valid and reliable.

*Issues for business and corporations.* Operational decisions for a well-managed corporation or business are based on reliable data. Companies spend a great deal of money on data collection and security, partly to safeguard intellectual property, but good data security also ensures operational efficiency. Reliable financial data form the basis for investment and management of company funds; robust marketing data drive sale campaigns. Corporate management cannot function well without reliable data, and data management is more complex when it involves a supply chain for materials outside the control of the company, such as in manufacturing. Multinational pharmaceutical or medical device companies that develop or manufacture drugs or devices face challenges trying to maintain quality control over their processes outside the jurisdiction of the company headquarters. Part of the data integrity issue is the reliability of the supply chain supporting these manufacturing plants. National regulations for drug approvals require evidence from quality assurance processes and, increasingly, verification by inspections (Shanley 2016). Data integrity problems involving medical drug and device supplies can create a public health crisis if that problem results in defective products or compromised research. China's State Drug Authority recently fined a vaccine manufacturer \$1.3 billion for falsifying data on the production of a rabies vaccine used in children (Hargreaves 2018). Unreliable manufacturing of drugs can cause harm to patients using such drugs. For some businesses like financial institutions that collect sensitive and confidential data, the greatest threat is data theft from internal or external breaches of electronic security measures.

*Issues in publication ethics.* Questions about published research come from peer reviewers, editors, readers, granting agencies, other authors,



journalists, and regulators. An accurate response to some of those questions can require a review of the data underlying the research. Journal publishers and editors do not have control over the data underlying a submitted manuscript, and they must rely on the authors to supply the data on request. The classification of data for the COPE Case Taxonomy (2013) includes ethical issues related to “data, results, materials, and also submission/publication-associated documents, e.g. consent and copyright forms.” Data integrity specifically includes falsification or fabrication of data and mistakes or problems leading to data problems consistent with the COPE Taxonomy. According to the Retraction Watch Database (<https://retractionwatch.com/retraction-watch-database-user-guide/>), corrections and retractions have been issued in response to honest errors in materials used, contaminated reagents, and other defective products. Permission to use data owned by another researcher or institution must also be properly documented; it is considered unethical to use data owned by another individual without full permission.

## Cross-References

- ▶ [Anonymity, Confidentiality and De-identified Data](#)
- ▶ [Conflict of Interest in Research](#)
- ▶ [Publication Ethics](#)
- ▶ [Research Integrity and Research Misconduct](#)

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## (Managing) Diversity

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## Synonyms

Dissimilarity; Heterogeneity

## Definition

The division of the workforce into distinct categories that (a) have a perceived commonality within a given cultural or national context and that (b) impact potentially harmful or beneficial employment outcomes such as job opportunities, treatment in the workplace, and promotion prospects – irrespective of job-related skills and qualifications (Mor Barak 2014, p. 136).

## Description

Organizations have become more diverse over the past decades, among others, due to globalization and women entering the labor force. The increasing reliance on teamwork and loosening of hierarchical boundaries have further created an increase in the extent to which individuals who differ from each other work together. Another main impetus for diversity in organizations was the Civil Rights Act of 1964 in the USA, which prohibited all employment practices that discriminated on the basis of race, color, religion, sex, or national origin (age and disability were added later). Subsequent equal employment opportunity (EEO) and affirmative action (AA) policies and programs led to a gradual increase of minorities in organizations and, hence, an increase in diversity (Kochan et al. 2003).

In spite of the increasing representation of minorities in the workforce, over time, a number of unintended consequences of the anti-discrimination policies and programs became

apparent. There was an increase in immigration from developing countries, beneficiaries of AA policies faced backlash effects, and in particular, in times of job insecurity, there was a strong opposition from anti-affirmative action groups (Graham 1998). Lawsuits involving reverse discrimination pointed at the shortcomings of EEO and AA policies and initiated their decline in the 1990s. In face of these shortcomings, companies, and diversity consultants shifted their rhetoric on diversity by developing a business case rationale that emphasized how diversity could be of value to the organization (Kelly and Dobbin 1998). International companies soon adopted the business case rationale and caused it to spread across the globe (Lorbiecki and Jack 2000), resulting in the adagium in organizations as well as the popular press nowadays that diversity enhances organizational performance (Eagly 2016).

## Main Perspectives

With its focus on the positive consequences, the *business case perspective* is clearly grounded in utilitarianism (van Dijk et al. 2012a). Specifically, the business case perspective suggests that diversity adds value to organizations in a number of ways (Kochan et al. 2003; Lorbiecki and Jack 2000). First, diversity has been argued to lower the likelihood of litigation due to accusations of discrimination. Second, diversity is expected to increase customer understanding and access to customers. Third, diversity is suggested to enlarge the talent pool and enhance the extent to which the full capabilities of all employees are used. These three arguments have been readily accepted. However, the final and fourth business case argument for diversity is the most crucial, as well as the most debated. It suggests that diversity improves performance because diversity is supposed to provide a richer pool of knowledge, information, and perspectives (Ely and Thomas 2001; van Knippenberg et al. 2004). Although numerous studies have aimed to validate the claim that diversity enhances performance, several recent meta-analyses (e.g., Pletzer et al. 2015; Post and Byron 2015; van Dijk et al. 2012b; see

also Rhode and Packel 2014) show mixed findings.

An important reason why research on the relationship between diversity and performance is inconclusive is that the exact process of how diversity affects performance is unclear. Whereas prior studies suggested that diversity can positively affect performance when diverse employees are able to discuss and integrate their knowledge, information, and perspectives (van Knippenberg et al. 2004), more recent studies suggest that the main benefit of diversity may lie in cuing employees that varied knowledge, information, and perspectives may be present (Loyd et al. 2013; Srikanth et al. 2016) and in coordination benefits by indicating whom is an expert (van Dijk et al. 2017). Further, diversity is known to negatively affect performance when the differences create divides and causes conflicts between employees, which inhibit the extent to which members' collaborate and discuss and integrate task-relevant information (van Knippenberg et al. 2004). Research on the exact processes and determinants of how and when diversity positively affects performance thus is ongoing (for a recent review, see van Dijk et al. 2017), and it may take a while before more conclusive statements can be made.

A large number of scholars have criticized the instrumental take of the business case perspective on diversity (e.g., Noon 2007; Zanoni et al. 2010). Based on the deontological argument that no individuals ought to be treated merely as a means, they pointed out that the business case perspective does not celebrate diversity in itself, but only if and as long as it adds value to an organization (van Dijk et al. 2012a). In light of the mixed findings regarding the relationship between diversity and performance, the business case perspective indeed suggests that organizations are better off excluding minorities in situations where diversity negatively affects performance. By indicating that power inequalities continue to exist in societies and organizations that create discrimination and exclusion in organizations (Plaut 2010), these scholars promote an *equality perspective* that contends that organizations should pursue diversity to empower minority groups and alleviate

inequalities (Noon 2007). There is among proponents of the equality perspective some debate about how equality in organizations can best be created, but the equality perspective in general suggests that EEO and AA programs are still needed. Specific examples of more accepted measures toward equality are transparent recruitment practices, flexible work arrangements, and alternative career paths (Benschop and Verloo 2011). An example of a more radical measure to alleviate inequality is the installment of quota, such as Norway's law that requires at least 40% women on the board of public limited companies. Whereas such gender quotas have been effective in increasing women's representation, they are contested for a number of reasons, including that they presumably discriminate against men, can stigmatize quota beneficiaries (and potentially women at large), and may decrease performance (Leslie et al. 2014).

Although the business case perspective and the equality perspective essentially thus both plea for more diversity, there are some marked differences between the two (van Dijk et al. 2012a). First, the business case perspective addresses diversity from the perspective of the organization and therefore arrives at recommendations that mainly promote the interests of the organization. The business case perspective thus tends to be more considerate toward outcomes that are favorable for organizations in comparison to outcomes that are favorable for individuals. In comparison, the equality perspective approaches diversity from the perspective of the individual employee and asks what would serve individuals' interests based on fundamental human rights. As such, the equality perspective tends to promote the interests of the individual over that of organizations. Second, the utilitarian nature of the business case perspective provides a contingent argument (Noon 2007), meaning that diversity should only be pursued when it adds value to the organization. In contrast, the equality perspective provides a deontological argument by suggesting that it may be necessary to recruit, select, or promote minorities, *regardless* of the consequences for the organization.

## Managing Diversity: A Focus on Inclusion

In theory, the business case perspective and the equality perspective are difficult to reconcile due to their contrasting moral underpinnings (van Dijk et al. 2012a). However, because both perspectives favor diversity, organizations tend to draw from both perspectives, such that most diversity management practices represent a blend of both perspectives by promoting diversity for disparate reasons (Pendry et al. 2007; Tomlinson and Schwabenland 2010). A risk here is that the inconsistent arguments backfire and either lead to a disbelief in the value of diversity or inhibit an integration of minorities into an organization. In fact, there are several examples where diversity management practices aimed to foster intergroup relations between minorities and majorities but created opposite effects by enhancing stereotyping, prejudice, and discrimination (Leslie et al. 2014; Pendry et al. 2007).

Accordingly, managing diversity appears to be a daunting task. A number of studies on *inclusion* (e.g., Mor Barak et al. 2016; Nishii 2013; Pless and Maak 2004; Shore et al. 2011) however suggest that creating an inclusive climate improves intergroup relations and may, in part as a consequence, also positively affect individual- and group-level outcomes. Inclusion refers to "the degree to which an employee perceives that he or she is an esteemed member of the work group through experiencing treatment that satisfies his or her needs for belongingness and uniqueness" (Shore et al. 2011, p. 1265). Accordingly, a *climate for inclusion* is an environment where all employees are treated fairly, are valued for who they are, and are included in the decision-making (Nishii 2013). Initial studies show positive relationships between inclusive climates and various positive outcomes at the individual (Mor Barak et al. 2016) as well the group level (Nishii 2013) and therefore presents a way forward for the business case perspective as well as the equality perspective (for recent reviews, see Dwertmann et al. 2016; McKay and Avery 2015). That leadership plays a pivotal role in creating and sustaining

inclusive climates is axiomatic (Shore et al. 2011), but how leaders can and should go about doing that remains to be studied (Nishii and Mayer 2009).

## Cross-References

- [Affirmative Action in Business](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)
- [Women on Corporate Boards and Sustainable Development](#)

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## Market Failures Approach to Business Ethics

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### Synonyms

The implicit morality of the market

### Introduction

The Market Failures Approach to business ethics (hereafter “MFA”) is a theory of business ethics that attempts to derive ethical prescriptions for market actors from an understanding of the purpose of markets. The MFA follows conventional welfare economics in understanding the main purpose of markets to be the achievement of Pareto efficiency. When markets are functioning well – when they are not failing – market actors’ pursuit of profit is an important mechanism that pushes markets toward Pareto efficiency. The MFA holds that this kind of profit-seeking behavior is morally justified. However, when market failures are present (e.g., externalities, information asymmetries, market power), market actors’ pursuit of profit can inhibit the achievement of Pareto efficiency. According to the MFA, tactics for pursuing profit that create or exacerbate market failure are morally impermissible.

### A Paretian Theory of Business Ethics

The MFA was developed by Joseph Heath (see especially Heath 2014), though with significant

similarity, and intellectual debt, to Christopher McMahon’s earlier work on the “implicit morality” of the market (McMahon 1981).

Some philosophers and political theorists conceive of markets as ethics-free zones, where selfish actors, unconstrained by morality, try to maximize their own gains. Both McMahon and Heath argue against understanding markets as zones of amorality: rather, properly understood, markets are institutions with an internal moral logic of their own. The MFA is an attempt to explicate the market’s “internal” morality.

### Pareto Improvement and Pareto Efficiency

The MFA’s conception of the market relies heavily on the conventional theory of welfare economics (see entry ► “Welfare Economics”). Thus, understanding the MFA requires understanding some fundamental concepts that welfare economics uses to compare distributions of goods or resources across populations of individuals: *Pareto improvement* and *Pareto efficiency* (the latter of which is also sometimes labeled “Pareto optimality”).

A distributive state  $y$  represents a *Pareto improvement* over another distributive state  $z$  if and only if at least one person is better off in  $y$  than in  $z$ , and nobody is worse off in  $y$  than in  $z$ .

An assumption of conventional welfare economics, which the MFA shares, is that an important goal of the economy, and of economic institutions, is the facilitation of as many Pareto-improving transactions as possible. The basic intuition behind this assumption is that if we have a way to make someone better off without making anyone else worse off, then we should do so.

Voluntary market exchanges are typically Pareto improvements. Suppose that Joe has many apples but no oranges, while Chris has many oranges but no apples. Both Joe and Chris want to diversify their diets. Joe agrees to accept some of Chris’s oranges in exchange for some of his apples, and Chris agrees to accept some of Joe’s apples in exchange for his oranges. Assuming that Joe and Chris are both rational, self-interested actors (at least when engaging in market transactions), this exchange will leave them both better off. Nobody has been made worse off, so



the transaction qualifies as a Pareto improvement. When market economic institutions are functioning well, they efficiently facilitate this sort of mutually beneficial, Pareto-improving transaction.

A *Pareto efficient* (or *Pareto optimal*) state obtains when the distribution of goods and resources in the economy does not allow for any further Pareto improvements. In other words, a state is Pareto efficient when nobody can be made better off without making someone else worse off, because all potential Pareto-improving transactions have already occurred. An efficient economy is an economy that exhausts all potential Pareto improvements.

The MFA follows conventional welfare economics in identifying Pareto efficiency as the telos of the market economy. McMahon (1981, 255) identifies the implicit morality of the market as the conditions that must obtain for the market to achieve Pareto efficiency; Heath (2013, 50–51), for his part, states that the “major claim” of the MFA “is that the point of marketplace competition is to promote Pareto efficiency, and in cases where the explicit rules governing the competition are insufficient to secure the class of favoured outcomes, economic actors should respect the spirit of these rules and refrain from pursuing strategies that run contrary to the point of the competition.”

### Market Failure

The link between these technical Paretian concepts from economics, on the one hand, and market failure, on the other, is that market failure is defined as a failure of the market to reach a Pareto-efficient state. Common examples of market failure include negative externalities and information asymmetries. The presence of these prevents the market from achieving Pareto efficiency.

A *negative externality* occurs when a market transaction imposes a cost on third parties who are not themselves directly involved in the transaction. Suppose I agree to sell you widgets I produce in my factory at price  $p$ . My factory creates toxic sludge as a byproduct of widget production. Proper disposal of this sludge is expensive. If I, the factory owner, had to pay to dispose the

sludge, I would be forced to sell widgets to you at the higher price  $p + \text{disposal fees}$ . But I am able to avoid these costs by diverting the toxic sludge into a river that runs alongside the property on which my factory is located (see entry ► [“Economics, Ethics, and the Environment”](#)).

As mentioned above, voluntary market exchanges typically represent Pareto improvements because they are mutually beneficial – if a market exchange is not mutually beneficial, it will be in the interest of at least one of the involved parties to decline the transaction. However, when a negative externality is present, third parties who are harmed by the transaction cannot stop it, because their assent is not required for the transaction to occur. Even though we can expect my agreeing to sell you widgets at price  $p$  rather than  $p + \text{disposal fees}$  to benefit both you and me, we cannot expect the transaction to qualify as a Pareto improvement because of the potential harm third parties will face associated with my disposing of toxic sludge in the river. This negative externality is thus an example of a market failure: when present, we are no longer justified in assuming that voluntary market exchanges will be represent Pareto improvements that move the economy closer to Pareto efficiency.

An *information asymmetry* occurs when one party to a transaction has more information about the good or resource being exchanged than other parties. Absent market failure, when two people mutually agree to exchange a car for money, we assume that both are better off – otherwise why would they assent to the deal? Suppose, however, that the seller of the car knows that its engine is about to give out, necessitating expensive repairs. The buyer does not know this, and cannot discover it. (Suppose that the problem with the car is not one that could be identified easily through a test drive or a routine inspection.) When the buyer and seller agree to exchange the car for money, the buyer is made worse off: she would not have agreed to buy the car for so high a price if she had known the extent of its mechanical problems. Thus, when information asymmetries are present, we are not justified in assuming that a voluntary exchange will be a Pareto improvement.



### Market Failure and Ethical Business

Given the MFA's reliance on the concepts of Pareto improvement and Pareto efficiency, one might expect the MFA to hold that ethical business requires refraining from acts that are not Pareto improvements. This, however, is not the correct way to interpret the MFA: the sort of competitive behavior that pushes markets closer to Pareto efficiency frequently involves individual acts that are not themselves Pareto improving, because they make at least one actor worse off. For example, when a firm competes away some of a rival firm's customers by offering a superior product, it sets back the rival firm's interests. Yet pursuing profit by offering better products than one's rivals is precisely the sort of competitive behavior the MFA endorses. So the MFA cannot be reduced to the direct application of a Pareto improvement standard.

The Paretian principles at the foundation of the MFA, rather than being directly action guiding, apply more broadly to market institutions, of which individual ethical constrain on the part of market actors is but one component. Deriving the practical ethical implications of the Paretian principles thus requires understanding how market institutions promote Pareto efficiency.

In short, then, the connection between market failure and the MFA's conception of ethical, responsible business is: when markets are functioning well – that is, when market failure is not present – market participants' competitive pursuit of profit pushes the market toward closer to a Pareto-efficient outcome. This, essentially, is the MFA's justification of profit-seeking. However, in the presence of market failure, market participants' competitive pursuit of profit typically will not contribute to Pareto efficiency.<sup>1</sup>

Indeed, when market failures are present, market participants' competitive pursuit of profit can impede the efficient functioning of the market: think of the manufacturing company that is able

to avoid costs associated with the pollution it produces by imposing them on third parties (negative externality), or of the used car dealer who is able to convince some buyers to overpay for cars with hidden mechanical problems due to an information asymmetry. If the manufacturer or the used car dealer try to maximize the profit they derive from exploiting these market failures, they are likely to exacerbate the market failures and cause the market to perform even less efficiently than if they had not been attempting to maximize profit.

Thus, according to the MFA, the main ethical responsibility of the manager of a for-profit business firm is to avoid pursuing profit in ways that exacerbate market failure.

What this responsibility entails in practice, however, is not clear. In an early chapter, Heath (2004, 84) provides a list of ten specific imperatives that the MFA entails: for example, "Minimize negative externalities," "Compete only through price and quality." However, in the same chapter, and in more recent work (see Heath 2014), he backs away from these specific imperatives because of complications arising from the economic theory of the second best (Lipsey and Lancaster 1956). According to the theory of the second best, when multiple market failures are present, reducing a single market failure (e.g., by minimizing one negative externality) will not necessarily move the market closer to Pareto efficiency.

Therefore, the practical implications of the MFA remain somewhat unclear. Because of complications associated with the theory of the second best, and because individual market actors generally lack the knowledge necessary to know either (a) whether a market failure is present or (b) what actions would be necessary in order to avoid profiting in a way that exacerbates the market failure, determining what the MFA requires of specific market participants in the real world is difficult (Steinberg 2017). It is unclear to what extent theorists can derive general prescriptions from the MFA in a way that elides this problem (see Moriarty 2020).

### The Appeal of the MFA

Given this problem, one might wonder what some business ethicists find appealing about the MFA.

<sup>1</sup>"Typically" is used here because economic theory does not allow us to derive definitive predictions about the effect of a market actor attempting to maximize profit when in the presence of market failure; see Lipsey and Lancaster (1956).

First, the MFA can be understood as part of a broader intellectual project that attempts to unify the main principles of business ethics with the principles that justify the legal, economic, and political institutions that facilitate business activity. Traditionally, a popular methodology for business ethics is to take a comprehensive moral theory – for instance, utilitarianism, Kantian deontology, or Aristotelean virtue ethics – and to apply that theory to ethical questions in the domain of business. Recently, some business ethicists have advocated a different methodology that relies more on political theory and political philosophy than on moral philosophy. These scholars argue that a good theory of business ethics should cohere with the theories we use to justify, or criticize, the legal, economic, and political institutions that make up the market and regulatory environment in which business activity takes place (Heath et al. 2010; Norman 2011; Singer 2018). The MFA belongs in this family of theories of business ethics because it tries to specify the ethical duties of managers in relation to a conception of what justifies the competitive market system more broadly: for Heath and McMahon, the achievement of Pareto efficiency. As a result, the MFA takes the nature of the institutional environment of business seriously in a way that moral philosophy approaches do not (see entries ► [“Political Philosophy and Business Ethics”](#) and ► [“Role of Philosophy in Business Ethics”](#)).

Second, and relatedly, the MFA is compatible with capitalism (see entry ► [“Capitalism”](#)) in a way that some other popular theories in business ethics arguably are not. (Of course, whether this counts as a point in favor of the MFA will depend one’s beliefs about the justifiability of capitalist institutions.) Some approaches to business ethics seem to conceive of ethical business as primarily about curtailing the profit motive (see Heath’s 2006 critique of stakeholder theory). The MFA, by contrast, understands the profit motive as a vital component of ethical business, since actors pursuing profit in competitive markets is a fundamental mechanism on which economic institutions rely to further the

goal of attaining Pareto efficiency. The MFA does not, of course, endorse all instances of profit-seeking: it identifies unethical profit-seeking as being connected to the exacerbation of market failure. This orientation potentially allows the MFA to distinguish between ethical and unethical ways of pursuing profit in a market in a way that many rival approaches that are more hostile to the profit motive arguably cannot.

Third, though the MFA defends some forms of profit-seeking as paradigmatic instances of ethical business, part of its appeal is that it does this in a more nuanced, plausible way than older business ethics theories that take a more favorable stance toward the profit motive. Conventional versions of shareholder theory, for example, rely heavily on managers’ fiduciary duty to run the firm in the interest of shareholders as a justification for why shareholder value maximization should be the main ethical criterion by which managers’ decisions ought to be evaluated (see entry ► [“Social Responsibility and Business: The Milton Friedman Position”](#)). It is not clear, however, that fiduciary duty can justify such a strong obligation on the part of managers to maximize shareholder value. One problem is that popular versions of conventional shareholder theory seem to violate what Goodpaster (1991) calls the “*nemo dat*” principle: roughly, the idea that managers cannot be obligated to promote shareholders’ interests by means that would be unethical for shareholders to employ if they were acting on their own behalf. By providing a more nuanced way of distinguishing between permissible and impermissible ways of pursuing profit, the MFA may be able to avoid some of the (for many people unacceptable) implications of more extreme shareholder primacy approaches, while also preserving an important place for shareholder-oriented pursuit of profit in our ethical theory of business.

### Criticisms

One strand of criticism of the MFA, discussed above, asserts that, because of problems related to the economic theory of the second-best, the

MFA cannot provide guidance applicable to actors in the real world, which is beset by second-best problems.

Another prominent strand of criticism of the MFA objects to the MFA's reliance on economic values to the exclusion of noneconomic values. Heath writes that the "efficiency imperatives" to which market actors must adhere for the market to realize Pareto efficiency "are pretty much all there is to business ethics, at least with respect to market transactions" (Heath 2014, 174). Interpreted as a comprehensive theory of business ethics, the MFA leaves no place for seemingly important moral considerations such as the duty not to harm, the duty to support just background political and economic institutions, duties to promote and respect noneconomic environmental values, and duties arising from the failure of the political and economic institutions of society to ensure justice.

There are at least two kinds of response to this line of criticism available to defenders of the MFA.

First, while acknowledging the importance of noneconomic moral considerations, the MFA defender could argue that these considerations have little direct relevance for how market participants should act. Such a response would likely rely on the notion that there should be a division of moral labor between a society's various political, legal, and economic institutions. We might assign the economic institutions that constitute competitive markets and profit-oriented business the task of promoting economic efficiency and growth, while assigning responsibility for politically and ethically important noneconomic goals to other institutions (e.g., legislatures, administrative agencies, courts, and nonprofits). According to such a view, although economic considerations do not encompass all that is of moral importance, they do capture all, or nearly all, of what is relevant to the norms governing profit-seeking market actors.

The second response available to defenders of the MFA is to depart from Heath in viewing the MFA as a comprehensive theory of business ethics. Such a view could identify economic

efficiency considerations as especially important for understanding the main ethical responsibilities of profit-seeking market actors, but would hold that economic efficiency considerations alone cannot ground an exhaustive account of market actors' ethical responsibilities.

One potential drawback of this response is that it weakens the MFA's prescriptive force: if the MFA only captures part of what matters morally for assessing and prescribing market actors' conduct, then the MFA's prescriptive guidance will only hold when all else is equal, and could be overridden by countervailing considerations that are not contained within the MFA itself. On the other hand, however, perhaps this is the right amount of prescriptive force for the MFA to have. Most ethicists do not believe that the moral considerations of economic efficiency and welfare upon which the MFA relies can adequately account for all of business ethics, or even just for the narrower sub-domain of business ethics that directly concerns market transactions.

## Cross-References

- [Capitalism](#)
- [Economics, Ethics, and the Environment](#)
- [Political Philosophy and Business Ethics](#)
- [Role of Philosophy in Business Ethics](#)
- [Social Responsibility and Business: The Milton Friedman Position](#)
- [Welfare Economics](#)

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## Marketization of Higher Education: Ethical and Societal Dilemmas

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### Synonyms

Exposure of higher education to market forces

### Introduction

As higher educational institutions continue to become more competitive, administrators are expanding their market-oriented strategies with new communications on social media. In this venue, information resources have grown beyond anyone's expectations. Such risk-taking approaches to entice students to select the right institution compel college administrators to face ethical dilemmas in higher education marketing

practices used to recruit and retain students. The glittering visions of images and promises of innovative quality education and career success that were evident previously within print media now reside in social media, the latter of which is now the preferred information route for prospective students. In becoming aware of current practices and their ethical implications, one can bypass such glittering marketing campaigns among universities and focus on what is best for the consumer – the student.

### Marketization Practices in Higher Education

Increased competition globally has guided higher education toward becoming increasingly reliant on marketing strategies, branding, and position target marketing. Many schools are focusing on digital marketing strategies, social media, and other mobile platforms, while others have turned to marketing automation companies to assist with their marketing prospects utilizing such companies as HubSpot or Marketo, known in the marketing automation field of education. Critically analyzing these practices during this increasing competitive marketplace remains a service to the institution and should not convert the mission of all institutions to one type of educational consumer.

To get at the ethical issues involved, it is necessary to identify and explore current practices. This manuscript identifies such strategies. As these innovative strategies are critically analyzed and reviewed, ethical dilemmas become apparent, where the main objective becomes recruiting but overlooks misrepresentation scenarios. Several ethically troublesome areas of claims by the institutions are evident in offerings of free tuition, guaranteed employment, accelerated degree times, and easy enrollment. One can hope that the values of the institution marketing educators reflect the values of the institutions they represent.

### Social Media, Interactive Communications

The global social media world has created new challenges in seeking sophisticated new strategies

to attract students to universities and colleges. In our digital society, it is no longer efficient to snail mail updated catalogs and mailings with new curricula and academic pictures. Prospective and enrolled students are products of the online era and depend on the Internet and social media as a primary information source. Universities have realized that the traditional brochures, flyers, catalogs, and magazines are the dinosaurs of communication when reaching prospective students in higher education. Although traditional media such as radio, television, transit advertising, and print media are still used, the trend continues to surge toward new information multimedia techniques and devices.

The Internet will continue to revolutionize the world of higher education. Some of the best practices identified by higher marketing strategists focus on YouTube, Twitter, Snapchat, Instagram, Facebook, and platforms that disseminate information on campus events, provide virtual visits on campus life, show in-class video clips, and inform locals about campus events. Although students seek different areas of inquiries when using social media or social networking, their one focus appears on how much they relate to the school from its students, values, community, professors, familiarity, and, most important, their comfort levels.

Future students are seeking information on what the college has to offer *specifically to them* through social media and social networking. Older students are interested in the college programs of instruction, the styles of pedagogies, and the delivery whether totally online, face-to-face, or in blended learning classes. Today's prospective students want to learn about the college and understand the environment by reading, listening, or speaking with other students, friends, and advisors in the college admissions office, which specifically focus on the individual student. In reviewing the changing marketization of higher education, we question the ethical approach of the marketing and enrollment management organizations, especially those from colleges with low enrollments and several professional, technical, and career-focused postsecondary for-profit educational institutions.

The United States Department of Education's action against several universities resolved the Department's claim that institutions used unsubstantiated job placement claims in its recruitment and marketing materials (Congresswoman Maxine Waters [n.d.](#)). Ethical behaviors of institutions of higher education are being challenged in some of their marketing techniques used to recruit and retain students.

### Time for Change

Now is the time of change for higher education marketing. Charlotte Fenney, Head of Education Marketing, Euro RSCG Heists, an education marketing agency in England, again emphasizes that it is a good time to expand the higher education brand internationally and tailor campaigns to international markets segmenting by country, study level, and discipline (The Guardian [2018](#)). Monica Romeri's post on the 12 Content Marketing Best Practices for Schools and Colleges identified and focused on the areas most important in today's marketing strategies and policies. Romeri indicated the importance of a clear marketing plan understood, agreed to, and followed by the entire university. She emphasized a variety of communication techniques with varieties of content, blog postings, webinars, newsletters, videos, and infographics paralleling and focusing on the message colleges are conveying to the prospective applicants (Romeri [2016](#)).

### Targeting Social Media

Social media should be a prime target within the marketing strategy, for it is one of the most relevant channels of communication to those selecting a higher education institution. Most colleges now have official accounts such as Facebook, Twitter, and Instagram, all which provide up-to-date ongoing activities at the university campus and encourage present and prospective students to register for updated information. As indicated, the level of sophistication of social marketing activities has improved noticeably toward reaching prospective students. Marketing professionals know that students are

looking for experiences that should be conveyed within the focused media channels. The marketing strategy should target on what makes the college special and how it will fulfill one's educational needs.

All e-marketing should emphasize the unique value of the college among all media. The communication should also be engaging and provide informational resources that are engaging, attract attention and interest, and provide relevant content and updates on social life at the college. The content should provide an opportunity for the prospective student to pursue action by being able to request timely information through student or instructor online chats that respond to questions arousing their interest and desire to learn more about the university as well as to build a relationship and encourage them to complete an application. Romeri (2016) emphasized that the goals for these online college sites be measurable with specific objectives and should include tabulating number of viewers, social interactions, and "hits" on Facebook, Tweets, and so on (The Guardian 2018).

College selection is stressful to both students and parents. To assist the college selection process, colleges should identify and focus on their strengths. Students and parents are seeking information and often create checklists on topics that include *location, reputation, campus size, classroom sizes, degree offerings, majors, graduate rates, financial packages, tuition and fees, academic and nonacademic facilities, renowned professors, satisfied students, friends or relatives attending, and academic rank*. A marketing plan should incorporate and focus on all those strengths the college or university can provide to the prospective student (Romeri 2016).

Students are now being advised to seek a college with programs that may help with lifelong skills, self-awareness, and self-leadership: "Coursework, professors and other college programs that speak to a student's ethical intuition make up the educational gold that is enduring" (Leiken 2016). My academic research and experiences conclude that a student should seek a college that focuses on competencies in leadership and critical thinking skills and abilities.

These traits have been identified as one of the topmost desired ones by executives, government, and educators (Ricci 2013).

### Global Competition and Rankings

Contrary to what many academicians wish to believe, rankings do count during the decision-making process. Many colleges have a full-time staff reviewing the worldwide rankings and adapting to how the rankings were derived. Students are constantly looking at ranking listings for the best undergraduate schools, graduate schools, and professional schools, as well as profiles in print and what students say online about different universities. Several web-based news publications rank colleges according to such factors as region, state, country, area of interest, majors, and cost. Magazines and newspapers such as *U. S. News and World Report*, *Consumer Reports*, *The Economist*, *Business Week*, and other career-oriented publications find it profitable to rank universities and colleges. Each year their ranking college editions are one of their most popular publications.

### The Final Selection Process

How does a student choose a college or professional school? Often, students still make decisions based on their hearts rather than on their research. They may be influenced by peers, social media, advertising, and prestige or name recognition. Most often they are influenced by their parents, teachers, friends, and career counselors. Some marketing strategists recruit ambassadors and mentors for those who are seeking advice for their higher education selections. Once again, social media leads as the communications of choice; therefore, decisions are often made based on social input. Ideas and images will continue to be exchanged freely on such sites as Twitter, Facebook, and LinkedIn. At present, these sites continue to show the most promise in assisting the decision-makers and prospective students. The way in which universities and colleges are reaching their potential students will continue to evolve and prosper. This user-friendly interactive environment will endure and provide a gateway to reach most prospective students throughout the world.



In “The Future of Promotional Marketing in Higher Education,” George Dehne (n.d.) discusses his vision that colleges will develop highly visible services for all those who influence students in their decisions. Colleges will position rather than produce mass publicity programs. Word-of-mouth marketing will significantly increase through technology, social media, and one-to-one marketing programs. Dehne indicates that alumni, who are a credible low-cost resource, will play a larger role in prompting the institution and in student recruitment. Later, Dehne indicates that the most successful marketing approach will involve a critical mass of alumni and parents of alumni, which have been proven to be effective players in marketing and public relations.

Testimonials will be provided through the home page. Such testimonials will come from alumni holding a variety of careers as well as highly visible administrators and executives. Testimonials will be provided from local, national, and global levels within the college community through search engines and entering the “front door” of the institution. Most interestingly, Dehne (n.d.) indicates that interactive marketing will need to reflect the “generation’s visual acuity, sophisticated taste in media, and insatiable appetite for entertainment.”

### **Customization on Marketing Strategies: “Give the Customer What One Wants”**

Customization will be the focus based on the potential student’s interests for undergraduate, graduate, and adult education students. Case studies and stories with photos of the adaptation of those who successfully returned and completed degree and certificate programs are examples of customizing the marketing campaign while identifying strengths and focusing on goals of the adult and the ability to fulfill those needs. The future of marketization in education will be demanding and require innovation and creativity. Marketing will be more personalized, and colleges will work to seek agency partners as marketing media continues to expand.

Will colleges focus on social media and targeted marketing and continue to surge into the new world of internet marketing and communications in higher education? On reading the new marketing strategies, we hope that the future of marketization in education will be challenging, dynamic, creative, and give strength to those universities that can coordinate communication efforts toward expanding critical thinking skills and creative innovations toward pursuing a world class education.

Social media communication has become the most effective method in reaching the masses and providing information to the largest percentage of prospective students. Higher education has evolved to mass customized marketing, which will bring the information needed to smart phones, iPads, computers, and any new mode of communication to every person worldwide. However, will social marketing expand toward attracting prospective candidates with more choices? New degrees have emerged to address the increased demand for new occupation requiring new courses of study. Some educators feel that communication technologies are changing the quality of instruction and higher education offerings due to the market-driven demand for specific programs of study courses that are shorter and less rigorous, which brings up the question: Are instructors “washing down” their courses to attract more students into their classes and become the A–B graders in the future?

The marketization and internationalization of higher education is now focused on the ratings and rankings of the university, worldwide. We question why higher education institutions are beginning to teach toward the ratings, which often changes program quality and the subsequent impact on our society and the world. One of the greatest challenges will be how higher education will provide new world views needed for the future and evaluating the competencies, skills, and abilities of their graduates. In becoming aware of current practices and their ethical implications, one should bypass the glitter of marketing campaigns among universities and focus on what is best for the consumer – the student. Once again although social media will continue to be the

media choice for marketing of higher education, the success of the campaigns will be the outcome of its products – college graduates. We hope that institutions of higher learning will continue to be the economic engines of a society attracting those with knowledge in providing research and innovation to our world as they contribute to our global economy.

## Cross-References

- Advertising Ethics
- Contract Theory
- Development Ethics
- Economics, Ethics, and the Environment
- Education and Wealth Equity
- Ethical Leadership
- Ethics in the Media
- History and Philosophical Foundations of Ethics
- Humanistic Management
- Leadership Integrity
- Publication Ethics
- Social and Economic Mobility

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## Marx, Karl

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## Synonyms

Marxism

## Definition

Karl Marx (1818–1883) was a thinker, philosopher, economist, and political theorist, who has influenced both western and eastern society profoundly. The greatest contribution of Marx is

Marxism, a total body of theory which consists of Marxist philosophy, Marxist political economics, and scientific socialism. Western Marxism, together with analytic philosophy, phenomenology, and structuralism, is considered to consist of four main streams of philosophy in the twentieth century. On the other hand, Marxism in eastern contexts, for instance, is represented by Marxism-Leninism, which has served as part of the guidance of the Communist Party of China.

Marx's representative works include three volumes of *Capital* (Das Kapital) and *The Communist Manifesto* (1848, written in cooperation with his friend, Friedrich Engels). He insists on the famous belief that philosophers have merely interpreted the world in various ways, and the point is to change it. Marx finds surplus value and the alienation of the workers in a capitalism economy, which contributes to the theory of labor value. Furthermore, Marx argued that human society develops by way of a class struggle and so explored a new system: socialism. Last but not least, the formation of Marx' thought is a process. He not only transformed from idealism to materialism but also changed from being a revolutionary democrat to being a communist from 1841 to 1843.

## Biography

Marx (1818–1883) was born into a Jewish family in Trier. His birthplace witnessed the identity of its people being transformed, in 1814, from free citizens into subjects of the Prussian King. Marx's father, Heinrich Marx (1782–1838), was a lawyer who changed his religion in order to work as a civil servant. He believed in natural religion, as did Newton, Locke, and Leibniz, and played a role in the political liberalism of Prussia. Heinrich won the respect and love of his son, Marx, throughout his life. Marx spent his boyhood in Trier and lived in Germany, France, Belgium, and the United Kingdom. He married Jenny von Westphalen in 1843 and they had seven children. After 1845, Marx became stateless when he was expelled from Paris due to the fact that Prussia put pressure on France.

Between 1818 and 1836, the young Marx was not only affected by liberalism but also influenced by utopian socialism. The impact of liberalism comes from Hugo Wyttenbach, his history teacher in secondary school. And the influence of utopian socialism is from Henri de Saint-Simon, his father-in-law in the near future. After leaving school, Marx attended the University of Bonn and majored in law for 1 year and then moved to the University of Berlin, one of the best universities in the world for law and philosophy, at the request of his father. After graduating from the University of Berlin, Marx successfully submitted his PhD dissertation to the University of Jena. The Marx' submitted choice of universities was determined by the different attitudes toward the Young Hegelians of the University of Berlin and University of Jena. In other words, the former university challenges the Young Hegelians, and the latter university appreciates the Young Hegelians. Marx then lived in Paris from 1843 to 1845, Brussels from 1845 to 1848, Cologne from 1848 to 1849, and London from 1850 until his death in 1883. Marx's friend, Friedrich Engels, not only sponsored Marx during his life but also cooperated with Marx to found Marxism.

## Masterpieces

Marx writes a large quantity of notes as well as manuscripts, which were edited and published by his friend, Friedrich Engels. He is considered an economist due to his economic work, *Capital*, which discusses communities, surplus value, and the roots of the capital economic crisis. He is also regarded as a political theorist for his political work *The Communist Manifesto*, which guided the international communist movements. Marx was a philosopher who was concerned about the benefits of people worldwide, as revealed by his *Economic and Philosophical Manuscripts of 1844*. The thought of Marx spread via his masterpieces:

- *Capital* – This is not only regarded as the Bible of the working class but also transforms

historical materialism from assumption into a scientific theory. *Capital* consists of volume I (1867), volume II (1885, formally known as *Capital*), and volume III (1894). There are two outstanding crystallizations of Marx wisdom: in other words, surplus value and the essence of a crisis within the capitalist economy. The former refers to the idea that capitalists gather workers' excess labor outcome through absolute surplus value or relative surplus value. The latter indicates that the fundamental root of the capital crisis is the relative surplus of production. Marx's economic thought has been referenced by capital countries following the economic crisis.

- *The Communist Manifesto (1848)* – Marx and Engels cooperated to produce *The Communist Manifesto* and its later prefaces, the ultimate goal of which was the abolition of private property. *The Communist Manifesto* demonstrates the antithesis between the bourgeoisie and the proletariat, i.e., the proletariat is the gravedigger of the bourgeoisie according to a highly advanced prediction. Marx, however, approves of these positive roles of the bourgeoisie. In reality, the bourgeoisie produces equal individuals and worldwide production, consumption, and even literature. Furthermore, the bourgeoisie creates huge fortunes and a centralized social life. Even though they were an advanced class in the past, the bourgeoisie are necessarily giving way to the proletariat. The inevitable outcome of capital productivity is the birth, growth, and maturation of a proletariat who possesses nothing apart from their labor. With the unintentional help of the bourgeoisie, the struggle of the proletariat becomes centralized, conscious, joint, and gradually worldwide. Last but not least, the proletariat replaces the bourgeoisies as an absolutely necessary practical premise for the full development of productive forces. Moreover, the proletariat heralds the advent of a classless society, a new era of human society. Finally, the Communist Manifesto not only guides October Revolution in Russia (1917) but also influences establishment of

People's Republic of China (1948) to a large certain degree.

- *Economic and Philosophical Manuscripts of 1844* – These manuscripts mark Marx's original exploration of philosophy, i.e., historical materialism, which is relatively independent of Feuerbach. Marx discussed the relationship between capital and labor at the philosophical level for the first time, which is classified by researchers as the young Marx. The philosopher Marx, neither an economist or political theorist, thinks about human society at the moral and ethical level, transcending the original levels of class and party. To be specific, due to attitude change of philosophy academia, Marx had to go University of Jena to apply for his PhD degree in 1841. The suffering helped Marx to realize his potential and passion in philosophy. Actually, Marx was considered as the millennium's greatest thinker by BBC at the end of the twentieth century.

The 70-page pamphlet was written in Paris and Brussels by Marx and first published in 1932, consisting of three manuscripts. Concretely, the first manuscript talks about the wages of labor, the profit of capital, and the rent of land. It also seriously discussed the rule of capital over labor, capitalists' motives and competition, and estranged labor (alienation). The second manuscript discusses the antithesis of capital and labor. Finally, the third manuscript focuses on private property, labor, and communism.

The prominent feature of these manuscripts is alienation, which is related to private property. Alienation is used to analyze inappropriate phenomena within bourgeois society: for instance, workers lose control of their products; workers are tortured during productive activities (Anomie); workers are "separated" from their identity with freedom; the workers are seriously isolated. In short, young Marx, represented by alienation, is consulted by western researchers for solutions to social problems.

## Cross-References

- ▶ [Alienation](#)
- ▶ [Marxism](#)
- ▶ [Marxism \(with Focus on China\)](#)

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## Marxism

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## Definition

Marxism is the total body of theory that has evolved using the method developed and applied by Karl Marx (much of it in collaboration with Friedrich Engels). Its central aim is to comprehend the evolution of class relations under capitalism. The analysis is at once historical, economic, sociological, and political. But it is grounded in a philosophical observation as to the unrealized human potential of the majority in class-divided societies. Capitalism, as understood by Marx, is the first such society whose development creates the conditions in which this majority can displace the previously dominant minority (or "ruling class") and thereby introduce a society without class antagonisms.

## Marx's Method

Marxism as a body of theory needs to be understood above all in terms of the way in which Marx himself worked, taking into account his activism as well as his theoretical pursuits. Only in the light of such understanding is it possible to

meaningfully discuss the various later versions of Marxism.

Marx's earliest theoretical writings (his 1844 manuscripts) focused on the essential nature of the human species as affected by subjection to the at-that-time new regimentation entailed by factory work. In reflecting on the disjunction between inherent human potential and the hollow shells of humanity cast off by this labor process, Marx evolved his core methodological principle of viewing all dynamic phenomena – whether organisms, beings, collectivities, or institutions – as both shaping and being shaped by the larger matrix of conditions within which they have been formed. (This is the context in which Marx's oft-quoted 1859 statement, that social existence determines consciousness, needs to be understood.)

It was on the basis of this dialectical approach that Marx was able, unlike earlier political economists, to see capitalist production and circulation not just as a set of more or less "natural" mechanisms needing only to be freed of certain obstructions, but rather as the evolving outcome of a complex interplay between individual or collective agents and historically created opportunities or impositions, entailing on the one hand deliberate innovation (on a vast scale) but on the other hand a process which in its totality was beyond conscious control.

This perspective in turn made possible further insights, whether in the form of practical conclusions or of spurs to further study. Above all, capitalist institutions could be seen as historically generated and, more specifically, as the reflection of a particular set of imperatives to which each individual agent had to adapt on pain of personal ruin. The constraints could be felt at various levels, as the more proximate economic decisions were at once distinct from and yet bound up with the larger trends. Thus, measures of economic expansion that might be rational from the standpoint of the individual capitalist would, if taken simultaneously by his competitors, result in a "crisis of overproduction." The particular enterprise could fail while the broader economy suffered a cyclical downturn.

More importantly, however, the cumulative impact of such crises would be for the process to extend itself onto an ever more global canvas, with the basic growth imperative undiminished but with the stakes bringing into play a progressively more totalizing impact on human life – in the words of the *Communist Manifesto* (1848) "paving the way for more extensive and more destructive crises" and "diminishing the means whereby crises are prevented" – as subsequently exemplified in the commodification of hitherto free goods, privatization of public services, subjugation of hitherto autonomous communities, increasing vertical integration of the food production process (extending even to seeds), routine worldwide military intervention, and the general subordination of species survival requirements (ecological balance) to the drive for accumulation.

## Class Struggle

Marx's analysis of capital was at the same time an analysis of the working class. The historical novelty of capitalism lay not in commercial activity or profit-seeking as such, but rather in the forcible creation (whether by land dispossession or by conquest) of a class of people, eventually constituting a majority of the society, with no other means of survival but the sale of their labor power. Capitalist profit differed from earlier forms of surplus appropriation in that instead of being directly taken from the producers (as tax or tribute), it was extracted from them through the workings of the market. This outcome was not apparent in any single, easily discernible transaction, but could be understood only by bringing into view the entire complex of mechanisms and calculations – including of course those associated with technological innovation – within which the underlying class antagonism unfolded. This was the task undertaken by Marx in his three-volume work, *Capital* (vol. I, 1867), with his exposition of the core concepts of surplus value and exploitation. (Questions about long-term trends in these relationships have occasioned much debate, but Marx's account of the basic



drives of capital has never been seriously questioned.)

The argument of *Capital* includes extensive treatment of how the working class came into being and of how its role in production and the conditions of its livelihood are defined by capital. It is important to note that Marx's treatment recognizes the possibility of variation in any immediately observable conditions (e.g., wage levels, living standards), inasmuch as his main concern was to highlight the *tendencies* of capital. He was well aware that these tendencies could be offset by organized action (e.g., trade unions, shortening of the workday), but he also understood that the impact of such steps could in turn be counteracted by capital, whether through direct economic decisions (e.g., investing in new machinery or in a different locality) or through government measures (e.g., laws against "combinations," suppression of working-class parties, intervention in labor disputes).

It was within this framework of ongoing conflict that any more comprehensive self-awareness on the part of the working class would have to develop. Marx, from the time of his earliest writings, understood such collective self-awareness – or class consciousness – as entailing a demand not just for improvements in wages and working conditions, but for an end to capitalist rule. His grounds for affirming so radical a position were twofold. On the one hand was his sense that capital, by treating workers as ultimately disposable commodities, was denying their basic humanity. On the other hand, his analysis of the dynamics of capital showed a system essentially out of control – indifferent not only to its human subjects but also to society's *natural* infrastructure – yet kept in power through the omnipresence of its "ruling ideas" and, in the last resort, by a state in which universal suffrage, if practiced at all, is effectively circumscribed, sometimes through the use of armed force, by the interests of the dominant class.

Marx thus saw communism and working-class consciousness as closely linked, in the sense that communism, as the negation of capitalism, constitutes the implicit vantage point of a class whose members are, as human beings, themselves

negated by capitalism. Schematic accounts of Marxism typically overlook the implicitness of this connection and read into it an intent on Marx's part to impose his own views on the working class. Such a reading is belied, however, both by the historical angle from which Marx came to view the possibility of communism and also by his practical political work.

Marx differed sharply from his visionary predecessors in his refusal to "prescribe" how he would organize society. His scenario for social transformation depends at every stage on the emergence of a corresponding collective protagonist. As earlier with the development of capitalism, the process is complex; Marx's career spanned only its earliest stages, and his projections for revolutionary measures to be taken (e.g., in his *Critique of the Gotha Program*, 1875) were correspondingly cautious. Only in commenting on what had already been implemented by workers during the Paris Commune (*The Civil War in France*, 1871) did Marx venture an institutional sketch of a revolutionary social order.

As for Marx's activism, ranging from work as a radical-democratic newspaper editor in the 1840s to a leadership role in the International Workingmen's Association (IWA) (1864–1872), it showed a consistent emphasis on effective communication and open debate, as opposed to secret societies, utopian purity, and backstage power plays (see Nimtz 2000, esp. p. 229). As stated in the General Rules of the IWA (drafted by Marx), "the emancipation of the working classes must be conquered by the working classes themselves."

## From Theory to Politics

Marx was the first major political theorist to anchor his vision directly in the interests of the subjugated majority. While capitalist rule aggravated the subjugation (thereby making its supersession more compelling), it tended by the same token to strip the majority even further of its already partially stunted capacity for functioning as a ruling class. The question of how to overcome this dilemma would remain central to the Marxian project.

The agenda of working-class revolution entailed two complementary preoccupations. On the negative side, it was necessary to supplant the capitalist state and resist its efforts to reimpose itself. On the positive side, it was necessary to develop the self-organizing capacity of the working class so that it could carry out collectively the tasks of social production which were no longer carried out either by individual artisans and peasants or – with varying degrees of government involvement – by capitalist enterprise.

The positive task of building working-class social power (or autonomy) was stressed alike by Marxists and anarchists, but anarchists rejected Marx's view that revolutionaries needed to use the powers of the state. The negative (and provisional) task of utilizing the state apparatus – perhaps suitably redrawn – was stressed by the evolving working-class parties. The latter, on the other hand, tended to lose sight of how social production itself would have to be reconfigured once the capitalist class had been stripped of its power. The challenge for Marx and his successors was to balance these two complementary yet potentially conflicting agendas.

In the subsequent history of Marxist theory, the impulse that had some affinity with anarchism – which encompassed worker control, council communism, and currents emphasizing cultural transformation – would repeatedly make its appearance as a critical motif and occasionally also in the form of a social movement (e.g., workers' councils in northern Italy, 1919–1920; anarchist collectives in eastern Spain, 1936–1939) (see Wallis 2011). For much of the twentieth century, however, it was overshadowed – and at key moments actively suppressed – by the agenda of winning state power, legally dismantling capitalism, and resisting external attacks. This primarily political focus was expressed initially in the “revisionist” debates within the German Social Democratic Party, in which Rosa Luxemburg argued along classical Marxist lines (against Eduard Bernstein) that the notion of attaining socialism through a succession of parliamentary reforms was unrealistic. But this conclusion, while establishing the need to transform the state, left open the question of how that revolutionary process would unfold. Here, the terms of the debate

were posed in V.I. Lenin's landmark 1902 tract, *What Is to be Done?*

Lenin's theoretical views, like those of Marx, have often been subjected to formulaic renditions. This is facilitated by his numerous categorical statements as to the indispensability of enlightened leadership. Quoted in isolation, such statements readily suggest an authoritarian and manipulative approach to the formation of working-class consciousness. Lenin, however, was no less a dialectician than Marx. Both in *What Is to be Done?* and in *State and Revolution* (1917), the same passages in which Lenin affirms the role of a vanguard, also include remarks making clear his view that such a role is inconceivable if the vanguard is not organically linked with the masses. The level of mass initiative and even the extent to which the masses could directly enter the party organization were, for Lenin, dependent upon variations in political culture and historical moment. *What Is to be Done?*, where Lenin spoke of revolutionaries as “professionals,” took on distinctive importance as an articulation of the basis for the 1903 split in the Russian Social Democratic Party (in which the Bolshevik [later Communist] party opted for a revolutionary course); but Lenin would later insist that his particular points of emphasis at that time needed to be viewed in context and not treated as timeless guideposts (see Le Blanc 1993, chaps. 4, 12).

The theoretical underpinnings of the November 1917 revolution in Russia may be encapsulated under three headings:

1. Lenin's argument (in *Imperialism: The Highest Stage of Capitalism*, 1916) that inter-imperialist rivalries [World War I] constituted a global capitalist crisis, signaling the timeliness of a breach in capitalist hegemony even if not initiated in one of the more developed capitalist countries
2. Leon Trotsky's theory of “uneven and combined development,” according to which “the privilege of historic backwardness . . . permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages” (Trotsky, *The Russian Revolution*, 1930, chap. 1)

3. Lenin's assessment in 1917 of class relations in Russia, notably, the precipitous delegitimation of the bourgeois government and – as shown in the composition of elected district councils (*soviets*) – the equally rapid radicalization of the masses (see, e.g., Žižek 2002)

This social conjuncture implied a narrow window of opportunity, while the global crisis and Russia's collapsed infrastructure suggested that there was space for creating a new authority whose natural tendency would be to "wither away." Such was Lenin's conception of the dictatorship of the proletariat, grounded in Marx's account of the radically democratic institutions of the Paris Commune (*State and Revolution*, chap. 1, sec. 4).

### Post-1917 Development of Marxist Theory

The subsequent evolution of the Soviet regime – encompassing the period of Stalin's personal rule (1929–1953), a succession of bureaucratic administrations, and eventual collapse (1991) – reflects a confluence of factors, including the multifaceted underside of "historic backwardness" as well as the initial devastation of war (1914–1918), prolonged and compounded by foreign military intervention (1918–1921) and then by the threat and eventual reality of yet another imposed war (1941–1945), followed immediately by an imposed nuclear arms race.

From the perspective of Marxist theory, the conclusion to be drawn from this succession of circumstances – or from its counterparts in subsequent revolutions elsewhere – is the impossibility of detaching any given historical process from the total context in which it unfolds. This context includes not only external constraints but also regressive personal habits ingrained by time-honored custom. During a revolutionary conjuncture, when people sense the possibility of breaking out of their usual routines, such habits (e.g., those predisposing to hierarchy and corruption) may be widely called into question. But from the moment that the prospects of such an opening are

closed back down, the old practices return in force.

Marxism is presented continuously with new subject matter by the very evolution and tenacity of the system which provoked its earliest theoretical formulations. This same process also repeatedly creates new revolutionary openings, whether in different geographical regions or in different dimensions of social existence. Moreover, even a regime that has lost its own revolutionary bearings may offer crucial logistical support to one with a fresh sense of purpose (e.g., Soviet support to Cuba starting in 1960). Similarly, a revolutionary process that is cut short (or that never even attains political power) may leave a cultural legacy that inspires activists of a new generation and even of other countries. To perceive such connections systematically is to understand how a seemingly all-encompassing and immutable power configuration can give way to one whose priorities are diametrically opposed.

Because of the antagonism inherent in any situation of class dominance, the lack (or paucity) of overt opposition reflects an accommodation that is artificial. The task of theory, then, is to bring to the surface a global demand which is already implicit in the existing power relations. Where for Marx such theoretical disclosure centered on the political economy of exploitation, for more recent writers, the focus has spread to draw other issues more directly into focus.

At the broadest level, what is involved here is the subjective side of the revolutionary process. The first major exponent for this dimension of Marxist thought was Rosa Luxemburg, who balanced her critique of the revisionists with an equally strong polemic against Lenin's conception of the vanguard. For Luxemburg, the commitment to democracy implied that one should prefer the "errors made by a truly revolutionary labor movement" to the "infallibility of the best of all possible "central committees" (*Organizational Questions of Russian Social Democracy*, 1904).

Later theorists, including notably Georg Lukács and Antonio Gramsci, would probe further into the phenomenon of class consciousness, with Gramsci stressing especially the struggle for cultural hegemony. Walter Benjamin and Ernst

Bloch would explore quasi-religious sentiments of dread and hope; thinkers influenced by psychoanalysis (e.g., Herbert Marcuse and other members of the Frankfurt School) would highlight the malaise of “consumer society” while at the same time bringing out the insufficiency for socialism of a mere change in property relations; and theorists of the last third of the twentieth century (e.g., Ralph Miliband, Bertell Ollman, Ellen Meiksins Wood) would seek to show, among other things, how Marxist class analysis can address the needs of constituencies defined by gender, “race,” or other demographic attributes. Finally, the significance of direct working-class initiative and control would be brought back to the forefront in the writings of Harry Braverman and István Mészáros.

Meanwhile, Marx’s initial focus on the underlying dynamics of capital would be sustained through new phases of capitalist development by writers of varying but partly overlapping persuasions, ranging from Ernest Mandel, with his wide-ranging historical exposition, to the *Monthly Review* school (Paul Baran, Paul Sweezy, Harry Magdoff) and its emphasis on third world revolution to world system theorists (A.G. Frank, Immanuel Wallerstein) who dispute the view that even a partial or temporary break has yet been made in capitalist hegemony. The critique of global capitalism would continue to find its greatest immediate resonance in regions of widespread and deepening poverty, but as the environmental crisis became more acute, capitalist accumulation could be called into question on an even broader canvas (e.g., Foster 2002; Burkett 2006), to address the vast scope of social reorganization implicit in any serious effort to reduce the ecological footprint of the human species.

## Cross-References

► [Alienation](#)

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## Marxism (with Focus on China)

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## Synonyms

Sinicization of Marxism

## Definition

Marxism is a system of Marx's theory, covering the whole view of Marx's scientific socialism theory on the future of society. It represents the proletariat and its party's compact and complete view of the world. Marxism is composed of three major parts: Marxist philosophy, Marxist political economy, and scientific socialism. Marxism is regarded as the doctrine of the thorough liberation of the proletariat and all humankind, guiding the ideology of the communist party of China and the cause of socialism. The theoretical system of socialism with Chinese characteristics not only adheres to but also develops Marxism.

## Description

Founded by Marx and Engels in the 1840s, Marxism is a scientific system of proletarian thought that critically inherits and absorbs the outstanding achievements of natural science, thinking science, and the social sciences. In practice, it is a constantly enriched and improved scientific worldview and methodology. Marxism involves a series of basic theories, ideas, and methods. Within Marx's theory system, Marxist philosophy, Marxist political economics, and scientific socialism are the three main components.

- *Marxist philosophy* – Marxist philosophy includes dialectical materialism, materialist dialectics, dialectical materialism epistemology, and the materialist conception of history. Marxist philosophy helps us to understand the systematic economic and social changes through the analysis of the conflict between the classes. Marxist philosophy depicts class conflict as being derived from the growing contradictions between the high productivity of asset owners and the socialized labor of the proletariat. The surplus value created by proletariat is not fairly distributed among the workers but is instead concentrated in the hands of the asset owner. The consequence of this conflict is the alienation of owners, which will lead to social unrest and subsequently trigger revolution. The final result of the revolution is the establishment of socialism. Although Marx failed to predict the emergence of the communist society, he pointed out that socialism would become communism, due to the continuous development of science, technology, and productivity. At that time, the classes, state, and society would be replaced by public ownership: the best use of each one takes what he needs.
- *Marxist political economics* – Marx and Engels produced a new proletarian political economy that focuses on the relationship with production in different periods, especially capitalist/production relations. Marxist political economics clarifies the rules of production, exchange, and distribution of the material in the development stages of human society. In a capitalist society, commodity production is the dominant position, and the most important feature of capitalist production is a free employment system. The value of the labor force is determined by the value of the subsistence material necessary for the maintenance and reproduction of the workforce. Marx found that the labor force is a special commodity because the value it creates per day is much higher than the value used for daily consumption. In addition to compensating for the value of their labor force, workers must work extra hours every day, which Marx calls the surplus labor time or the surplus value. Marx's theory of surplus value reveals the secret of capitalist exploitation and became the cornerstone of Marxist political economics.
- *Scientific socialism* – Scientific socialism lies at the core of Marx's theoretical system. It mainly studies the historical conditions of the cause of proletarian liberation and the nature of the cause itself. Marx and Engels believe that socialism is the inevitable result of the development of social productive forces. It is the historical mission of the proletariat to overthrow capitalism and realize socialism. The class struggle against the bourgeoisie and the proletariat revolution is the only path to socialism. The working class must form an independent party that opposes all of the old



political parties. The first step in the workers' revolution is to make the proletariat rise up against the ruling class. Class struggle is bound to lead to the dictatorship of the proletariat, which will act as a transition to the elimination of all classes and the realization of communism.

The sinicization of Marxism and Chinese modernization have been unified intrinsically. The Communist Party of China combines the general principles of Marxist doctrine with the concrete practice of Chinese revolution, construction, and reform. In the process of formation, the Chinese Communist Party found that the method of socialist construction suited China's national reality, so the theoretical achievements are now known as Chinese Marxism.

The Communist Party of China has adopted Marxism as its guiding ideology since its foundation. However, the doctrine of Marxism cannot automatically help to solve Chinese problems. Marxism is only an abstract theory, when putting aside the Chinese characteristics. In ancient China, Chinese communists faced the special conditions of a semicolonial and semifeudal country. Thus, the road to China's social and historical development cannot be the same as in Western capitalist countries.

The Communist Party of China has experienced a process of realizing the importance of sinicized Marxism through combining the principles of Marxist doctrine with Chinese practice. The sinicization of Marxism enables the Chinese Communist Party to solve the real-world problems of China's revolution, construction, and reform. The practical and historical experience of China's revolution construction and reform is gradually being theorized into Chinese Marxism. As a result, Marxism is being enriched and developed by the new practice, new content, and new language in China.

## Cross-References

► [Marxism](#)

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## Materialism, Well-Being, and Ethics

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## Synonyms

Corporate social responsibility; Ethicality; Extrinsic motivation; Kardashian effect; Values

## Definition

Materialism in this context means excessive acquisitiveness and the over-valuing of consumer products and goods.

## Introduction

Materialism, conceptualized as a value, is a key tenet of many societies around the globe, and the amassing of corporeal goods has been viewed by many cultures over centuries as a higher-order moral pursuit. In addition to a criterion by which individuals are assessed, organizations across all sectors incorporate the pursuit of monetary gain as a foundational purpose. Research has indicated that materialistic values have a negative effect on individual well-being and life satisfaction, as well as serving as a catalyst for unethical behaviors.



Global values shifts away from materialism and toward personal happiness have significant implications for the long-standing preeminence of profit above all.

## Materialism

Materialism is generally viewed as an orientation that asserts possession of socially covetable material objects is a means of defining individual merit and value, that the greater the quantity and perceived exclusiveness of the articles possessed express one's unique identities; the more fanciable and sought after the objects, the higher the level of desirability it bestows upon the person who owns them. The term also encompasses the drive to profit from human interactions that some (cf, Rand 1964) contend is an elemental, perhaps instinctive, unconscious motivation over centuries and civilizations, even a defining characteristic of humankind. Congruent with this view, those who possess large quantities of goods and in particular an abundance of items that are viewed as more prestigious than others are considered more successful, captivating, and appealing. Flaws in personality, ethicality, physical attractiveness, health, or sociability can be neutralized by the quantity and perceived value of that individual's possessions. The prominence of logos on expensive merchandise has grown to such an extent that they create the objects' artistic pattern, and the ability to recognize what brand those symbols indicate is in itself among some a measure of sophistication and modish pride. The citing of elite brand names confers an exclusiveness on artists and songs, apparel, and those who pepper their social media with comments and photos testify to their exceptionalism.

Of course materialism as a method by which to rank individuals in comparison to one another is only effective insofar as few have access to the desired goods; if everyone were wealthy or possessed the same elite merchandise, then it would lose its exclusive luster and be reduced in perceived value to a common denominator; and how then would individuals determine who is more important than others? This pursuit of superlative

appurtenances is a learned behavior (Jurkiewicz and Giacalone 2016), an amaranthine acquisitiveness fueling profits for designers and merchants and orchestrating scarcity to inflate prices and magnify perceived value (Cialdini 2006). People across time have achieved notoriety for their consumption largess (Friedman 1990), popularly known as being famous just for having things, and many people have espoused the goal of acquisition in the pursuit of fame. Termed here as the *Kardashian effect*, it is named after a group of sisters in the current media who iconically have achieved fame through acquisition of elite products and services and who use digital media to communicate their acquisitions, leading to their own product lines of expensive and choice items. Such behavior is tagged the acquisition of identity, using cultural and material resources as signals of success and individuality. Yet research supports the adage that money doesn't buy happiness, and the findings hold across demographics and over time (Deckop et al. 2010). It is asserted that one cannot hold materialist values and experience personal well-being at same time; they are seen as incongruent values (Lee et al. 2011). Well-being is defined as a state of security, safety, prosperity, and health.

## The Effect of Materialism on Personal Well-Being

Well-being contributes to high levels of organizational performance and employee motivation more so than does the pursuit of materialism. Materialist values place the reaping of monetary rewards as the pinnacle of goal attainment, in opposition to achieving the satisfactions inherent in attaining competence, autonomy, and connectedness that comprise elements of well-being. A materialist framework requires that monetary rewards grow increasingly substantial in an unending pattern in order to maintain feelings of satisfaction, a phenomenon commonly known as the ratchet effect; such a culture of avariciousness is a costly enterprise for organizations. When a material reward is offered in return for behavior that was once intrinsically motivating, it often becomes required and

expected in order to get the employee to perform the same behavior again. Materialist motivation and behavior can thus lead to unethical decision-making as the pursuit of profit attains primacy over other outcomes (Jurkiewicz 2005).

Failure to achieve high levels of material satisfaction at work, either through lack of effort, lack of opportunity, or lack of available resources, can lead to employee dissatisfaction and low morale, whereas well-being can be achieved through job design and an organizational culture that is attainable by all. Well-being begets intrinsic motivation, which is self-sustaining; materialist values are extrinsically motivating, requiring external, tangible rewards in order to move individuals toward a goal (McClelland 1988). While extrinsic rewards associated with materialism can manipulate behavior in the short-term, intrinsic rewards are self-sustaining, freeing the leader to focus on other activities rather than provide ever more and larger carrots, incentives that serve to lower individual self-confidence and undermine employees' confidence in their abilities. Extrinsic rewards wean individuals away from seeking job satisfaction that is a key component of well-being and toward the tangible reward of materialism itself. Research using the post-materialism scale developed by Giacalone and Jurkiewicz (2004) with multiple groups has consistently demonstrated an inverse relationship between materialism and personal well-being.

### Materialism and Ethical Well-Being

The growth in expansive values globally has advanced the importance of generativity, benevolence, and personal well-being as the incitement toward materialism is waning among many (Jurkiewicz and Giacalone 2008). This includes increased ethical awareness regarding more compassionate human resource options, the impact of policies and practices on disadvantaged groups, and greater respect for employees' work-life balance. Concerns for social equity and social justice

have led to social movements still in the emergent phase that are projected to grow as thinking globally and acting locally becomes a mantra for generations. Individuals now seek personal fulfillment through their work relationships, and this dependency upon the workplace to satisfy employees' social needs is greater now than at any point in history (Giacalone and Jurkiewicz 2003). Such needs, if thwarted by an organization's focus on its financial goals over respect for its human resources, can steer employees toward acquisitive behaviors in order to feed the unmet need of well-being.

Value sets continuously adapt to organizational, social, and individual shifts (Hijal-Moghrabi and Sabharwal 2018), and as such it is of great value to leaders in all sectors to consider that organizational changes result in ethical changes. These ethical changes in turn bring influence to bear and serve as a catalyst for further individual, organizational, and sector-specific developments.

### Conclusion

Materialism is the belief that the acquisition of possessions that are viewed as elite and available to only a choice few is the defining focus of one's life. Owning and displaying such possessions confers a level of desirability and attractiveness that can overcome deficits in character, responsibility, and positive citizenship. Materialistic values play a central role in the ethicality of decision-making, establishing the goal of profit-making as more important than other objectives. Such an orientation has within it its own perpetual reward system that is unquenchable, as to meet a goal of profitability, the next must supersede the last, establishing standards of the pursuit of ever-higher achievements into the future. Materialistic orientations are in opposition to feelings of well-being. Globalization has introduced notions of expansive values, including concerns about quality of life and what one may be leaving for future generations. This newer value set has increased both the ethicality of

decision-making in those who possess it, as well as the satisfactions associated with feelings of well-being.

## Cross-References

- [Ayn Rand's Ethics](#)
- [Capitalism](#)
- [Core Values](#)
- [Ethical Leadership](#)
- [Ethics Audit](#)
- [Values-Based Management Theory](#)

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## Meaningful Work

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## Synonyms

Fulfilling work; Good work

## Definition

Meaningful work is a multidimensional concept; it does not have a singular definition. Work can be meaningful in virtue of developing or exercising human capabilities, providing workers with a source of purpose, or integrating elements of workers' lives. Meaningful work has both subjective and objective dimensions: both subjective feelings of fulfillment and objective dimensions of purposefulness, connection, or self-development can make work meaningful.

## Description

Meaningful work is central in a happy life. For a worker, work is not only a way of securing an income and material benefits, it can also support personal growth, skills development, self-esteem, self-respect, autonomy, social relations, and virtues like honor, pride, dignity, and self-discipline. Work also has a formative influence on a person's character and intelligence, provides a source of social recognition and personal identity, and serves as a way for people to contribute to communities. Further still, work impacts the physical and psychological health of workers, for better or for worse. As occupational psychologists Ivan Robertson and Cary Cooper summarize, "to be psychologically healthy we need to feel that what we are doing is worthwhile and serves a useful purpose" (Robertson and Cooper 2011, 89). In brief, work has a considerable impact on those who perform it, and it is unlikely that people

can thrive without good work, given the substantial psychological, social, and economic benefits that attach to good work.

Work can be meaningful for a worker for several reasons:

- The development or exercise of capacities, skills, and talents. Developing and exercising human capabilities is a defining feature of human flourishing, and work is a primary life activity through which people can achieve self-development and express individual skills and talents. For thinkers like Aristotle, developing and exercising our distinctive abilities is part of the purpose or function of being human. The contemporary philosopher John Rawls also argues that the pleasure or satisfaction we experience in exercising our realized skills and capacities – which he calls the Aristotelian principle – is a natural principle of human motivation (Rawls 1971, 426).
- Social or interpersonal recognition of personal effort, skill, and contribution. Recognition theorists emphasize that human beings have a constitutional dependence on recognition and esteem, and recognition for a job well done lubricates healthy psychological functioning, both within and outside of work (Tweedie 2013). Even beyond academic literatures on recognition, the importance of recognition at work is plain to see. The television series *Undercover Boss* is replete with employees who are in joyful tears of pride on account of finally being recognized by their ultimate boss for their skills, enthusiasm, competency, ingenuity, commitment, or personal flair on the job. When workers are not recognized and valued for their work, morale decreases, and work becomes a matter of mustering on dispiritedly.
- Supporting virtues including honor, dignity, pride. Meaningfulness and moral virtue have an ancient association, in that classical philosophers appeal to the human function or purpose – and in short order to moral and personal virtue – in addressing the question of how a person can live an excellent human existence. Although ancient Greek philosophers did not view work as a life activity that supports human excellence, today we recognize work as predominant venue for acquiring a range of virtues, including not only honor and dignity but also dependability, industriousness, cooperativeness, self-discipline, and self-reliance. Connecting a meaningful life and moral virtue, contemporary philosopher Laurence Thomas argues that a virtuous person is favored to lead a meaningful life, as a virtuous person possesses a healthy state of mind that facilitates the pursuit of activities that define her identity and give her reason to go on in life.
- Providing a personal purpose or serving a useful purpose for others. Work is characteristically a purposeful activity, in that work aims to produce something beyond itself. The purposefulness of work connects workers to communities: as workers provide items or services of value, they themselves become valuable to communities, feeling genuinely useful in a world that is larger than themselves. Among other activities, work can therefore provide a person a purpose in life and engender feelings of belonging in a community. This dimension of meaningful work imparts meaningfulness to a wide variety of occupations, though it appears stronger in some work than in others. For instance, someone on the cusp of finding a cure for leukemia may have a strong and justified sense that part of the core purpose of his life is to finish his work and impart it to the world.
- Producing something of enduring value. Lasting durability in the products of work arguably enhances the meaningfulness of work. Enduring work (as in the work of stone masons, architects, or book authors, for example) fulfills a human desire to make a mark on the world. In this vein, philosopher Bertrand Russell writes in *The Conquest of Happiness* that one of the chief elements of meaningful work is the construction of something that endures: “In some work, though by no means in most, something is built up which remains as a monument when the work is completed... The satisfaction to be derived from success in a great constructive enterprise is one of the most massive that life has to offer, although

unfortunately in its highest form it is only open to men of exceptional ability. Nothing can rob a man of the happiness of a successful achievement in any important piece of work, unless it be the proof that after all his work was bad” (Russell 1930, 212, 214–215).

- Integrating elements of a worker’s life. Work not only touches personal identities but also reflects life narratives and relationships that are themselves meaningful. A person might work for a family business, for instance, and find his work meaningful on account of reflecting and sustaining relationships that help form his identity. Work can also integrate elements of life when a career reflects skills and values developed over a lifetime, or when work situates a worker in an environmental or relational context with which she deeply identifies. A worker may choose a particular job because it plants her in her hometown, reflects her personal or family issues (as when a person chooses to become a healthcare worker because of the health issues of her family members), or connects with her past (as when someone in food service says she enjoys feeding people because, as a child, she went without food herself). In any of these cases, work draws meaningfulness from a personal relational context, often making the life of the worker more coherent and integrated.

In light of the importance of meaningful work in a good life, one might ask, “is it a duty of businesses and other employing organizations to provide meaningful work?” Some may hesitate to say “yes,” given a belief that the ethical responsibilities of businesses should be understood as minimal, or given a belief that what makes work meaningful is hopelessly subjective, diverse, and relative to the individual. Philosopher Richard Arneson, for instance, lays bare several reasons why we should reject any notion that people have a right to meaningful work – a notion that runs corollary to the idea that business and other organizations have a duty to supply meaningful work. He argues that meaningful work is too agent-relative to be the sort of good that an organization is obligated to provide to workers, and on top of

this issue liberal democracies ought to respect that individual conceptions of the good life are diverse and may not include meaningful work (Arneson 1987). In contrast, Andrea Veltman makes the case that businesses and other employing organizations merit moral esteem and achieve full moral integrity insofar as they provide opportunities for meaningful work. She does not postulate mandates on the part of businesses, governments, or other organizations to provide meaningful work but believes we should recognize the social value and praiseworthiness of providing opportunities for meaningful work. In this view, providing meaningful work is part of a robust business and professional ethics (Veltman 2016).

## Cross-References

- [Alienation](#)
- [Protestant Work Ethic](#)
- [Work Ethic](#)

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## Medical Ethics and the Land Ethic

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### Synonyms

Health and the environment

### Introduction

Human health depends upon our environment. As the authors of the *Lancet-Rockefeller* commission on Planetary Health put it, “human health and civilisation depend on flourishing natural systems and the wise stewardship of those systems” (Whitmee et al. 2015). In the Anthropocene – the proposed term for our current geological era, in which human activities have a defining effect on Earth systems – the opposite is also true. Within mainstream biomedical ethics, there has until recently been little interest in our relationship with nature, or healthcare’s environmental impact. However, the health effects of current global environmental changes – heating, biodiversity loss,

ocean acidification, and land-use change, among others – demand attention to our moral responsibilities toward nature. The resources of common bioethical theory struggle to meet this challenge, requiring their supplementation with further approaches.

The Land Ethic – originating in the work of the US conservationist Aldo Leopold – offers one such approach. It contrasts with contemporary biomedical ethics in presenting an ethic that is: *holistic* – valuing communities in ways irreducible to the value of individual members; *biocentric* – assigning noninstrumental value to nonhumans; and *diachronic* – concerned not just with short-term consequences of particular decisions, but with long-term results of patterns of actions performed by many agents. Two key concepts guide its application: *the ethical sequence*, which sees the Land Ethic as adding to, not replacing, ethics governing interactions between humans; and *the ecological conscience*, which advocates an agent-based ethic. This entry describes core features of the Land Ethic, contrasting it with mainstream bioethics; illustrates how the Land Ethic negotiates challenges for Anthropocene medical ethics; and sketches some applications in clinical practice.

### The Land Ethic

Most famously articulated in a posthumously published 1949 essay, the Land Ethic is developed in decades of Aldo Leopold’s field work, conservation practice, lectures, and essays. The Land Ethic defies simple summary, but its core components are presented here.

#### The Community Concept: Holism and Biocentrism

Contemporary bioethics commonly assumes that moral value ultimately should be determined at an individual level. James Beauchamp and Tom Childress’ *Principles of Biomedical Ethics* (2019), for example, surveys five candidate theories for “moral status,” all of which assume that



the bearers of moral status are individuals.<sup>1</sup> Furthermore, these criteria are developed and evaluated in terms of whether they appropriately capture *human* moral value. Other entities may have instrumental value – but only individuals (and individual humans, at that) are taken to be potential bearers of *intrinsic* value – ends-in-themselves, not just means to such ends (Callicott 1989, 131).

Aldo Leopold witnessed first-hand the fallacy of conceiving individuals – or even individual species – as independent from their environments. Whether under-predation of deer resulting in deforestation, or livestock overgrazing resulting in soil degradation, Leopold repeatedly describes how the health of the individual cannot be understood absent an appreciation of the whole:

Ecology tells us that no animal – not even man – can be regarded as independent of his environment. Plants, animals, men and soil are a community of interdependent parts, an organism . . . Mr Babbitt is no more a separate entity than is his left arm, or a single cell of his biceps. (Leopold 1991, 209)

Leopold's insight was to see that acknowledgment of this ecological interdependence requires a consonant shift in ethical attitudes: it “changes the role of *Homo sapiens* from conqueror of the land-community to plain member and citizen of it. It implies respect for his fellow-members, and also respect for the community as such” (Leopold 1949, 204). From an ecological perspective, human health does not simply depend upon planetary health (Whitmee et al. 2015); the “human” and “planetary” divide is itself arbitrary, imposed upon an interdependent whole. Just as it makes limited sense to consider a single cell of our biceps as having intrinsic value – shorn of its context within a functioning organism – so Leopold proposes that it makes little sense to focus on our intrinsic value as individuals, shorn of our context within a functioning ecological community.

Thence we derive perhaps the most-quoted line from Leopold's work:

A thing is right when it tends to preserve the integrity, stability, and beauty of the biotic community. It is wrong when it tends otherwise. (Leopold 1949, 224–225)

This maxim encapsulates two key features of the Land Ethic. It is *holistic*, in that it assigns value to the *community* taken as a whole. It is also *bio-centric*, insofar as the community is not human but *biotic* – humans are “plain member and citizen” of a wider community. The boundaries of this community are determined by the mutual interdependencies of entities within an ecosystem.

A weak justification of this biocentrism might be made on instrumental, anthropocentric terms. Ignorance of our dependence on the land community risks leaving us in “the biological category of the potato bug which exterminated the potato, and thereby exterminated itself” (Leopold 1991, 127). But Leopold's reading of the implications of ecology for our ethics goes deeper; once we begin to see ourselves as inseparable from the “soils, plants, and animals” with which we are bound up, we extend to them the same sorts of moral consideration we show members of our human communities. The intimate portraits of the plants and animals Leopold encounters throughout his work and leisure are therefore not mere “romantic passages” (Potter 1988, 22); they serve as intuition pumps to motivate our moral perception to expand its definition of community (Callicott 1989, 125; Wardrobe 2019).

### Thinking Like a Mountain: Diachronic Ethics

Leopold's definition of right quoted above also introduces a third key component of the Land Ethic; in emphasizing “integrity” and “stability,” it takes a *long-term view* of how to determine what is right. This *diachronic* perspective contrasts with the *synchronic* orientation of mainstream bioethics. The latter viewpoint is evident, once again, not as an explicit premise, but in how problems are constructed. The archetypal problem of mainstream bioethics is the “moral dilemma”: a situation in which an identifiable person has to decide which of a small selection of competing courses of action to take; usually such action will affect a small number of relevant parties (Beauchamp and Childress 2019).

<sup>1</sup> Reference to the moral status of nonhuman animals, or ecosystems, is confined to a single footnote acknowledging the existence of “parallel debates in environmental ethics,” that are taken to have no bearing for biomedical ethics.

A diachronic view asks instead: what are the broader consequences of many agents, in relevantly similar situations, throughout a protracted period of time, taking similar courses of action? Leopold's phrase for this is "thinking like a mountain," studying how the long-term consequences of our actions ramify through community and ecosystem.

Leopold saw the effects of failing to think like a mountain in the land on which he worked. In human health, we are seeing this same pattern played out, as post-industrial improvements are threatened by the fossil fuel, land, and ecosystem exploitations that fuelled them. The Planetary Health Commission's warning that "we have been mortgaging the health of future generations to realise ... development gains in the present" (Whitmee et al. 2015) was predicted by Leopold:

The process of altering the [biotic] pyramid for human occupation releases stored energy, and this often gives rise ... to a deceptive exuberance of plant and animal life, both wild and tame. These releases of biotic capital tend to becloud or postpone the penalties of violence. (Leopold 1949, 218)

Fossil fuels – condensed, stored, organic energy, formed over millions of years – are perhaps the ultimate form of "biotic capital." Their indiscriminate use in the pursuit of economic development has produced just such a "deceptive exuberance" of apparent progress; the planetary changes of the Anthropocene represent the delayed "penalties of violence."

### Nineteen Centuries and Only Half Done: The Ethical Sequence

The holism and biocentrism of the Land Ethic has led many critics to allege that it risks sacrificing the interests and welfare of individuals to the greater good of the ecosystem; that it is "holistic with a vengeance" (Callicott 1989, 84). However, this charge neglects the multilayered account of moral responsibility that Leopold proposes. In his account, our holistic responsibilities augment, not supplant, responsibilities to individuals. The latter ultimately depend on our relative positions with the community that defines the whole:

[A] land ethic changes the role of *Homo sapiens* from conqueror of the land-community to plain

member and citizen of it. It implies respect for his fellow-members, and also respect for the community as such (Leopold 1949, 204; *my emphasis*).

In "The Land Ethic," Leopold describes this proposal in what he calls "the ethical sequence": a progressive widening of the scope of morality. He provides a cartoon history of morality, starting with relations between a narrow group of individuals deemed worthy of moral concern; for example, the Ten Commandments proscribe certain forms of action toward another person, while in the Homeric epics, the virtuous person need display no moral concern toward slaves. Subsequent developments both widened the scope of moral consideration (as sexist, classist, and racist barriers to moral status are rejected) and governed more complex social relations (from interactions between individuals, to those between individual and various social arrangements) (Leopold 1949, 202–203).

Leopold is clear that this Whiggish view is historically inadequate. It has failed to describe human responsibilities to one another, having "required 19 centuries to define decent man-to-man conduct and the process ... only half done" (Leopold 1991, 345–346). It also emphasizes a Western moral tradition whose predominance he elsewhere considers a "historical accident" and highlights the deleterious results of settler colonialism in exporting this perspective worldwide (Leopold 1991, 179; 311). The ethical sequence rather illustrates that in subsequent stages of the sequence, moral developments do not supplant their predecessors, but come as "accretions" that enhance prior regulations on action. Thus when we act on our responsibilities as citizens of a democratic state, we do not feel any less need for respectful interactions with our neighbors, or kinship ties to our family.

These accretions must, however, modify the moral codes that came before them. It is not the case that the moral status of Odysseus' slaves enters into consideration only once Odysseus' property claims on them are satisfied – the recognition of slaves as persons reshapes the moral landscape of Odysseus and his fellow wealthy, male Greeks. How does recognition of the moral

status of the biotic community reshape our moral landscape? Leopold's answer to this is bound up in the shift quoted above – from “conqueror” to “plain member and citizen” of the land community. Our responsibilities to humans, nonhumans, and the ecosystem as a whole are grounded in a shared community; responsibilities differ depending on our relative positions within that community.

Elsewhere Leopold uses the model of *kinship* relations to explicate this (Leopold 1949, 109). This involves seeing the moral landscape in terms of relationships like those between family and friends (Whyte 2020). Kinship serves as an important guiding principle in some Indigenous American ethics (Whyte 2020); their application illustrates a kinship ethic in practice.<sup>2</sup>

Within these ethics, different forms of kinship ties entail different responsibilities – as responsibilities to our immediate family may differ from those to different other members of our communities – but all are defined at least in part by reciprocity, or a respect for the gifts each member of the community can offer the community, and a motivation to provide gifts to support them in return (Whyte 2020). On this understanding, our responsibilities to our human relatives – who remain our close kin – are not supplanted by kinship to the nonhuman ecosystem; but our use of the resources of that ecosystem to support human ends requires that we in turn feel motivated to provide for it in return, protecting the health and resilience of the biotic communities upon whose gifts we depend.

### The Ecological Conscience

A last key concept for implementing a Land Ethic is what Leopold labels “the ecological conscience.” This term is his shorthand for an agent-

based system of ethics dependent on seeing our position within a biotic community, and drawing moral responsibilities from the bonds of that community. He argues that responsibilities to the land cannot be codified solely in laws or criteria for right action, for two reasons: our understanding of ecological science is inadequate to predict all the interdependencies of the land community sufficiently; and the existence of obligation to a community without conscientious affiliation results in action according to the letter, but not the spirit of those obligations (Leopold 1949, 194–209; Wardrobe 2019). Leopold encountered time and again in his working life examples of these shortcomings, conservation efforts falling short when dependent solely on legal regulation, without any motivation beyond adherence to law (Leopold 1991, 338–348).

The ecological conscience thus makes the Land Ethic a form of virtue ethic – but one in which the *telos* of the virtuous agent is derived, not from some anthropocentric ideal of human flourishing, but rather the well-being of the land community (Wardrobe 2020).

### A Perfect Moral Storm: The Need for a Land Ethic

The last 150 years have seen vast (but unequal) progress in human health and healthcare. They have also seen the resource demands of healthcare spiral, to the point where health systems comprise a substantial proportion of the total environmental footprint of many industrialized nations (Wardrobe 2019, 2020). However, recognizing a moral imperative to act has been compromised by lacunae in our ethics – the nature of the problem creates a “perfect moral storm” that leaves us “extremely vulnerable to moral corruption” (Gardiner 2006).

Stephen Gardiner outlines the features of environmental health threats like climate change that combine to create the perfect moral storm (Gardiner 2006). The first is of *dispersion of causes and effects*: the consequences of actions that cause environmental health threats are felt globally, and across time; rather than identifiable

<sup>2</sup>This is one of the many overlaps between Indigenous American thought and the Land Ethic, with particular associations between Leopold's thought and those of the Anishinaabe peoples of the Great Lakes region where he latterly lived (Callicott 1989, 177–221). He also shows an affinity for the Apache relationship with the land community over that of his fellow settlers of the American Southwest (Leopold 1991, 179; 239–244).

individuals being harmed, they create an indeterminate number of present and future victims at a spatial and temporal distance from the action. The second is of *fragmentation of agency*: global environmental health threats occur as the cumulative result of patterns of activity across individuals and societies, so the harms suffered by their victims cannot be readily assigned to any one action or agent. The third is *institutional inadequacy* – existing institutions, policies, and governance frameworks fail to provide the tools needed to meet the challenge.

Van Rensselaer Potter (1988) argues that bioethics' focus on individual rights and autonomy, emphasis on technological developments and clinical practice in industrialized healthcare settings, and short-term, action-based construction of moral problems leaves it highly vulnerable to this moral storm. This vulnerability can be found in precisely the characteristics that distinguish it from the Land Ethic: in being individualistic, anthropocentric, synchronic, and having a conservative orientation toward existing legal or deontological frameworks (Wardrope 2020). While health systems in industrialized nations may account for as much as 8% of their nations' total environmental footprints (Wardrope 2019), it is not the case that any individual clinical decision will make a significant difference to the ecological consequences of healthcare; and while it is (relatively) straightforward to predict the risks or benefits of that decision for the individual patient, the downstream implications of many such decisions are far less transparent. In combination, these properties make it easy for the clinician to say – however regrettable the consequences may be – it is “not *my* fault” (Gardiner 2006). The diachronic and holistic perspective of the Land Ethic, however, turns this problem on its head: it asks us to start from the recognition that – evaluated holistically, and in the long-term – the damage done to the biotic community by unchecked global environmental change is a major wrong, then to let this “ecological conscience” guide our decision-making in present courses of action. If acting in accordance with existing legal and professional frameworks has such results, then a Land Ethic demands that we rethink those frameworks.

## A Clinical Land Ethic in Practice

Concluding with a discussion of how a Land Ethic can shape clinical practice in the Anthropocene. It invites us to move away from a view of health workers and their institutions as separate from their social and biotic communities, towards one that sees them as “plain member and citizen” of both. Different health workers occupy different positions, and so their responsibilities change consonantly; but their practice can be shaped in ways that preserve the integrity, stability, and beauty of the biotic community, while not compromising our professional and kin responsibilities to colleagues and patients.

A potent illustration of our membership of the biotic community comes from antimicrobial resistance (AMR). AMR poses a huge threat to current and future human health, with an extra 10 million lives per year estimated to be at risk by 2050 as a result. Its causes are diverse, but include inappropriate or excessive antimicrobial prescription, environmental pollution from manufacture and disposal, agricultural misuse (e.g., as growth promoters), and changing patterns of human trade and travel. The ecological perspective makes clear that clinicians' responsibilities for AMR do not simply involve whether or not to prescribe antimicrobials for a given patient: as members of the biotic community, we are as much implicated in AMR through how we travel, how we eat, how we serve as vectors – the Land Ethic makes these questions just as relevant to clinical ethics (Wardrope 2019).

The ecological perspective also encourages us to view our healthcare institutions as within, shaped by and shaping our communities. Hospitals and surgeries can be designed and used in ways that align more or less with the interests of the biotic community. Hospital sites can build green and wild spaces within urban environments, or be used to shape travel infrastructure that promotes walking and cycling; primary care practices can co-locate with food cooperatives to support sustainable and healthy diets, or practitioners can use “social prescriptions” for active travel and access to nature. Such measures can improve health, while creating demand for communities

to be structured in ways that are better for human and planetary health. This reenvisioning of care need not compromise short-term human health outcomes: environmental footprint and resource consumption of healthcare correlates very poorly with health outcomes (Wardrope 2020).

## Conclusion

Human and planetary health in the Anthropocene are two sides of the same coin. Responding to the ethical challenges of global environmental health threats requires ethics to move beyond individualistic, anthropocentric, and synchronic concerns. The Land Ethic provides tools with which we can enrich our view of the moral landscape and encourage development of an ecological conscience that might help address these challenges.

## Cross-References

- [Bioethics](#)
- [Economics, Ethics, and the Environment](#)
- [Environmental Ethics and Sustainability](#)
- [Human Rights and Environmental Change](#)
- [Indigenous Environmental Justice](#)
- [Indigenous Land Management: Responsibility-Based Ethics](#)
- [Individualism](#)
- [Sustainability and Bioethics](#)

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## Military Industrial Complex (MIC)

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## Synonyms

Permanent war economy; War corporatism

## Definition/Introduction

“The military-industrial complex” (MIC) refers to a self-sustaining politico-economic system that perpetuates profitability in military supplies industries, de facto in multiple countries but primarily in the USA. It is made up of competing and/or collaborating entities – the maintenance of which is on the whole financially advantageous to all concerned. These include professional soldiers et al., managers and owners of industries that supply military equipment, government officials whose careers and interests are tied to military expenditure, and legislators whose districts benefit from defense procurement (Rosen 1973, pp. 1–2). The complex business objectives sought by these and other related personnel are fostered in part by exalting technical possibilities but also by spreading fear as to dangers that are imminent



and can be countered only by maintaining the highest feasible level of military preparedness (Hallowell 2016). In pursuit of these objectives, MIC participants' budgetary requests amount to meticulously orchestrated industry advertising portrayed as strategic force requirements. Given this state of affairs, the preeminent business ethical questions with regard to an MIC involve ends as well as means, i.e., not only death and destruction but systemically inherent pork and waste.

### **MIC Companies' War-Oriented Strategy**

C. Wright Mills (1956) formulated the concept of an MIC, and President Dwight Eisenhower famously warned about it in his 1961 Farewell Address. The entity itself had come into being during WWII as competing countries built up their military hardware in concert with the build-up of military manpower. When that war came to a cataclysmic end, the losers' industries were severely pacified; but the winners, especially in the USA, intensified their production of warmaking equipment and, no less assiduously, their search for enemies against whom that equipment could be used (short of nuclear holocaust). And whenever so used if not used up the user government needed to fund so-called defense industry corporations to replace shortfalls of old equipment; and, increasingly, this process of replacing the old came to be supplemented with projects to introduce new means of mayhem aimed at meeting speculative future challenges.

If this industry consisted as do others of free-standing companies that respond to changes in the market by changing their mix of products to remain relevant, its list of products would have changed considerably over the past seventy-some years. And in fact, budgetary reductions were at times deemed circumstantially possible and desirable, e.g., at the end of a war, notably that in Vietnam, or more so following the demise of the USSR. MIC companies are not free-standing, however, but depend on government funding the size of which is based on a need to confront dangers that seemingly can only increase. Thus challenged the industry seldom discontinues old

products, not even if the military itself asserts no need for them; and new products are rarely left unfunded merely because experts claim they will never be effective. In an artificial budgetary climate like this, in which careful estimates of demonstrable need are seldom relied on, budgetary bottom lines are more likely to be derived from actual confrontations such as the September 11, 2001, attacks. For these lend weight to estimates of risks posed by terrorists whose defeat will require a massive infusion of funds into companies whose products and services will be needed if the nation is to be adequately "defended."

The MIC's monetary distribution system involves interdependencies so complex that downsizing, never mind abolishing, it is generally deemed virtually unthinkable. Lobbyists for the contractors give their preferences weight by distributing vast sums of money to parties issuing contracts through the US Department of Defense (DoD) ([OpenSecrets.org](https://www.opensecrets.org) 2015). In addition, the actual manufacture of parts for weapons systems is distributed among plants deliberately located in most if not every Congressional district. A Congressional representative's campaign contributions, hence voter support, ultimately depend on his or her level of support for the budget from which local defense manufacturers receive their contracts. Governmental public and nonpublic MIC employees similarly risk losing their jobs if they are not supportive of this system in every way (Hartung 2011, Chap. 1; Reich 2010). Apart from these domestic arrangements, many of the companies dealing with DoD are multinational in scope, and thus so is the US MIC. Non-US weapons procurers deal directly not with contractors but with Foreign Military Sales (FMS), a program in DoD, that uses the Defense Security Cooperation Agency as its intermediary.

### **MIC Budget Amounts**

The size of the US MIC budget has grown considerably over the course of its existence since WWII. Consider these numbers adjusted for inflation. In 1948, the main but not total DoD budget



was just over \$97 billion. It rose to \$444.5 billion in 1952 at the peak of the Korean War, then fell to as low as \$216.3 billion in 1955. Yearly increases up to and during the Vietnam era brought the total to \$413.3 billion in 1968. Decline during the 1970s was reversed during Reagan's presidency, up to \$551.8 billion in 1985. Totals then declined again and stood at \$391 billion in 2000.

A fiscal year later, terrorists' carried out their hijacked planes assaults, and thereafter totals climbed to \$756.3 billion in 2010 (war peak for Iraq and Afghanistan). But by 2015, they had leveled off to a Reagan-era size of \$501.8 billion or, by another calculation, \$598.5 billion (McCartney and McCartney 2015, pp. 23–25). The latter figure represents 54% of 2015 discretionary spending, and if the \$65.3 billion for Veterans Affairs is added in, the military budget rose to 60% (National Priorities 2015).

The complete total of MIC funding is not easily determined, because much of it is not shared with the public, but a partial accounting is attainable. To begin, defense-related employees include not only military personnel but also in-house civilian employees and independent contractors. The resulting number of defense-related personnel employed in the US executive branch is arguably larger than the number of executive branch employees whose jobs are not defense related. In addition, defense contractors paid over \$50 million in 2015 to 655 lobbyists 423 of whom focused on defense (Cohen 2015). Even if so, claims that the MIC generates jobs is challenged by counterclaims that more jobs would be created if the funds involved were spent on civilian projects (Pollin and Garrett-Peltier 2007).

Some military-related funding does not pass through the DoD budget. For fiscal 2016, for example, its budget of \$573 billion did not include the additional \$163 billion earmarked for the Department of Veterans Affairs. Privately funded and yet perhaps of seminal importance are the Grand Strategy Programs (GSP) whereby conservative philanthropists pay intellectuals at a small number of universities to do research and teaching conducive to creating a "Long War University" that prepares students for permanent war. Collectively, the participating universities constitute

"national warfare state universities." Their mission is to educate students with regard to counter-insurgency or COIN. Their funding levels are, for example, \$17.5 million to Yale University and \$225,000 to Temple University (Horn and Ruff 2011).

Of course, any estimate of the MIC's total budget would be incomplete without inclusion of its nuclear weapons arsenal. At the height of the Cold War, the USA and USSR had 70,000 nuclear weapons. The 2010 New START Treaty called for reductions to 1,550 each, and by 2014 they together had only 16,200 (Russia 8,500; US 7,700). Seven other nations together add another thousand nuclear weapons to the total. Reductions notwithstanding, then, the total number of nuclear weapons in existence is still very large and involves too many possessing nations. A Comprehensive Nuclear Test Ban Treaty would reduce these numbers still more substantially; but to achieve the necessary two-thirds support, it needs to be signed by six more nations including China (McCartney and McCartney 2015, pp. 120–131).

Nuclear weapons being so incomparably destructive, a number of activist leaders and organizations call for their complete abolition. Public opinion polls show comparable views worldwide and in the USA, with Americans increasingly negative about their use in WWII. This widespread anti-nuke attitude is drowned out, however, by the supportive roar from the MIC, and its preferences prevail. Publicly knowable funding for nuclear weapons over the nine fiscal years 2010–2018 is \$179 billion, rising from \$16 billion to \$25 billion, i.e., an average of \$20 billion per year. (This total combines DoD funds with funds allocated to the Department of Energy's National Nuclear Security Administration.) In themselves these are comparatively modest numbers, but they hold places for a plan to replace each leg of the "nuclear triad" – land-based, submarine-based, and bomber-delivered – over the next 20 years. The cost of this major refurbishing is an estimated \$500 billion. In the meantime, a few more status-seeking countries (e.g., North Korea) will probably have developed their own nuclear weapons and delivery systems.

## MIC Budget Allocations

During the post-Reagan years of decline, the US MIC underwent massive consolidation. Thereafter, the surviving firms won larger contracts, especially after 9/11. For example, the 2012 US defense industry was assigned a budget of \$793.9 billion. Much of that amount went to ten companies whose 2011 contracts and revenue were as follows: Lockheed Martin, \$40 billion and \$46 billion, respectively; Boeing, \$21.5 billion and \$69 billion; General Dynamics, \$19.5 billion and \$33 billion; Raytheon, \$15 billion and \$25 billion; United Technologies, \$8 billion and \$58 billion; SAIC, \$7.4 billion and \$11.1 billion; L-3 Communications, \$7.38 billion and \$15.7 billion; Oshkosh Corporation, \$4.94 billion and \$7.6 billion; McKesson Corporation, \$4.7 billion and \$112 billion (McCartney and McCartney 2015, pp. 36–38).

The 2012 US military budget cited above was 63% greater than the total of \$486.7 being spent that year by the next nine countries, which, in order of size, includes China's \$89.8, the UK's \$62.7, France's \$58.8, Japan's \$58.4, Russia's \$52.7, Saudi Arabia's \$46.2, Germany's \$44.2, India's \$37.3, and Brazil's \$36.6 (McCartney and McCartney 2015, p. 11). Among the top arms producers in the world outside the USA in 2013, the UK's BAE Systems was third largest with arms sales of \$26,820,000, Trans-European EADS was seventh largest (\$15,740,000), Italy's Finmeccanica and France's Thales were ninth and tenth with arms sales each over \$10,000,000. The largest Russian arms producer that year was twelfth place Almaz-Antey (\$8,030,000) (Kelley 2014).

The Pentagon (DoD's headquarters), built to house 40,000 military and civilian employees, currently has 23,000 plus 3,000 nondefense support personnel. As for contractors, the DoD by 2008 employed 155,826 private contractors in Iraq and only 152,275 troops. Also in 2008, it had 108,000 contractors in Afghanistan and only 65,700 troops (McCartney and McCartney 2015, p. 30). To this one needs to add separately allocated funds for military intelligence operations

(70% of which is now being spent by private contractors) (Bloomfield 2013).

As recently reorganized, the Intelligence budget, initially allocated to DoD, is dispersed to the National Intelligence Program (NIP), the Joint Military Intelligence Program (JMIP), and the Tactical Intelligence and Related Activities (TIARA) funding aggregation (GlobalSecurity.org). Because of Edward Snowden, we possess details of the 2013 US budget for national intelligence. Totalling \$52.6 billion, this budget covered a wide variety of occupations and services. Twenty-eight percent went to the Central Intelligence Agency, which paid its own 107,035 employees and 18% of all federal contractors. \$10.5 billion went to the National Security Agency, and another \$4.9 billion to "contingency operations" in Iraq and Afghanistan (Brown n.d.).

In retrospect, various areas in the world where bombs and bomb materials were produced and/or tested have become toxic wastelands, e.g., the A-test site at Bikini Atoll, the Columbia River area where the Hanford Project produced plutonium, and a host of other areas contaminated by military testing of nuclear and other weapons (Hanrahan and Smith 2011). So if one is serious about determining the total costs incurred by the MIC, damages due to weapons testing should be included, and these extend to the damage inflicted on persons, property, and environment by use of weapons in live wars. These amounts are immense and to a large extent irreversible, but restitution claims are severely suppressed by the pro-warmaker character of international law. For example, in one attempt by US and Afghan negotiators to agree on compensatory damages to property arising out of the war in Afghanistan, the latter claimed \$100 million, the former came up with a figure of \$1.4 million (Shah and Nordland 2011; Kamrany and Taft 2012). Such damage awards, however calculated, are generally much smaller than those for environmental damages (Hulme 2004).

In short, the task of determining whether efficiencies created by the MIC outweigh its multifaceted excesses is a project still underway. Its

completion requires addressing various questions as to scope, i.e., regarding which additional entities are engaged actively or passively in MIC-related activities. There clearly are such entities, so the very concept of a military-industrial complex is often considered incomplete without inclusion of these unnamed components. Doing so would yield, for example, a military-industrial-congressional-lobbyist complex. Still more troubling is an emerging plan to shut down or privatize a number of US government civilian agencies and transfer their funds to MIC entities (Hartung 2017). Whether such a plan is ever accomplished, it can already be argued that some participants in the MIC are engaging in unethical business practices (Byrne 2010, 2017).

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## Misinformation, Disinformation, and Journalism Ethics

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### Synonyms

Algorithms; Automated journalism; Disinformation; Ethical norms; Fake news; Misinformation

### Introduction

Deciding what is trustworthy information in the newsroom has become more complex as technology has been compromised by a flood of misinformation and disinformation, especially through social media. Journalistic ethical practices of fairness, balance, and accuracy are being pressured by the speed of news dissemination and by policies that encourage the use of multiple platforms to publish and broadcast news – real fast. Even deciding what is newsworthy – a key journalistic value – is challenging to journalists because it is difficult to verify the veracity of information, its sources, and the intentions of those who share it. In many cases, by the time reporters and editors have vetted the content, the information has been disseminated, quoted, liked, retweeted, hyperlinked, and shared. And the ethical problems are not only about words and frames but also about altered, manipulated, or doctored pictures, graphics, and videos.

New forms of nonhuman digital interaction in social media have generated abundant cases in which governments or organizations use bots or trolls to disseminate false information masked as genuine and accurate. Efforts by journalists and news organizations to counter them are inadequate and isolated, and the need for ethical norms across a new function of fact-checking looks more and more like a permanent desk or beat in the newsroom. Journalism is not alone in the efforts to curb false information

dissemination. Social media companies are developing applications to detect and stop diffusion of false information, and some governments are seeking remedies by regulating the manufacture and spread of misinforming and disinformation. The complexity of controlling false information is vast, however, and there are many actors involved in it, including, ultimately, the public.

This entry defines misinformation as false or incorrect information produced unintentionally, while disinformation is information that is intentionally altered to cause confusion and deception. In journalism research, the latter is referred as false, made-up, or fake news (Tandoc et al. 2017).

### Journalism Accountability and Ethics When Information Is Openly in Sight

Publishing, posting, and broadcasting trustworthy information is a core function of the news media, but efforts to ensure that the information is accurate and reliable are a major challenge for professional journalism. The pressures of being the first to break news impose new demands for accountability and ethical conduct. Yet when algorithms and computer-generated dissemination models travel faster than humans can verify content, news organizations should still be obligated to validate what they disseminate. The pressure to fact-check even comes from ordinary Americans who responded in a national survey that it is journalists' responsibility to ensure that information is real and accurate. And worse, the same survey reported that almost seven in ten adults recognized that made-up news greatly harms public confidence in government institutions. While almost half of Americans responded that made-up news is a critical problem created by politicians, only a bit more, 53%, said the news media is responsible for reducing false news. This issue is highly ranked and is among the top five serious problems facing the country, following drug addiction, health care, political dysfunction, and inequality, the survey found (Mitchell et al. 2019).

Public trust in the press directly relates to the accountability level in providing accurate, balanced, fair, and timely information. The press

often does not thoroughly follow through on stories and topics that may have an impact on members of the society they serve. For instance, cases of corruption, major administrative or government errors, and environmental problems are found all over the USA where the news media missed earlier opportunities to alert and inform the public. As an example, the Michigan news media lacked accountability during the 2014–2019 Flint water crisis in which untreated river water caused significant health and developmental problems for children and vulnerable populations who were unaware that lead from pipes was contaminating their drinking water. In that situation, it took a long time before the news media reported on the problem to residents of the Black-majority city. To be trusted, news organizations should pay close attention and report on issues that matter to or affect society.

Given the new power of dissemination of social media, journalists should clarify and correct misinformation or disinformation. The Society of Professional Journalists Code of Ethics states that to seek truth and report it are paramount to the profession. To win the war against misinformation and disinformation, journalists must be accountable and transparent about their own information. However, it is difficult for ethical journalists to compete with computers generating information with wide and fast formats of dissemination. In dealing with misinformation provided by the press, it is vital for news organizations to clarify and correct errors and “false acts” as soon as they are detected. That way, credibility and trust can remain attached to the name of the news organization.

News media journalism’s codes of ethics should include when and how to share information, not only where the stories need to be, but also if reporters need to share parts of their story through their social media professional account. Ethical norms also should be clear about when and how journalists should respond to comments on social media. While some comments provide positive feedback that add context to a story, in many cases the reactions are aggressively negative and switch the discussion to ideology or political positions. Such aggressions can be

related personally to a reporter’s gender, age, race, or ethnicity with minimal connection with the story content. In addition to such negative responses, journalists also worry about the perceived reduction of credibility in their stories if there is a significant number of critical interactions with readers and other users (Naab et al. 2020). In such situations, codes of ethics should establish formats for responses for journalists to follow when they are unfairly attacked and criticized.

Another ethical and legal risk has emerged as automated journalism increases the risk of algorithmic libel. This represents potential pitfalls for the press as more news outlets use apps that could produce and disseminate potentially defamatory content. News organizations should recognize – and prepare for the reality – that software that generates news products could create erroneous content that has not been curated or reviewed by newsroom staff (Lewis et al. 2019). Converting big data into narrative texts is common in some newsrooms especially for sports and financial stories, but “reporting” on other topics important to society may soon become automated as well as targeting audiences more efficiently.

## **Misinformation and Disinformation in the News Media**

Misinformation and disinformation have come to the upfront of news production and distribution with the rapid flow that is facilitated by new digital formats. The two terms are different; at the core, the distinction relates to the intentionality of the stories’ content. By identifying the purposes or intentions of reporters and editors in generating and disseminating a particular story, the distinction between the two terms becomes clear. Misinformation is inaccurate content in a story that results from honest mistakes, errors, unconscious biases, unchecked facts or sources, or neglect by newsroom staff. The press has always dealt with a variety of forms of misinformation, but, for the most part, it been produced and provided unintentionally. Because of the time-pressures of the 24/7 news cycle, stories



often are posted, printed, or broadcast with incomplete data and without double-checking their facts and other content. Other forms of misinformation appear when content is uncertain, vague, unclear, and ambiguous, which can lead to multiple interpretations.

Acknowledging errors and correcting them promptly and prominently are essential to gain or regain audiences' trust. In cases when corrections and clarifications are needed, they must be carefully and clearly crafted to avoid the impression of any type of intentionality. Ethics classes in all accredited US schools of journalism teach students to never deliberately distort facts or content, including visual information that is easy to modify. The pedagogical training students receive familiarizes them with situations where ethics were compromised because of the pressures of deadlines, or because a story is confusing or ambiguous. In addition, students are exposed to the strict, but sometimes overlooked, ethical norms of attribution to give proper recognition to sources' statements.

Disinformation, on the other hand, is purposely created to mislead; in other words, the information is deliberately deceptive. There is nothing new about dissemination of intentionally false news. Historically, there is ample evidence that false news was produced to influence decisions, shift agendas, and discredit or credit people or organizations through knowingly false information. In the USA, commercialization of the news media from its start had some negative effects, including disinformation based on competition among newspapers. In other situations, the political affiliation of a news outlet's owner determined the orientation of stories facilitating the discrediting of or attacks on political opponents. The concept known as "disinformation" has been evident for hundreds of years. In the USA, it bloomed during the partisan press era and as an element of "yellow journalism" at the end of the 1800s when dissemination of false information led to the Spanish-American War of 1898 (Freedman 2019).

False facts dissemination encompasses several types of content under the label of "fake news," including false news, satire, and even intentional misreporting. Yet the term "fake news" has been increasingly used by politicians, particularly

during the 2016 presidential election, by then-candidate Donald Trump. During that campaign, Trump repeatedly downplayed or belittled any information put out by news outlets that did not support his political or personal positions. Fake news no longer refers simply to false information; even opinion-editorial pieces and letters to the editor are being labeled "fake news" in a partisan sense. Commentary, opinion, and feature writing can sometimes be confused with hard news because of the constant 24/7 news cycle. The demand for permanent "breaking news" intensifies the need to fill time, while distinctions between news and commentary get blurred. In some cases, the intent is to produce confusion since there is no clear statement identifying when opinion is provided and when facts are given. Commentary and analysis should be identified as such, and commentators should remain independent and nonpartisan (Tandoc et al. 2017).

Journalism ethics and media law scholars consider that for content to be considered fake, the content creator must have a deceitful intent. However, the 24-h news cycle and social media environments generate a constant stream of news that requires journalists to catch up at two levels. The first is to determine what is real and what is not, and the other is to decide if a story requires further engagement. At times, the pressures of speedy news dissemination also prompt looser standards for journalists who do not have enough time to fact-check information; their sources may include one-sided sources who often seek to provoke controversy, bigotry, public distrust, political action, and even violence. The expectation of news platforms, such as Facebook and Twitter, that their users are able to detect false information themselves based on their own knowledge is seriously flawed. The so-called collective intelligence and crowd wisdom is an idealistic notion that has real-world limitations based on knowledge gaps, education levels, and media literacy. So, the responsibility falls back on journalism as an institution to inform the public about important issues and to provide accurate information to help the citizenry make well-informed decisions on political, economic, social, environmental, and health issues. Ultimately, a well-informed society bolsters the process of debunking disinformation.



## Challenges of News Organizations to Inform Through Digital Platforms

The role of ethical journalism in the new and quickly evolving social media environment is to ensure that shared information in news stories is reliable, objective, and accurate. Challenges to achieve that goal are as vast as automated journalism and other algorithmic apps that can produce and distribute news stories. One major challenge facing newsrooms is timely detection, scrutiny, and unraveling the content of information in social media to determine if it includes errors and if that information is “real” or false.

Social media has become one of the main outlets for disseminating news and for exchanging and sharing information and ideas, yet existing regulations to protect the public from false information are inconsistent and anemic. Meta, the parent company of Facebook and Instagram, has started to implement methods to mitigate the spread of misinformation and disinformation by marking posts with a warning label to alert users of false information that has been reviewed by independent fact-checkers (Lewis et al. 2019). However, existing policies and technologies are not strong enough to prevent false information from reaching further because social media users still can dismiss such warnings and can read, share, and respond to troublesome and troubling content. The major flaw of this model is that Meta relies on algorithms to detect false information from big data while the role of human teams to oversee the detection process has been reduced.

Social media algorithms determine the personal preferences, including political leanings, based on the user postings. Then automated apps select a newsfeed based on their profile (Lewis et al. 2019). For example, when a user engages with content that includes negative opinions about the COVID-19 vaccine, posts reflecting the same ideologies will show up in their feeds. In the case of more radical antivaxxer positions, the algorithm selects similar newsfeeds and sites that match a user’s level of opposition to vaccination. In these circumstances, algorithm-based filter bubbles can amplify and isolate perspectives, viewpoints, and narratives that spread

misinformation and create ecosystems of information that exclusively fits a user’s political views.

The 2016 American presidential election was flooded with misinformation and disinformation, especially in social media, and created sufficient confusion to affect the final electoral results (Ferrara 2020). This is an example of journalism intersecting with social media companies to require identity verification strategies in an effort to control the creation of “bot” and “troll” applications, especially accounts, that disseminate disinformation. Bots are automated application that spread content without human involvement, while trolls are apps and accounts created by humans to spark conflict or disseminate false information (Baroan 2018). Both types of fake accounts are widely considered responsible for spreading false information to sway public opinion by trending in actual important issues such as the 2016 presidential election and the COVID-19 pandemic. For instance, a research group discovered bots sharing conspiracy theories and links to a controversial Danish study on the effectiveness of wearing masks across multiple public Facebook groups. While the original research article concluded that the benefits of wearing a mask were inconclusive, antimasking groups spread a different interpretation through links that appeared in multiple posts within a matter of seconds, proving that they were automated by software (Abbasi 2020). These are the types of challenges that newsrooms should confront to clarify and accurately inform their audiences. Determining not only what information is false, but also who or what is behind those algorithms and accounts, is essential to bring light to what is real and truthful.

Using algorithms to make news judgment should be separated from the role that human editors and other newsroom professionals play to determine newsworthiness. We now know that technology is not as objective as once believed, since an increase in the number of clicks on a story can lead to the questionable assumption that the news is real and ready for wide distribution. As automated journalism grows, the need for preface, context, and interpretation is more critical. After all, a story is not just a compilation of words and numbers, but a narrative that helps the public better understand issues. Fact-checking is one

necessary function, but expertise in journalism is also essential to clarify and explain the meaning of data and facts (Carlson 2018).

Dissemination of false information and “fake news” as a global phenomenon leads to a misinformed or disinformed public with real-life, tangible effects (Horne 2021). It is evident that fake news transcends the digital arena and enters the real world when users take real-life action, such as voting for one candidate rather than another and choosing not to get vaccinated against the coronavirus. Aside from informed discussions and decision-making on public issues, automated journalism raises concerns about the legal concept of actual malice in future libel lawsuits. Identifying the actors behind algorithms is important in determining who may be liable for defamation or other violations of ethical and legal standards. This is a complex issue that policymakers should take seriously to create ways to flag and identify false information disseminators. Social media is not disappearing; on the contrary, it will continue to expand and use sophisticated algorithms that could elude human detection. Moreover, it is far too ingenuous to expect multinational social platforms such as Google, Meta, Amazon, and Apple to effectively self-regulate to detect and flag misinformation and disinformation. The challenges are on multiple levels with various actors, some of them nonhuman; yet, what is at stake is the future of a well-informed society that keeps democracy strong.

## Cross-References

- Artificial Intelligence and Ethical Journalism
- Business Code of Ethics
- Journalism and Self-Censorship

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## Modern Biotechnology, Agriculture, and Ethics

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## Synonyms

Agricultural applications of biotechnology and ethics

## Introduction

Throughout history, agriculturalists have propagated plants and animals selectively, allowing

those with the most desirable traits – high yield, better taste, and so on – to reproduce. Since the mid-nineteenth century, the advent of systematic knowledge of heredity (the science of genetics) has allowed the development and adoption of more modern breeding technologies. In plant breeding, mutagenesis, where chemicals or ionizing radiation is used for generating more genetic variation in the plant material for the breeder to choose from, has been in widespread use for about a hundred years. Other examples are chemically induced doubling of chromosomes (that may result in larger plants), cloning, and artificial insemination. Echoing developments in other industries, breeding of both plants and animals has also become more specialized, professionalized, and commercial, so much of what once was primarily a matter of farmers' practical work has moved into the laboratories of universities and commercial seed or animal breeding companies.

In the 1970s, molecular technologies for altering the genetic makeup of microorganisms, and subsequently other organisms, became available. These technologies may be called *genetic engineering*. The first genetically engineered plants appeared in the early 1980s: they were developed using *transgenesis*, where genes from another organism are inserted into the genome of the plant. Plants developed in this way have been commercially grown since the 1990s. Among them are herbicide-tolerant soybean, papaya that is resistant to the ringspot virus, and so-called BT plants that produce their own insecticide, for instance, BT cotton and BT corn (maize). The molecular toolbox of genetic engineering has grown since then and now includes new technologies for “gene editing” (Lehrman 2020). For instance, CRISPR technology, first presented in 2012 and awarded the Nobel Prize in chemistry in 2020, has been employed in the development of agricultural plants, with the first US-approved gene-edited food being a non-browning mushrooms.

Agricultural applications of biotechnology raise several ethically loaded questions about human health, the environment, relationships between human beings, and relationships between humans and nature. This discussion has been intense in recent decades. It has focused

disproportionately on certain technologies of genetic engineering, including transgenesis. Those technologies are often referred to as technologies for genetic modification (GM). As a result of this debate, agricultural biotechnology – GM in particular – is subject to regulation. These regulations are different in different jurisdictions, with the European Union (EU) having a notably strict regulation of GM including pre-market approval and labelling requirements.

This chapter gives an overview of the most prominent arguments regarding the desirability and permissibility of agricultural biotechnology in relation to the most prominent points of debate: (1) benefits, risks, and uncertainties, (2) justice and fairness, and (3) whether what is sometimes perceived as “tinkering” with living organisms is intrinsically wrong. The focus is on plants for food production, directly or indirectly (in the form of animal feed). It should also be noted that plants also are sources for producing fiber, such as cotton or hemp, and biofuels. There are also applications of these technologies to animals, such as pigs and salmon, but this presentation is limited to plants and microorganisms. Applications in medicine are also excluded.

## Benefits, Risks, and Uncertainties

The main reason for adopting agricultural technology has been the perceived benefits of the applications. For the products launched during the first decades of the era of agricultural biotechnology, those benefits have primarily been agronomic, such as insect resistance or herbicide tolerance. Growers have adopted the products with the aim of rationalizing cultivation and increasing profit, and seed and technology companies have been able to make money from selling seed, chemicals, and other products within a regime of intellectual property rights (Schurman and Munro 2010). In moral terms, the arguments in favor of these practices have largely been consequentialist, that is, they have been justified with reference to the benefits they provide, outweighing possible negative consequences, for instance, to the environment and human health.

Consequentialist arguments have also been levered *against* the desirability of agricultural biotechnologies, arguing that at least for some technologies and applications, the risks outweigh the benefits. Here, for instance, potential harm to sustainability beyond national borders might come in conflict with economic benefits (Myskja and Myhr 2020). This illustrates two complications of consequentialist arguments in relation to agricultural biotechnologies: where do you stop the boundaries of the assessment, and why do you prioritize certain values over others? Furthermore, consequentialist arguments run into trouble in situations of *uncertainty* – that is, when the probability of an outcome is not known or cannot be reasonably estimated (as opposed to situations or *risk*, where such probabilistic knowledge is available). Instead, another line of arguments states that even if we do not know something to be harmful, it might be, and thus we should abstain from using it or introduce it with caution. This is the rationale for the precautionary principle (Ahteensuu and Sandin 2012), and it was applied in the early days of GM research when scientists adopted a voluntary moratorium on certain types of research until more evidence became available.

## Justice and Fairness

Other arguments are not directly concerned with possible harms and benefits but with fairness and justice. In the development end of the food chain, it has been argued that much of the legislation around GM is unfair, since it singles out products developed with GM by imposing regulations on them, even though they might be qualitatively alike in morally relevant aspects to traditionally developed products. It is argued that this violates a basic requirement of fairness, in the sense of non-discrimination: Cases that are alike should be treated alike.

This is an important issue as the use of technologies has drastically transferred the expertise and labor of seed production from farmers to seed breeding companies and agrochemical businesses. End-users, like growers, small-scale farmers, and subsistence farmers, find themselves

depending on this industry. It has been suggested that when considering issues of justice and fairness for agricultural biotechnologies, five challenges should be addressed: *availability, accessibility, participation in science and governance, arbitration, and long-term sustainability* (Robaey and Timmermann 2018). Considering these issues at early stages of technology and product development can support a desirable implementation and diffusion of agricultural biotech innovations.

Justice and fairness arguments are also apparent at the other end of the food chain, in consumption. Here, they often tend to focus on individual consumers. These arguments belong in a liberal tradition: they do not take a stand on the permissibility of agricultural biotechnology but instead state that it should be clearly indicated which products contain biotech ingredients made using biotechnology, enabling consumers to choose. This stance has inspired popular movements like Right to Know in the USA. One way to deal with this is labelling (Hansson 2019). Note that whether a food product contains GM or not is a so-called *credence attribute* of the product – there is no way for the consumer to judge whether the product possesses the attribute (as opposed to, e.g., its color or taste). In some jurisdictions, such labelling is legally required, for instance, in the European Union. The moral arguments in favor of such labels are of two kinds: one kind treats freedom of choice as instrumentally valuable, in the sense that it is seen as the best way of ensuring that people make good choices. The other kind regards freedom of choice or respect for personal autonomy as valuable in itself. The other side of the coin can be that if GMOs are perceived negatively but at an interesting price point, it could accentuate issues of food justice.

## Tinkering or Designing?

A final set of concerns has to do with perceptions of intrinsic wrongness – that there is something wrong with agricultural biotechnology *per se*. Versions include that such technologies amount to “playing God”, that they are unnatural, or that

they involve impermissible fiddling or tinkering with life. These concerns would apply, first, for developers of biotechnology and thus be an issue of research and design ethics. Second, the concerns would apply to consumers, with the worry that tinkering with food at the level of DNA might be equivalent to being “unnatural” (Siipi 2015), or there might be a religious basis for unease with some experience with GMOs. Proponents of GMOs as unnatural have a specific conception of nature based on their values.

However, what might be seen as “tinkering” on one perspective can be seen as sensible, responsible design on another. This further underlines the value-ladenness of agricultural biotechnology (van den Belt 2015). In any technology, innovations are not made in a vacuum: they represent a series of choices of a designer and create value-based reactions from consumers and users. The methodology of value-sensitive design is increasingly used in the field of biotechnology, inviting designers to make technological choices that reflect important stakeholder (or public) values, thereby involving stakeholders in the design process. Acknowledging that values can enter the design of innovations in agricultural biotechnology provides another perspective: agricultural biotechnologies can be not only technically designed for beneficial agronomic properties but also for properties that fulfill societal values. For instance, there is much research done in order to provide biotechnological options to fulfill values of human and environmental safety. What “safety” means will vary depending on stakeholders and use cases, thereby inviting designers in biotechnology to consider a variety of safety mechanisms. Engaging with the practice of biotechnology as designing for value in seeds, or microorganisms, could also help address potential value tensions. For instance, a value like energy security might come at odds with one of food safety (as in the famous “food vs. fuel” debate). What design choices can be made differently to avoid this tension? Using this approach invites questioning the goals of the agricultural biotechnology innovation and encourages making socially relevant decisions and further underlines

how different understandings of value relate to arguments on agricultural biotechnology.

## Conclusion

The concerns regarding the desirability and permissibility of agricultural biotechnology that have been considered here have fallen into three categories: (1) concerns about consequences, risks, and benefits, (2) fairness or justice related concerns, and (3) concerns about intrinsic properties. The list is certainly not exhaustive (some further examples can be found in Gregorowius et al. 2012).

Agricultural biotechnologies offer many promises and present problems relating to different important societal values. Practitioners engaging with such technologies need to be aware of these issues in order to address them at early stages of development. One example of how this is happening is adoptions of methodologies like that of value-sensitive design.

## Cross-References

- ▶ [Animal Ethics](#)
- ▶ [Animal Ethics and Business Ethics](#)
- ▶ [Boycotting as a Social Movement](#)
- ▶ [Corporate Social Responsibility and Engineering Ethics](#)
- ▶ [Environmental Ethics and Sustainability](#)
- ▶ [Environmental Philosophy and Business](#)
- ▶ [Fair Trade Consumerism](#)
- ▶ [Food Studies: Values and Ethics](#)
- ▶ [Gender and Food Security](#)
- ▶ [GMOs](#)
- ▶ [Seed Banks](#)
- ▶ [Technology Ethics: Origins, Paradigms and Implications for Business and Society](#)

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## Modern Slavery in Global Supply Chains

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### Synonyms

Developing nations and labor; International Labor Rights; Slave labor

### Introduction

Global supply chains have, for many, become synonymous with human rights abuses. While a globalized economy has generated millions of jobs over the last quarter century, lifting hundreds

of millions of people out of extreme poverty, the spread of these ubiquitous supply chains has come at a cost. Global outsourcing has become a central feature of today's globalized economy, and reliance on diversified and often opaque supply chains has given rise to major human rights accountability challenges (Mayer and Gereffi 2010; ILO 2016). Exploitative labor practices have developed persistently over time and continue to do so by cleverly adapting to social and economic changes (Datta and Bales 2013). The shift in production from the developed to the developing world, combined with highly fragmented global production networks, has had profound effects on the nature of modern global manufacturing and the lives of the workers involved in producing the goods (Mayer and Gereffi 2010; Locke 2013).

Modern slavery is a global problem. It is estimated that more than 40 million people are trapped in modern slavery (ILO and Walk Free 2017). The ILO estimates that forced labor in the private economy generates US\$150 billion in illegal profits each year (ILO 2014). Regular revelations about modern slavery show that this practice can reach into every aspect of a company's operations and supply chains, as well as into consumers' lives through our daily consumption and it poses uncomfortable truths for businesses and individuals (Datta and Bales 2013; Nolan and Boersma 2019). There is growing recognition of the need to address this problem and avoid forced labor and related practices that can and do occur in modern business transactions.

### Modern Slavery

There is no globally recognized definition of modern slavery. It is an umbrella term that incorporates a range of serious exploitative practices that includes trafficking in persons, slavery, servitude, forced marriage, forced labor, debt bondage, deceptive recruiting for labor or services, and the worst forms of child labor and is visible in many global supply chains (ILO and Walk Free 2017). Each of these terms is defined in treaties of the United Nations and the International Labor Organization.



Modern slavery is best understood as existing on a continuum of exploitation (Nolan and Boersma 2019). Such an outlook recognizes that people can be exposed to working conditions that gradually worsen, sometimes leading to slavery or slavery-like conditions. As Lewis et al. (2015) argue, while some individuals “enter labour situations that from the outset feature highly adverse conditions of little or no pay, debt or threats, [others] enter work on the expectation or promise of decent pay and conditions but find themselves in increasingly constrained and deteriorating circumstances that close down avenues for exit.”

Modern slavery occurs in every region of the world in both developing and developed countries (ILO and Walk Free 2017). Women are disproportionately affected (accounting for 71% of the estimated 40 million victims) and one in four victims of modern slavery are children (ILO and Walk Free 2017). Forced labor is a form of modern slavery often considered most relevant to workplace exploitation in global supply chains. Forced labor is defined in ILO Convention No. 29 on forced labor and refers to work that people must perform against their will under the threat of punishment. Of the 25 million people estimated to be working as forced laborers, 16 million of these are working in the private economy and half of those are experiencing debt bondage (where individuals work to pay off a debt while losing control over working conditions and repayments) (ILO and Walk Free 2017). Modern slavery is found in a range of sectors including (but not limited to) domestic work, manufacturing, construction, mining, agriculture, and fishing (Datta and Bales 2013; Crane et al. 2019).

## Supply Chain Responsibility

Globalization has hastened a shift in the manner in which business is conducted – from largely being confined within the borders of individual states to hierarchal transnational companies, and, ultimately, to large transnational fragmented global supply chains (Mayer and Gereffi 2010). Trade, production, investment, employment relations, and labor itself have drastically changed with the

growth of supply chains. The United Nations Conference on Trade and Development (2013) estimates that approximately 80% of international trade can now be linked to the global production networks of multinational enterprises. Increasingly, companies do not generally own or operate the end factories in which their goods are produced and they may contract with hundreds, sometimes thousands, of different suppliers annually. Such fragmentation is not a spontaneous process, “but rather a business strategy to facilitate success” (LeBaron 2014).

The supply chain is an area of potential commercial (including reputational) risk for companies. It is increasingly recognized that “one of the most significant and growing liabilities from which firms are attempting to distance themselves is that of forced labor” (LeBaron 2014). Evolving acceptance of a company’s responsibility to respect human rights as set out in the UN Guiding Principles on Business and Human Rights (Human Rights Council 2011) is making it more difficult for companies to disassociate themselves from human rights abuses, such as modern slavery, which business may be causing, contributing, or directly linked to.

Crucially, companies that source through supply chains do not have responsibilities towards workers at suppliers and subcontractors in the same way as they do towards their own employees (Mares 2018). The supply chain has become an intrinsic part of the lead firm’s operations but is generally comprised of separate legal entities. Many of the business relationships present in a supply chain will lie beyond the formal legal bounds of the corporate enterprise. Even though subcontractors, both authorized and unauthorized, may potentially be linked to those companies that are situated at the apex of the global supply chain, the terminology of the UN Guiding Principles on Business and Human Rights does not directly attribute legal liability to the lead company for the activities of its supplier. Further, while the corporate responsibility to respect human rights applies to every company along the supply chain, in practice, corporate responses and interventions will vary based on factors such as risk assessment analysis and the potential leverage of a company

to address the specific human rights issues (Human Rights Council 2011).

## Regulating Modern Slavery in Supply Chains

The application of human rights standards to global corporate operations has largely relied on self-regulation by business, alongside the coercive voice of civil society (Choudhury 2016; Muchlinski 2003). The utility of these voluntary initiatives has not been so much their ability to act as a tool of legal accountability but rather, to engage with companies and enable them to better understand the contemporary responsibilities of business with respect to human rights. Writing in 2008, then United Nations (UN) Special Representative for Business and Human Rights, John Ruggie noted that “the root cause of the business and human rights predicament today lies in the governance gaps created by globalization – between the scope and impact of economic forces and actors, and the capacity of societies to manage their adverse consequences” (Human Rights Council 2008).

The principal challenge is to ensure that the standards espoused in laws, codes, or guidelines directed at business are consistent, comprehensive, and implemented. It is clear not only that substandard working conditions are a global problem but that regulating and improving working conditions in global supply chains is a work in progress. Multiple motives (including reputation protection), pressure points (governments, media, trade unions, nongovernmental organizations (NGOs), consumers, workers, investors), and internal leadership within some companies have influenced, and continue to influence, corporate approaches to improving compliance with human rights standards (Nolan and Boersma 2019). What remains is disagreement about the most effective means of advancing respect for and compliance with international human rights and labor standards.

The relatively recent development of state-based legislative initiatives that focus on generating greater transparency in supply chains

is starting to change this dynamic and hardening human rights requirements for business. What is less clear is whether such disclosure and due diligence requirements can link transparency with accountability and generate substantive (not just procedural) human rights compliance.

Recent legislative efforts to address modern slavery in global supply chains have emanated from Australia (Modern Slavery Act, 2018), the United Kingdom (UK) (Modern Slavery Act, 2015), and California (Transparency in Supply Chains Act, 2010) and emphasize corporate disclosure as a means of combatting modern slavery (Mares 2018; Nolan and Boersma 2019). These laws impose reporting requirements on the lead firms in supply chains and are contributing to an evolving understanding of the actions that a company is expected to undertake with respect to the prevention of modern slavery.

Addressing modern slavery in global supply chains is the primary duty of states, but the fragmented nature of supply chains can make cross-border regulation challenging and business is increasingly being called on to play a part in reducing the incidence of slavery. These legislative measures impose corporate social reporting requirements that operate beyond national borders as a means of reducing modern slavery in global supply chains. The rationale behind these types of reporting requirements is that the reputational implications of forced disclosure will compel companies to undertake human rights focused examination of their supply chain practices and thus improve respect for human rights (Mares 2018). Modern slavery disclosure laws aim to harness the power of stakeholders, such as consumers, civil society, workers’ representatives and investors, as regulators and enforcers of the law (Grabosky 2017). However, while these laws harden the expectation that business will conduct itself responsibly, they are ultimately founded on a soft approach to enforcement which is essentially outsourced to the market (Grabosky 2017).

This focus on using transparency as a mechanism to generate improved respect for human rights in supply chains earlier received prominence with the introduction of section 1502 of the US Dodd-Frank Wall Street Reform and

Consumer Protection Act, (2010). With this mandatory reporting provision, US policy makers put business on notice that companies need to be more transparent about their sourcing strategies and mandated corporate social disclosure as a means of achieving this. This law creates a reporting requirement for publicly traded companies in the USA with products containing specific conflict minerals. The purpose of this provision is to provide greater transparency about how the trade in minerals is potentially fueling and funding the armed struggle in the Democratic Republic of the Congo; functionally, it relies on the adverse reputational impact of such a disclosure rather than mandating penalties for actually sourcing minerals from conflict-afflicted regions.<sup>1</sup>

This mechanism of mandatory social disclosure was then applied in the modern slavery space. In 2010, California adopted the California Transparency in Supply Chains Act (CTSCA) (Civil Code Section 1714.43 (also known as Senate Bill 657 (Steinberg) (2009-10)) which came into effect in 2012. The CTSCA requires large retail and manufacturing firms to disclose efforts to eradicate slavery and human trafficking from their supply chains and is another example of mandated corporate social disclosure. The adoption of the UK's Modern Slavery Act in 2015 focused broader global attention on the use of legislative disclosure requirements to address the human rights impacts of business. Section 54 of the UK Modern Slavery Act requires specified commercial organizations which supply goods or services in the UK to disclose information about their efforts to address modern slavery in their supply chains. In 2018, Australia passed its own Modern Slavery Act which follows a similar model to the UK law. However, Australia has benefitted from the lessons learned in the UK (UK Government 2019; Field et al 2019) and its law has addressed some of the shortcomings of the UK Act by including reporting obligations for the

federal government, mandatory reporting criteria, and a government-funded online repository for statements. However, institutionalizing transparency is unlikely to automatically lead to improvements in corporate behavior (Sarfaty 2015). What is key is ensuring that the laws encourage a move toward substantive compliance with human rights rather than simply cosmetic compliance (Krawiec 2003).

Other jurisdictions have adopted different approaches to addressing modern slavery in supply chains. The USA has the Tariff Act of 1930 (s307 amended in 2016) which applies to all US importers and allows the government to apply a temporary withholding or conclusive ban of goods that are suspected to be the result of forced (or child) labor. In addition, the US Federal Acquisitions Regulations (subpart 22.17 amended in 2015) requires qualifying government contractors and subcontractors to certify that they have made efforts to ensure their supply chain is free from forced labor and human trafficking. Failure to comply may result in a termination of the procurement contract. The US Department of Labor issues a public list of products it believes are produced by forced and child labor.

Since 2004, Brazil has published a "dirty list" disclosing companies who have engaged in illicit labor practices who are then banned from accessing any public financing (Ministry of Labor and Employment Decree No. 540/2004). The dirty list is a public register of companies found by governmental inspectors to have forced labor in their supply chains. Companies named on the list are monitored for two years and are also potentially subject to fines. The "dirty list" is reinforced by a further governmental decree (Decree No. 1 150), which recommends that financial bodies refrain from granting financial assistance to companies on the list.

These laws adopt different tactics to address human rights abuses in supply chains but taken together are evidence of a change in regulatory strategy that reflects a growing consensus that corporate actors have a role to play in addressing the human rights impacts of business and that the state has a regulatory responsibility to prevent and redress those abuses. Modern slavery laws though

<sup>1</sup> Section 1502 does impose penalties for not reporting or complying in good faith. Also, the information filed by companies is subject to s18 of the *Securities Exchange Act* 1934 which attaches liability for any false or misleading statements.

currently limited in their design, do have the potential to harden responsible business conduct principles that have traditionally been cast in a soft voluntary format.

### **Mandatory Human Rights Due Diligence: The Next Step?**

Alongside these narrowly focused modern slavery disclosure laws some countries are working on or have developed broader supply chain governance laws that assess human rights risks more generally, not just those associated with modern slavery. These laws incorporate differentiated and varied enforcement frameworks. Two relevant examples are the “duty of vigilance” law passed in France in 2017<sup>2</sup> and the Netherlands Child Labor Due Diligence Act adopted in 2019 (not yet in effect). Since 2010, at least 11 national or regional laws have been approved, or are under consideration, that require companies to report on their supply chain practices and incorporate a broader variety of enforcement mechanisms.<sup>3</sup>

The French Corporate Duty of Vigilance Law 2017 requires large French companies<sup>4</sup> to identify and prevent adverse human rights (and environmental) impacts, including those resulting from their supply chains. Specifically, companies must implement, and report annually on, a “vigilance

plan” to prevent human rights abuses. The plan must assess the company’s human rights risks, as well as risks associated with its subsidiaries, sub-contractors or suppliers with whom the company maintains an established business relationship. Once identified, companies are required to take appropriate action to mitigate risks or prevent serious violations, to create risk alert mechanisms in conjunction with trade unions and monitor and assess the efficiency of its measures. Interested parties may enforce noncompliance with the law through the courts.

The Netherlands has adopted the Child Labor Due Diligence Act that will require companies selling products or services to Dutch end-users to identify whether child labor is present in their supply chain and, if this is the case, to develop a plan of action to address it and issue a due diligence statement.

The French and Dutch laws provide for stronger enforcement measures than the Australian, UK, and Californian modern slavery law. In France, a court may impose an injunction on companies to comply with the vigilance requirements (akin to a duty of care) and companies may potentially be held liable under a civil lawsuit where companies have failed to implement due diligence plans and harm has occurred that can be causally linked to that failure (BHRCC and ITUC 2017). The Dutch law actively involves the regulator in the enforcement framework and provides for a process of due diligence implementation and the potential for fines to be imposed for noncompliance.

The European Union’s 2014 Directive (2014/95/EU), requires companies with more than 500 employees to report on how they manage human rights risks, including modern slavery, in their supply chains. Although the EU Directive does not specifically refer to supply chains, the definition of risk contemplates business relationships that are likely to cause adverse impacts on human rights. Specifically, companies must provide a description of their relevant policies, their due diligence processes, the outcomes of those policies, principal human rights risks, how they are managed, and key performance indicators. The EU Directive is broader than the UK,

<sup>2</sup>LAW No 2017-399 of March 27, 2017 on the Duty of Vigilance of parent companies and instructing companies, JORF No 0074 of 28 March 2017, text No 1. (French Law)

<sup>3</sup>*Tariff Act of 1930*, 19 USC § 1654 (US); *Federal Acquisitions Regulation (FAR)* 48 CFR 1, 22.17 (US), *Child Labour Due Diligence Law 2019* (Netherlands); *Modern Slavery Act 2015* (UK), s 54; *Duty of Vigilance Law 2017* (France); *Dodd-Frank Wall Street Reform and Consumer Protection Act* 12 USC § 1502; *Transparency in Supply Chains Act of 2010*, Cal Civil Code §1714.43; *Conflict Minerals Regulation 2021* (EU), *Responsible Business Initiative* (Switzerland), *Modern Slavery Act 2018* (Cth); *Modern Slavery Act 2018* (NSW).

<sup>4</sup>The law applies to any company established in France with at least 5,000 employees within the company head office and its direct and indirect subsidiaries, whose head office is located on French territory, or that employs at least 10,000 employees within the company and its direct and indirect subsidiaries, whose head office is located on French territory or abroad.

California, and Australian Acts in that it applies to all human rights impacts, not just modern slavery but like those laws, lacks a hard enforcement framework.

On 29 April 2020, the European Commissioner for Justice, announced that the European Council will introduce rules for mandatory corporate environmental and human rights due diligence in 2021 (BICL et al. 2020; Feldman et al. 2020). The announcement is the latest in a series of developments representing a rising tide of human rights and environmental due diligence obligations. The new EU regime will add to existing legal obligations and further codify existing soft law frameworks. It will also be relevant to legal actions for alleged human rights abuses, establishing the standard of conduct expected from companies. However, the enforcement framework remains as yet unclear. In addition, there are several other laws under consideration, including in Switzerland, Canada, Germany, and Hong Kong, that focus on supply chain responsibility (BHRCC and ITUC 2017).

## Aligning Purpose and Profit

Calls for companies to adopt a more purposeful approach to business including one that includes greater transparency and responsibility for issues such as modern slavery are growing. In 2019, the US Business Roundtable issued a Statement on the Purpose of a Corporation in which it acknowledged that companies must consider their impact on customers, employees, suppliers, and the communities in which they operate. It also suggests a degree of leverage on the part of the lead firm to influence the conduct of the supplier to ensure fair working conditions (Mayer and Gereffi 2010).

Also in 2019, Larry Fink, CEO of Black Rock, the largest asset management company in the world, called on business leaders to consider the purpose of their company. “Purpose is not a mere tagline or marketing campaign; it is a company’s fundamental reason for being – what it does every day to create value for its stakeholders. Purpose is not the sole pursuit of profits but the animating force for achieving them. Profits are in no way

inconsistent with purpose – in fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time – not only shareholders, but also employees, customers, and communities. Similarly, when a company truly understands and expresses its purpose, it functions with the focus and strategic discipline that drive long-term profitability” (Fink 2019). Fink argues that business should proactively address socioeconomic issues.

Such public statements about the breadth, depth, and interdependent nature of supply chains are now a more common occurrence and a far cry from the narrower perspective and “denial of responsibility” approach of companies just a few decades earlier to human rights abuses in their supply chains (Ratner 2001). However, to address modern slavery in a substantial rather than cosmetic way, it is necessary to establish a legal framework that requires (not requests) compliance and for business to adopt a purposeful mindset that is reflected in their business model and supply chain operations.

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## Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items

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### Synonyms

Aspiration for money; Attitude toward money; Behavior; Behavioral intentions; Business ethics; Greed; Items; Love of money; Meaning of money; Measurement scales; Monetary wisdom; Outcome variables/constructs; Prospect theory; Risk averse; Risk seeking; Theoretical model

### Introduction

According to Mitchell and Mickel (1999), Tang's money-related construct (the Money Ethic Scale and the Love of Money Scale) has become one of the most well-developed and systematically used constructs of money attitude in the literature. This money-related construct is associated with



financial risk-tolerance (Tang et al. 2008a), risk-taking behavior in an ERP study (Jia et al. 2013), and mildly associated with materialism (Belk 1985; Gentina et al. 2017, 2018b; Kasser 2002; Tang et al. 2014). The love of money results in objectification (Wang and Krumhuber 2017) which reduces personal intimacy. The love of money also creates a winner-take-all mentality – the Matthew effect<sup>1</sup> (Merton 1968; Tang 1996; Tang et al. 2003), contributes to our understanding of pay satisfaction (Luna-Arocas and Tang 2015; Tang et al. 2004, 2005, 2006b). It predicts dishonest intention and actual cheating behaviors in experiments (Chen et al. 2014), college students' poor grades in a business course (Tang 2016), stock happiness (Tang et al. 2018), and voluntary turnover 18 months later (Tang et al. 2000). The love of money (LoM) is consistently stronger than the theory of mind (ToM) in predicting unethical consumer beliefs (Gentina and Tang 2018) among French teenagers.

## Research Findings

Scholars have substantiated the relationships between the love of money and several outcome variables in more than 43 countries across six continents. Some outcome constructs may include unethical intentions (e.g., Erdener and Garkavenko 2012; Gbadamosi and Joubert 2005; Kashif and Khattak 2017; Nkundabanyanga et al. 2011; Tang and Chen 2008; Tang and Chiu 2003; Tang and Liu 2012; Wicaksono and Urmsah 2016), consumer unethical beliefs, or consumer ethics (Gentina and Tang 2018; Gentina et al. 2017, 2018b; Rose 2016; Rose et al. 2016; Singhapakdi et al. 2013; Vitell et al. 2006, 2007), helping behavior (Tang et al. 2008b), and pay and life satisfaction (Tang et al. 2006a, b, 2018a, b).

In addition to several cross-cultural studies (Tang et al. 2006a, b, 2008b, 2018a, b), scholars have applied the love of money construct in

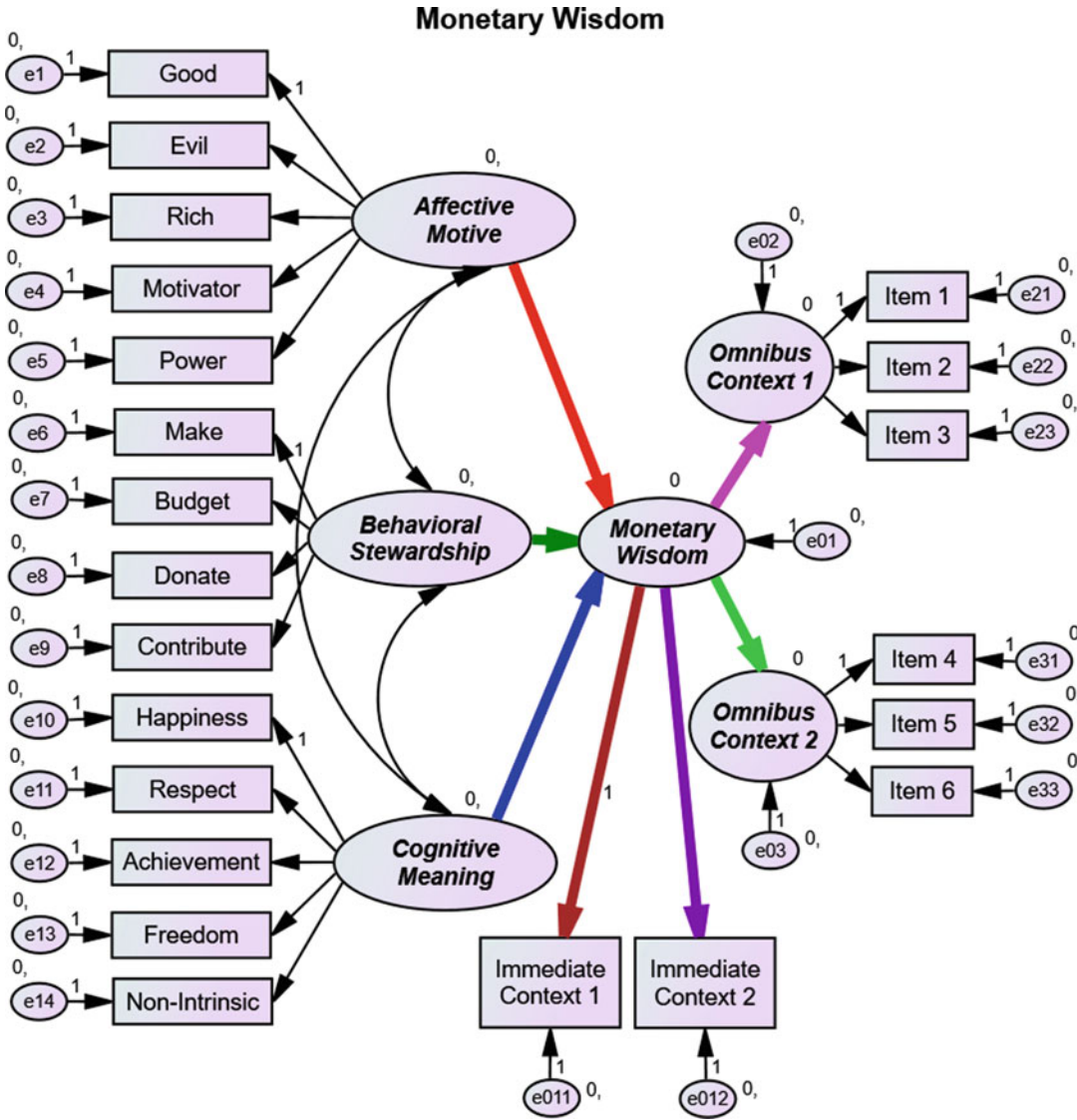
numerous countries around the world, e.g., Czech Republic (Lemrová et al. 2014), Indonesia (Wicaksono and Urmsah 2016), Kazakhstan (Erdener and Garkavenko 2012), Macedonia (Sardžoska and Tang 2015; Tang et al. 2004), Malaysia (Wong 2008), Pakistan (Kashif and Khattak 2017), Singapore (Lim and Teo 1997), Swaziland (Gbadamosi and Joubert 2005), Thailand (Ariyabuddhiphongs and Hongladarom 2011), Turkey (Süer et al. 2017), Uganda (Nkundabanyanga et al. 2011), and the UK (Wang and Krumhuber 2017). Scholars have cited these constructs in influential reviews (Dittmar et al. 2015; Kish-Gephart et al. 2010; Lea and Webley 2006; Mitchell and Mickel 1999; Wang et al. 2020) and numerous editions of textbooks (Bateman and Snell 2013; Colquitt et al. 2015; Furnham 2014; Gerhart and Newman 2020; McShane and Von Glinow 2021; Milkovich et al. 2014; Newman et al. 2017; Phillips and Gully 2019; Scandura 2019). It has been featured in news media (Bloomberg 2016; CNN: Gillespie 2016; Financial Times: Authers 2016). Additional data are now available from Japan, Ukraine, and other countries.

## A Theoretical Model of Monetary Intelligence/Wisdom

Monetary intelligence/wisdom asserts: Individuals consciously or unconsciously select their deep-rooted personal values (e.g., aspiration for money or love of money, among others) as a part of their executive cognitive functions and frame critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize expected utilities and ultimate happiness. See relevant articles related to monetary wisdom (Tang et al. 2018a). It is essential that researchers must select theoretically appropriate subconstructs for monetary wisdom and also outcome variables in the immediate (proximal) context and also in the distal (omnibus) context.

To encourage future empirical research and facilitate new explorations, I have presented constructs and items (Appendix A) and a *formative* theoretical model (Fig. 1). Scholars have

<sup>1</sup> For to everyone who has, more will be given and he will grow rich; but from the one who has not, even what he has will be taken away (Matthew 25: 29). The rich get richer and the poor get poorer.



**Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items, Fig. 1** A theoretical model of monetary wisdom

examined most constructs in empirical studies (especially the love of money with Factors Good/Important, Rich, Motivator, and Power) but rarely used constructs with negative connotations (Evil and Non-intrinsic). One of the reasons is that research has shown that the items with negative wording and/or reverse-scored items may not fit well with the items with positive wording. Due to recent developments in research methodology, scholars may consider attitudinal measures not only as a reflective model but also

as a formative model (MacKenzie et al. 2011; Podsakoff et al. 2003; Williams et al. 2003). In a reflective model, we treat affective (motive), behavioral (stewardship), and cognitive (meaning) components of money attitude as an imperfect reflection of the underlying latent construct, monetary intelligence (MI). Most importantly, the direction of the relationship flows from the latent construct to the indicators – observed and measured items.

In a formative model, we consider motive, stewardship, and meaning of money, conceptually, as distinguishable perspectives, noninterchangeable defining characteristics, or formative indicators of the monetary intelligence. The elimination of any single subconstruct will restrict the overall construct in a significant way. The direction of the relationship is from subconstructs to the MI construct. The construct is “nothing more than a label for its dimensions considered collectively” (Edwards 2011, p. 384). Since all subconstructs make independent contributions to the overall latent construct (e.g., MI), researchers may use both positively and negatively worded constructs in a formative theoretical model simultaneously (see Tang 2016; Tang et al. 2018a; and Fig. 1).

To achieve model identification (Jarvis et al. 2003), a formative construct must emit paths to at least two unrelated latent constructs with reflective indicators, theoretically appropriate reflective indicators, or one reflective indicator and one latent construct with reflective indicators. The formative theoretical models provide many additional advantages. Scholars may follow suggestions and examples (Gentina and Tang 2018; Gentina et al. 2017, 2018a, b; Tang et al. 2018a) to conduct empirical studies. In summary, future researchers may use formative theoretical models to explore money-related constructs as related to various outcome variables.

## Cross-References

- [Monetary Wisdom: The Attitude Toward Money and the Meaning of Money \(the Love of Money\)](#)
- [Monetary Wisdom: The Matthew Effect in Monetary Wisdom: Intelligence Versus Wisdom](#)

## Appendix A

### Affect: The Affective Motive of Money (Why)

#### Good (Important)

1. Money is important
2. Money is valuable
3. Money is good

#### Evil

4. Money motivates people to perform unethically
5. Money is a major cause of people’s unethical and evil acts
6. The love of money (greed) leads to theft, corruption, and murder
7. Money undermines one’s ethical norms and standards
8. The love of money is the root of all evils

#### Rich

9. I want to be rich
10. It would be nice to be rich
11. Having a lot of money (being rich) is good

#### Motivator

12. Money reinforces me to work harder
13. I am motivated to work hard for money
14. I am highly motivated by money

#### Power

15. Money is power
16. Money gives one considerable power
17. Money controls and manipulates your behavior, when you are paid
18. Money can buy the best products and services

### Behavior: The Behavioral Stewardship of Money (How)

#### Make Money

19. I find smarter and better ways of making money
20. I look for new and legal ways to make money
21. I am proud of my ability to make money

#### Budget Money

22. I budget my money very well
23. I use my money very carefully
24. I am proud of my ability to save money

#### Give/Donate Money to Charity

25. I give generously to charitable organizations
26. I believe in charitable giving
27. I give money to the Church (religious organizations)

**Make Contribution: The Matthew Effect**

28. More money should be paid to people with higher quality of performance
29. More money should be paid to people with more talent
30. More money should be paid to people with higher merit (performance)

**Cognition: The Cognitive Meaning of Money (What)****Happiness**

31. Money can buy happiness
32. Money makes me feel happy
33. Money makes life a lot easier

**Respect**

34. Money makes people respect me in the community
35. Money helps me gain respect
36. Money allows me to express myself

**Achievement**

37. Money represents my achievement
38. Money is a symbol of my success
39. Money reflects my accomplishments

**Freedom**

40. Money gives you autonomy and freedom
41. Money can give you the opportunity to be what you want to be
42. Money in the bank is a sign of security

**Nonintrinsic**

43. Money does *not* enhance the “love” of my job
44. Money does *not* make my job exciting, interesting, and challenging
45. Money offers less excitement than achievement on my job

**A 5-Point Rating Scale with Anchors**

|                   |          |         |       |                |
|-------------------|----------|---------|-------|----------------|
| 1                 | 2        | 3       | 4     | 5              |
| Strongly disagree | Disagree | Neutral | Agree | Strongly agree |

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## Monetary Wisdom: Prospect Theory and the Meaning of Money (The Love of Money)

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## Synonyms

Aspiration for money; Attitude toward money; Behavior; Behavioral intentions; Business ethics; Greed; Items; Love of money; Meaning of money;



Measurement scales; Monetary wisdom; Outcome variables/constructs; Prospect theory; Risk averse; Risk seeking; Gains-losses domain; High-low probability of risk; The certainty effect; The possibility effect; Theoretical model

## Introduction

Daniel Kahneman won the 2002 Nobel Prize in economic sciences for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty. In his 2011 book, *Thinking, Fast and Slow*, Kahneman asserted that “there may also be cultural differences in the attitude toward money” (p. 298) in investigating the endowment effect and behavioral economics. Following his inspiration, this entry’s main purpose is to extend Kahneman’s prospect theory and incorporate attitude toward money in decision-making under uncertainty. Monetary wisdom theory explores decision-makers’ attitudes toward money, the love of money attitude, i.e., an individual difference variable. Individuals frame critical concerns (gains-losses domain and high-low probability) in the proximal and omnibus contexts to maximize expected utilities and ultimate fulfillment. This theory applies to decision-making at individual, organization-industry, and country-global levels.

## Prospect Theory

Daniel Kahneman won the 2002 Nobel Prize in Economic Sciences. Kahneman and Tversky (1979) and Tversky and Kahneman (1974, 1981, 1992) developed their prospect theory. Prospect theory suggests that a rational decision maker prefers the prospect that offers the highest expected utility. Overall, prospect theory frames options in “gains-losses domain” and “high-low probability.” The formation of the problem, the norms, and the decision-maker’s personal characteristics influence one’s decision frame. In his book, *Thinking, Fast and Slow*, Daniel Kahneman stated: “The *fourfold pattern* of preferences is

considered one of the core achievements of prospect theory” (Kahneman 2011, p. 317). So, what is the fourfold pattern of preferences? It involves risk-aversion for gains and risk-seeking for losses in the context of high probability (the certainty effect) and risk-seeking for gains and risk-aversion for losses in the context of low probability (the possibility effect). Kahneman (2011) asserted that “there may also be cultural differences in the attitude toward money” (p. 298) in investigating the endowment effect and behavioral economics (Kahneman et al. 1990; Thaler 2015; Thaler and Sunstein 2008). However, very little research has explored behavioral economics and behavioral ethics from prospect theory’s perspective, involving individual differences – attitude toward money. These suggestions in the literature reveal the profound importance for scholars to focus on the attitude toward money. This entry fills the void, bridges the gaps between prospect theory and behavior ethics, and contributes to the business ethics literature. In short, I expand the prospect theory, incorporate individuals’ deep-rooted values – attitude toward money – to frame decision-making in the gains-losses domain and high-low probability of risk (the prospect theory), and develop my Monetary Wisdom Theory.

## Attitude Toward Money

In economics, money is an instrument of commerce and a measure of value (Smith 1776/1937). From the psychological perspective, the meaning of money is in the eye of the beholder (McClelland 1967, p. 10; Tang 1992, 1993). Therefore, researchers incorporate the attitude toward money in investigating behavioral economics and behavioral ethics.

Numerous priming experiments suggest that thinking about money provokes strong emotions for individuals. Vohs et al. (2006) published an excellent article in *Science* on this interesting issue – thinking about money. Reminding people about money activates feelings of self-sufficiency, reduces requests for help, donates less money to charity, and keeps a large physical distance

between themselves and others (see Welsh and Ordóñez 2014). Furthermore, counting 80 \$100 bills (compared to 80 pieces of paper) reduces people's physical pain (Zhou et al. 2009). The mere presence of abundant wealth, cash, or money provokes a feeling of "envy toward wealthy others." Envy causes a high percentage of participants to engage in and a large magnitude of cheating for personal gains (Gino and Pierce 2009b, p. 142; Gino and Pierce 2009a) and triggers a business decision frame and unethical outcomes (Kouchaki et al. 2013). The love of money also results in objectification, which reduces personal intimacy (Wang and Krumhuber 2017). Due to this objectification mentality, executives at Enron, for example, treated their employees as objects (pawns in a chess game), without any emotions or feelings (Tang et al. 2018a).

Interestingly, getting Harvard, MIT, Yale, and Princeton students to contemplate their own ethical values by recalling the Ten Commandments or signing an honor code eliminates cheating completely, while offering poker chips to redeem for cash, a few seconds later, doubles the level of cheating (Ariely 2008). Reminding individuals about religious values and ethical norms reduces individuals' dishonesty, unethical behavioral intentions, cheating, and dishonesty (e.g., Aquino et al. 2009; Tang 2016). This principle helps the researcher detect lies in handwriting samples (see, for example, Tang 2012). Participants pay attention to the environmental cues, social norms, and the context and proactively adjust their behaviors.

## Monetary Wisdom

Specifically, following Kahneman's (2011) suggestions, scholars pay attention to decision-maker's deep-rooted personal values – the aspiration for money (or love of money<sup>1</sup>, greed, in layman's terms) as related to behavioral economics and behavioral ethics. We frame relationships between the aspiration for money and behavioral

ethics in a brand-new perspective of the gains-losses domain and high-low probability.

Following the prospect theory, my coauthors and I developed the notion of Monetary Wisdom in a series of articles. Monetary intelligence asserts: Individuals select their deep-rooted personal values (aspiration for money or love of money) to frame critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize expected utilities and ultimate happiness (e.g., Chen et al. 2014; Chen and Tang 2006; Chiu and Tang 2015a, b; Gentina et al. 2018; Lemrová et al. 2014; Sardžoska and Tang 2015; Tang et al. 2014, 2018, a; Tang 2016; Tang and Chen 2008; Tang and Chiu 2003; Tang and Sutarso 2013).

In short, on the bright side, *low* aspiration for money predicts ethical decision-making, high academic achievement (Tang 2016), and stock happiness (Tang et al. 2018b). On the dark side, *high* aspiration predicts dishonesty in panel studies (Tang and Sutarso 2013), cheating (Chen et al. 2014), and voluntary turnover 18 months later (Tang et al. 2000). These findings support the notion of monetary wisdom. I encourage readers to study all these articles and related entries in this *Encyclopedia of Business and Professional Ethics* to understand these exciting constructs among various contexts.

## Cross-References

- ▶ [Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items](#)
- ▶ [Monetary Wisdom: The Matthew Effect in Monetary Wisdom: Intelligence Versus Wisdom](#)
- ▶ [Monetary Wisdom: The Attitude Toward Money and the Meaning of Money \(The Love of Money\)](#)
- ▶ [Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention](#)

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## Monetary Wisdom: The Attitude Toward Money and the Meaning of Money (The Love of Money)

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### Synonyms

Aspiration for money; Attitude toward money; Behavior; Behavioral intentions; Business ethics; Greed; Happiness/Subjective Well-Being (SWB); Items; Love of money; Meaning of money; Measurement scales; Monetary wisdom; Outcome

variables/constructs; Prospect theory; Risk averse; Risk seeking; Theoretical model; Ultimate fulfillment

### Introduction

This entry briefly reviews the literature on the theory of planned behavior and the ABC (affective, behavioral, and cognitive) model of attitudes. Following the ABC model, this entry also provides a short history for the development of the Money Ethic Scale, the love of money measure, and the notion of monetary wisdom. This entry also tapes on empirical studies related to the measurement scale's reflective and formative models and monetary wisdom.

### Monetary Wisdom

Monetary Wisdom (MW) asserts: Individuals select their deep-rooted personal values (aspiration for money or love of money) to frame critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize expected utilities and ultimate happiness (e.g., Chen et al. 2014; Chen and Tang 2006; Chiu and Tang 2015a, b; Gentina et al. 2018; Lemrová et al. 2014; Sardžoska and Tang 2015; N. Tang et al. 2018; Tang 2016; Tang and Chen 2008; Tang and Sutarso 2013; Tang et al. 2018a, b). This theory applies to decision-makers at the individual, organization-industry, and country-global levels. Now, I trace Monetary Wisdom (MW) back to the development of the measurement scales.

### Attitude Toward Money

In the psychology literature, the theory of planned behavior (TPB) (Ajzen 1991) asserts that attitudes, subjective norm, and behavioral control predict *behavioral intention* that, in turn, predicts *behavior*. There are numerous money-related constructs and measures (e.g., Furnham 2014; Mitchell and Mickel 1999; Srivastava et al. 2001; Wernimont and Fitzpatrick 1972; Yamauchi and Templer 1982; Zelizer 1989). Following the

ABC (affective-behavioral-cognitive) model of attitudes, Tang and his associates developed several new constructs in a series of studies on the attitude toward money and the meaning of money. Following the notion of the work ethic and the leisure ethic (Grant 2008; Tang and Baumeister 1984), Tang developed the Money Ethic Scale (Tang 1992, 1993). The Money Ethic Scale consists of the following (ABC) constructs: Affective: Money is Good, Money is Evil; Behavioral: Budget; Cognitive: Money represents Achievement, Respect, Freedom (Power).

Later, Tang and Chiu (2003) developed the Aspiration for Money Scale or the Love of Money (LoM) Scale. Hereafter, researchers have used these two terms, the Avaricious Monetary Aspiration and the Love of Money, or the Love of Money, interchangeably. The Love of Money Scale consists of Factors Rich (affective) (Gino and Pierce 2009a, b), Motivator (behavioral) (Locke et al. 1980), and Important/Good (cognitive) (Mitchell and Mickel 1999). Besides these three constructs, money is also Power in the context of materialism (Lemrová et al. 2014). British politician, Lord Acton's letter to Bishop Creighton (1887) stated: "Power tends to corrupt; absolute power corrupts absolutely."

Tang et al. (2018a) explored additional constructs. The affective component consists of Factors Rich, Motivator, and Important/Good (the love of money, mentioned above). The behavioral component includes how individuals Make money, Budget money, Donate/Give money to charity, Make Contributions (The Matthew Effect) (Merton 1968). Finally, the cognitive component covers the following meaning: Money means Happiness, Respect, Achievement, and Power. I list the major contributions of this newest version of attitude toward money, briefly, as follows.

### Attitude Toward Money and Ultimate Happiness

In a cross-cultural study involving 6586 managers in 32 countries (entities) across six continents, Tang et al. (2018a) compared the reflective model with

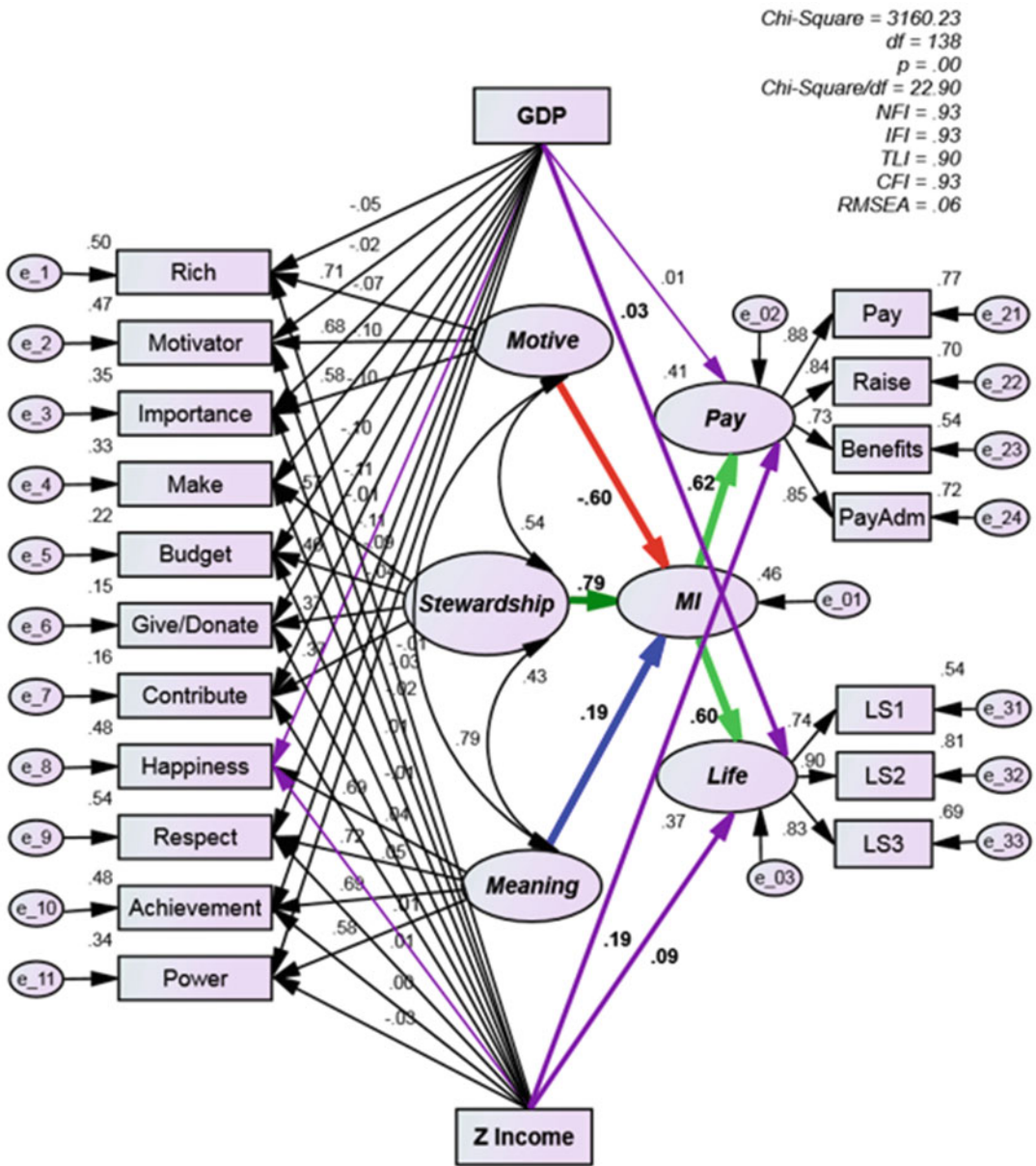
the formative model. Researchers concluded that the formative model is superior to the reflective model. Further, scholars frame Monetary Intelligence (MI) in the context of pay satisfaction and life satisfaction, controlling for money at the micro-level (individuals' standardized income (Z income) within each country) and the macro-level (Interestingly, GDP per capita at the country level). They theorize that managers with low love of money motive but high stewardship behavior will have high subjective well-being (SWB): pay satisfaction and quality of life (Please see Fig. 1).

Their research offers the following exciting discoveries and new vocabulary in the conversation of the attitude toward money and behavioral economics. Interestingly, GDP per capita is related to life satisfaction, yet it is not related to pay satisfaction. As expected, standardized income within each entity is associated with both life and pay satisfaction. Surprisingly, neither GDP nor income is related to the Happiness construct (money makes people happy).

The formative theoretical model offers the following new insights: The affective motive is positively related to the stewardship behavior (0.54) and the meaning of money (0.79), whereas the stewardship behavior is also positively associated with the meaning of money (0.43). Among the ABC constructs, all correlations are smaller than 0.80, suggesting no construct duplication and redundancy. After controlling for GDP per capita and income, managers' motive (−0.60), stewardship behavior (0.79), and cognitive meaning (0.19) all contribute significantly and independently to the overall latent Monetary Intelligence (MI) construct. The latent construct of Monetary Intelligence, in turn, is positively related to pay satisfaction and life satisfaction, supporting the theory.

Researchers offer innovative discoveries when exploring the theoretical model using multiple group confirmative factor analysis (MGCFAs) across three GDP groups: In high GDP entities (rich countries), high income not only reduces aspirations—Rich, Motivator, and Power, but also promotes stewardship behavior—Budget, Donate/Give, and Contribute and appreciation of Achievement. These empirical data suggest that





**Monetary Wisdom: The Attitude Toward Money and the Meaning of Money (The Love of Money),**  
**Fig. 1** Results of the Formative Theoretical Model (The Whole Sample) (Source: Tang et al. 2018a)

Factors Rich, Motivator, Important/Good, and Power may work reasonably well together.

We demonstrate the bright side of Monetary Intelligence, i.e., Monetary Wisdom. Low love of money motive but high stewardship behavior define Monetary Wisdom. Good apples enjoy a good quality of life in good barrels. This notion adds another explanation to managers' low magnitude of dishonesty in entities with high Corruption Perceptions Index (risk-aversion for gains of high probability) (Tang et al. 2018b). In low GDP entities (poor countries), high income is related to



poor Budgeting skills and escalated Happiness. Managers experience equal satisfaction with pay and life. Mindfulness (MBSR, Mindfulness-Based Stress Reduction training) reduces individuals' stress, love of money aspiration (greed), and unethical decision-making intentions (Gentina et al. 2020). Consequently, it enhances people's ultimate fulfillment – happiness and subjective well-being (SWB). Following Nobel Laureate Richard T. Thaler (2015, 2018; Thaler and Sunstein 2008), our findings help individuals nudge toward wiser decisions, healthy lives, and great happiness.

## Cross-References

- [Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items](#)
- [Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention](#)
- [Monetary Wisdom: The Matthew Effect in Monetary Wisdom: Intelligence Versus Wisdom](#)

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## Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention

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### Synonyms

ASPIRE; Authentic Supervisor's Personal Integrity and Character; Avaricious Monetary Aspiration; Business Ethics; Greed; Leader-Member Exchange; LMX; Monetary Wisdom; Moral Leadership; Prospect Theory; Risk-Taking; Risk-Aversion; Servant Leadership; The Meaning of Money; The Love of Money; Trickle-Down Effect; Unethical Behavioral Intentions; Values

### Introduction

Individuals' avaricious monetary aspiration, or love of money, or greed in layman's terms, predicts not only unethical behavior intentions but also actual cheating in laboratory experiments (Chen et al. 2014; Tang et al. 2018a, b; Tang 1992, 1993, 2016, 2020a). Monetary Wisdom (MW) posits that decision-makers select their deep-rooted personal values as a part of their executive cognitive functions and frame the critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize their expected utility and ultimate serenity (Tang 2020a, b). This entry summarizes another robust and unique construct – ASPIRE. ASPIRE measures employees' perceptions of their Authentic Supervisor's Personal Integrity and Character (Tang and Liu 2012). This construct has nine items and three subconstructs: honesty and integrity, caring servant, and transparent help. Interestingly, this ASPIRE construct moderates the relationship between individuals' love of money (avaricious monetary aspiration) and unethical

behavior intentions and reveals profound discoveries. Therefore, this ASPIRE construct offers novel and counterintuitive theoretical discoveries and robust and practical implications to researchers and practitioners in business and professional ethics.

### Monetary Wisdom

More than half of the parables in the Bible have something to do with money, possessions, and the management of talents (Chen and Tang 2013; Tang and Chen 2008; Chiu and Tang 2015a, b; Tang 2021; Tang and Tang 2010). It is essential to know how we manage our money, possessions, and talents.

Jesus talked about the Parable of Talents in the book of Matthew. "A man who was going on a journey called in his servants and entrusted his possessions to them. To one he gave five talents; to another, two; to a third, one – to each according to his ability" (Matthew 25: 14–16). Following the Parable of the Talents, readers will realize that these three servants' handling of the entrusted possessions tells us an exciting story of their values toward the money, actions, and Monetary Wisdom.

Robert King Merton, who received his Ph.D. from Harvard University (1936) and taught at Harvard, Tulane, and Columbia, published an article in *Science* (1968) and popularized *the Matthew Effect*. So, what is the Matthew Effect? In the Bible, the Parable of the Talents shows the message. "*For to everyone who has, more will be given and he will grow rich; but from the one who has not, even what he has will be taken away*" (Matthew 25: 29). The Matthew Effect is a double-edged sword. It has bright and dark sides: The rich get richer, and the poor get poorer. These servants' actions reflect their Monetary Wisdom.

Researchers have defined Monetary Wisdom as follows. Decision-makers select their deep-rooted personal values as a part of their executive cognitive functions and frame the critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize their expected

utility and ultimate serenity-happiness (Tang 2020a, b). Serving God will lead us to growth and prosperity. Serving mammon will lead us to death and poverty. It applies to all decision-makers. Of course, that includes all the people around the world. It is also interesting to all readers that the Matthew Effect applies to the individual, group and organization, and country and society levels.

### **Nobel Laureate, Kahneman's Advice: The Importance of the Attitude Toward Money**

Daniel Kahneman (2011) won the 2002 Nobel Prize in Economic Sciences for his groundbreaking work in applying psychological insights to economic theory, particularly in judgment and decision-making under uncertainty (e.g., Kahneman and Tversky 1979; Tversky and Kahneman 1974, 1981, 1992). Prospect theory suggests that a rational decision-maker prefers the prospect that offers the highest expected utility. The formation of the problem, the norms, and the decision-makers' personal characteristics influence one's decision frame. Kahneman (2011) asserted that "there may also be cultural differences in the attitude toward money" (p. 298) in investigating the endowment effect and behavioral economics (Kahneman et al. 1990; Thaler 2015; Thaler and Sunstein 2008).

According to Adam Smith (1937), money is the instrument of commerce and measure of value in economics. Harvard psychologist, David McClelland (1967) argued that the meaning of money is in the eye of the beholder. Following the theory of planned behavior (Ajzen 1991), attitude predicts behavioral intentions and actions. The love of money is the root of all evils (1 Timothy 6: 10). Specifically, following suggestions in the literature (Kahneman 2011; McClelland 1967), scholars pay attention to decision-makers' deep-rooted personal values – the aspiration for money (or love of money, greed, in layman's terms) as related to behavioral economics and behavioral ethics. Researchers frame the relationships between the aspiration for money and

behavioral ethics in a brand new perspective of Monetary Wisdom and decision-making.

### **Decision-Making Involving Monetary Values and Behavioral Economics**

Following the prospect theory, researchers developed the notion of Monetary Wisdom, combined the psychology of money and behavioral economics, and investigated individuals' decision-making. There are several references here. Interested readers can consult these research articles (e.g., Chen et al. 2014; Chen and Tang 2006; Chiu and Tang 2015a, b; Gentina et al. 2018; Lemrová et al. 2014; Sardžoska and Tang 2015; Tang et al. 2014, 2018a, b; Tang 2016; Tang and Chen 2008; Tang and Chiu 2003; Tang and Sutarso 2013). The love of money results in objectification (Wang and Krumhuber 2017; Wang et al. 2020).

Monetary Wisdom and related findings are summarized as follows. First, on the *bright* side, *low* aspiration for money predicts ethical decision-making, high academic achievement (Tang 2016), high pay satisfaction and life satisfaction (Tang et al. 2018b), great stock happiness (NY Tang et al. 2018, 2019), and employees' voluntary turnover 18 months later (Tang et al. 2000). Second, on the *dark* side, *high* aspiration predicts dishonesty in panel studies (Tang and Sutarso 2013) and cheating (Chen et al. 2014). Third, Monetary Wisdom consists of two important outcomes involving expected utility and ultimate happiness. See also Monetary Intelligence (MI) (Tang 2020a, b). Monetary Wisdom affects decision-makers' health-death, happiness, and wealth.

### **ASPIRE**

The mere presence of money causes people to engage in unethical behavior (Gino and Pierce 2009a, b; Kouchaki et al. 2013; Welsh and Ordóñez 2014). Money creates a sense of self-sufficiency (Vohs et al. 2006) and reduces stress (Zhou et al. 2009). Research suggests that getting Harvard, MIT, Yale, and Princeton students to

contemplate their ethical values by “recalling the Ten Commandments or signing an honor code” eliminates cheating completely, while offering “poker chips” to redeem for cash, a few seconds later, doubles the level of cheating (Ariely 2008, p. 24; Aquino et al. 2009).

The Holy Bible, the Ten Commandments, and ethical and moral values significantly enhance individuals’ honesty, integrity, and happiness (Gu et al. 2015; Tang 2007, 2012, 2016; Tang et al. 2018a, b). Further, supervisors, with a high level of supervisory guidance and behavioral integrity (Simons 2002a, b), curb and diminish deviant behavior (Dineen et al. 2006). The supervisor’s behavioral integrity moderates the relationship between supervisory guidance and deviant behavior (Robinson and Bennett 2000).

There are several important implications. First, ethical values and cultures at the individual and organization levels significantly impact people’s moral intentions and behaviors (Gerhart 2009; Kish-Gephart et al. 2010; Tang et al. 2018a, b). On the one hand, the Ten Commandments signify sacred and spiritual values. On the other hand, poker chips mean secular or immoral values (gambling). Individuals’ evaluation of the immediate context, e.g., moral values and temptations, triggers them to behave ethically or unethically. Thus, perceptions of ASPIRE, or the lack thereof, may profoundly impact people’s ethical/unethical behavior intention, respectively.

The theory of planned behavior posits that our attitudes predict our behavioral intentions, which, in turn mold actions (Ajzen 1991). Our deep-rooted guiding principles and values shape our beliefs. Following research on values in the literature (e.g., Grouzet et al. 2005; Schwartz 1992), there are two primary dimensions: (1) intrinsic-extrinsic goals and (2) self-transcendent-self-enhancing goals. Intrinsic values focus on the community and the environment, whereas extrinsic values pay attention to financial success and money (Tang 1992, 2012). Self-transcendent values center around *sacred* values and ethical, moral, and proper actions and behaviors, whereas self-enhancement values stress *secular* values, hedonism, achievement, success, power, and materialistic concerns. The *sacred* and self-

transcendent principles are the exact opposite of worldly, *secular*, and self-enhancement values.

Comparing the *secular* or materialistic view with the sacred (spiritual) or transcendent perspectives (Harper 2008), religion shapes perceptions of right and wrong, affecting behaviors of individuals and organizations (Longenecker et al. 2004; Parboteeah et al. 2009; Van Buren et al. 2019). The law of God (Torah) provides a rich source of moral and practical guidance for contemporary business ethics (Van Buren and Greenwood 2013).

Second, following the Holy Bible, “We aspire to please him” (2 Corinthians 5: 9). Therefore, do we all ASPIRE to please Jesus? In our modern work environment, leaders and supervisors have power and authority. In the literature, leaders have not only organizational power – legitimate power, reward power, and coercive power but also personal power – expertise power and referent power (French and Raven 1959; Yukl 2004). Due to the five bases of power, do most employees ASPIRE to please their supervisors (Tang and Liu 2012)? Furthermore, when people combine these constructs, do they all want to be the light of the world (Matthew 4: 16; John 8: 12, 9: 5) and salt on earth (Matthew 5: 13) and serve as a role model for others? Monetary Wisdom offers practical implications: Serving God leads to growth and prosperity. Serving mammon leads to death and poverty.

Jesus said to his disciples, “Whoever wishes to come after me must deny himself, take up his cross, and follow me. For whoever wishes to save his life will lose it, but whoever loses his life for my sake will find it” (Matthew 16: 24–25). In the book of John, “Then [Jesus] poured water into a basin and began to wash the disciples’ feet and dry them with the towel around his waist” (John 13: 5). Jesus told Simon Peter, “Unless I wash you, you will have no inheritance with me” (John 13: 8). “If I, therefore, the master and teacher, have washed your feet, you ought to wash one another’s feet. I have given you a model to follow, so that as I have done for you, you should also do. If you understand his, blessed are you if you do it” (John 13: 15–17). “But many that are first will be last, and [the] last will be first” (Mark

10: 31). Leaders must serve employees and empower them to serve each other as leaders. How do we store treasures in heaven (Matthew 6: 19–21)? Nowadays, people store treasure in other individuals' hearts, as they remember the feelings about us.

Robert K. Greenleaf coined the term "servant leadership" in an essay that he first published in 1970: *The Servant as Leader*. In that essay, Greenleaf articulated: "The servant-leader is servant first. . . It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead".

Tang and Liu (2012) treated the perceptions of authentic supervisors' behavioral integrity and character (ASPIRE) as a moderator of the relationship between (1) people's avaricious monetary aspiration, the love of money, LOM (Tang and Chiu 2003), and (2) their propensity to engage in unethical behavior (PUB, Chen and Tang 2006). Greedy and avaricious individuals have many foolish and harmful desires, are likely to take action and make money (Tang et al. 2000), fall into temptation (Ariely 2008), and have high unethical behavior intentions (Tang and Chiu 2003).

Greedy individuals have high Machiavellianism (Christie and Geis 1970) and employ aggressive and devious methods to achieve goals without regard for the feelings, rights, and needs of other people, leading to a high level of unethical behavior intention (Tang and Chen 2008). Authentic supervisors with a high level of personal integrity and character (ASPIRE) may serve as role models for employees, create an ethical culture in the organizational environment, encourage people to behave ethically, and curb unethical behavior intention than those without ASPIRE.

In the presence of high ASPIRE, greedy people obey authority figures (Milgram 1974), heed the supervisors' moral values, avoid falling into temptations (Ariely 2008), and do what is ethically right and rewarded (Skinner 1972). They will prohibit their manipulative, exploitative, and devious intention to come out, leading to a low

level of unethical behavior intention. When the cat's away, the mice will play.

"Authentic Supervisors' Personal Integrity and Character" (ASPIRE) has three inter-related sub-constructs: Supervisors who (1) show honesty, fairness, and integrity (Honesty and Integrity), (2) care about others' work and provide services to subordinates as servants (Caring Servant), and (3) are friendly and offer transparent decision-making and professional development (Transparent Help).

## Research Findings

In this five-wave panel study, 266 part-time employees (business students) completed the five survey questionnaires, enhancing the psychological separation of predictors and criterion. Students completed unethical behavior intention (propensity to engage in unethical behavior, PUB) and ASPIRE about 8–10 weeks apart and avaricious monetary aspiration between the two measures, 4 weeks apart (Podsakoff et al. 2003). Participants were 155 (58.27%) male and 111 (41.73%) female. Researchers collected data in 2 years with a 95% return rate. Using a multiple-panel research design, Tang and Liu (2012) explore the interaction effect between individuals' avaricious monetary aspirations and perceptions of supervisors' authentic personal integrity and character (ASPIRE) on self-reported unethical behavioral intentions.

Correlational data reveal the following results. ASPIRE is positively related to avaricious monetary aspiration but negatively associated with unethical behavior intention (PUB). Unethical behavior intention (PUB) is significantly correlated with their high Machiavellianism, low self-esteem, and low intrinsic religiosity.

In multiple regression analysis, researchers controlled for participants' age, sex, education, and work and their self-esteem, religiosity, and Machiavellianism, in two steps. Counterintuitively, the main effect of aspiration on unethical intention is not significant. The main effect of



ASPIRE on unethical intentions is significant. Further, the interaction effect between aspiration and ASPIRE on unethical intention is significant.

High avaricious monetary aspiration, or the love of money, is related to high unethical behavioral intentions for people with low perceptions of their supervisors' ASPIRE values. However, high aspiration is related to low unethical intention for those with high perceptions of their supervisors' ASPIRE values. More specifically, people with high aspirations and low ASPIRE perceptions have the highest unethical behavior intention, whereas those with high aspirations and high ASPIRE perceptions have the lowest. This study offers exciting implications related to individual differences, ethical environment, and perceived demand characteristics (PDC). Future researchers must empirically explore Monetary Wisdom in a different context with other constructs, offer further theoretical, empirical, and practical implications, and enhance future theory development and testing (Colquitt and Zapata-Phelan 2007).

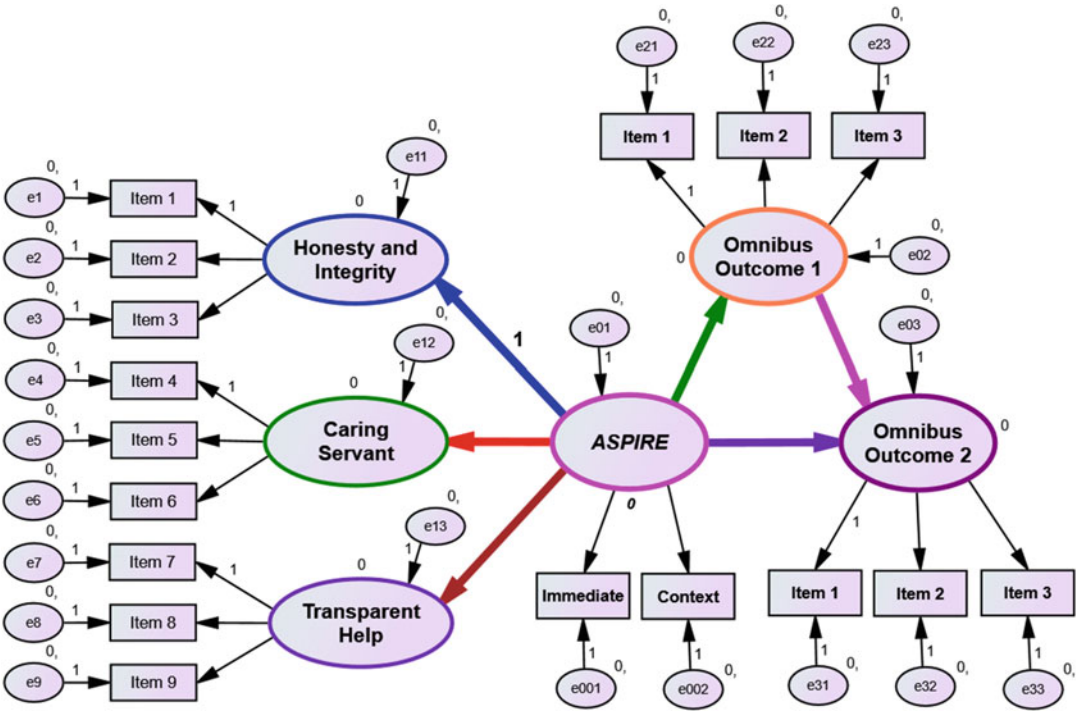
Future Research

Please see Fig. 1 of Tang (2020a) for all the subconstructs and items. Researchers may combine these two chapters and explore Monetary Wisdom. Readers may also apply the ASPIRE construct using a reflective SEM model in Fig. 1 and the formative SEM model in Fig. 2. Research shows that the formative model is better than the reflective model. The subconstructs and items of ASPIRE are presented below for future scholars.

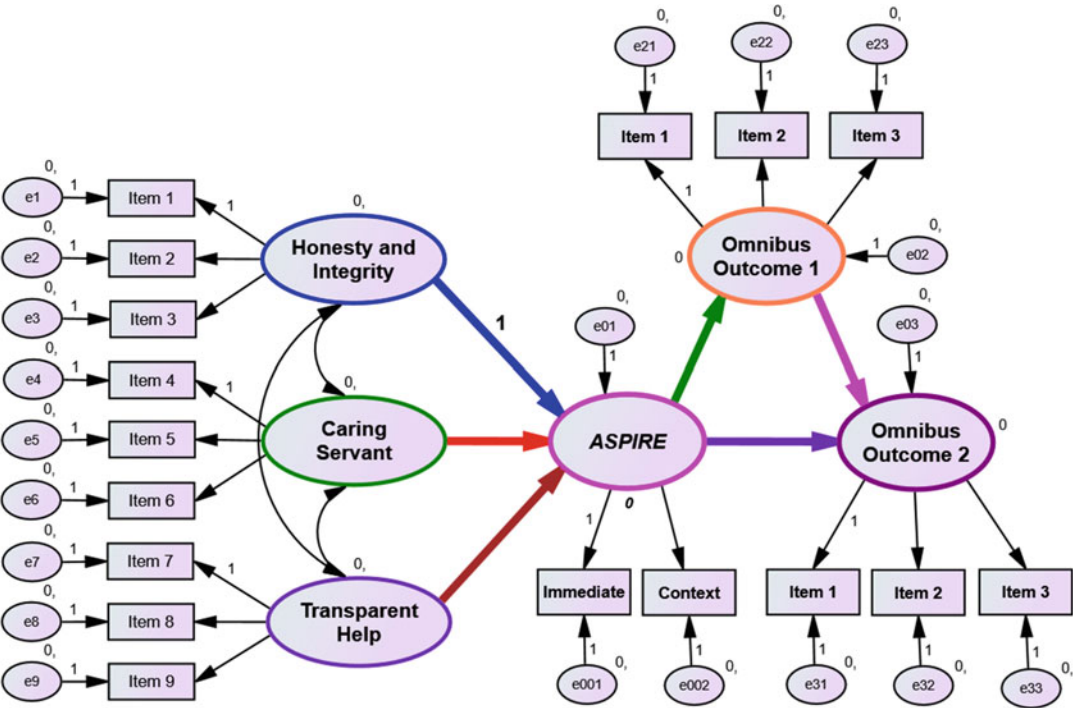
ASPIRE—Factors and Items

Factor 1 Honesty and Integrity

- 1. My direct supervisor is honest
- 2. My direct supervisor is fair
- 3. My direct supervisor keeps his/her promises



Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention, Fig. 1 A Reflective Theoretical Model



**Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention, Fig. 2** A Formative Theoretical Model

**Factor 2 Caring Servant**

- 4. My direct supervisor cares about my work
- 5. My direct supervisor provides service to me and my colleagues
- 6. My direct supervisor helps me with my work

**Factor 3 Transparent Help**

- 7. My direct supervisor is friendly
- 8. My direct supervisor helps me with my professional development
- 9. My direct supervisor is transparent in making decisions

**Conclusion**

In this five-panel study, after controlling for participants’ age, sex, education, work experience, self-esteem, religiosity, and Machiavellianism, the interaction effect between (1) individuals’ avaricious monetary aspiration and (2) their perceptions of their authentic supervisors’ personal

integrity and character on their self-reported unethical behavioral intentions reveals profound findings. Counterintuitively, the main effect of avaricious monetary aspiration on unethical intention is not significant. The main effect of ASPIRE and the interaction effect between ASPIRE and monetary aspiration, the love of money, on dishonesty are significant. More specifically, people with high aspirations and low ASPIRE perceptions have the highest unethical behavioral intention. Those with high aspirations and high ASPIRE perceptions have the lowest. Employees’ perceptions of their authentic supervisors’ personal integrity and character (ASPIRE) matter in their self-reported unethical behavioral intentions.

Monetary Wisdom suggests that decision-makers select their deep-rooted personal values as part of their executive cognitive functions and frame the critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize their expected utility and ultimate serenity. Avaricious-greedy individuals are

sensitive to the context and act proactively. Leaders' avaricious monetary aspiration and personal integrity and character may create a trickle-down effect in organizations. Future researchers must empirically test and expand Monetary Wisdom using additional constructs across cultures and offer further theory development and testing.

## Cross-References

- ▶ [Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items](#)
- ▶ [Monetary Wisdom: Prospect Theory and the Meaning of Money \(The Love of Money\)](#)
- ▶ [Monetary Wisdom: The Attitude Toward Money and the Meaning of Money \(The Love of Money\)](#)
- ▶ [Monetary Wisdom: The Matthew Effect in Monetary Wisdom: Intelligence Versus Wisdom](#)

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## Monetary Wisdom: The Matthew Effect in Monetary Wisdom: Intelligence Versus Wisdom

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## Synonyms

Aspiration for money; Attitude toward money; Behavior; Behavioral intentions; Business ethics; Greed; Items; Love of money; Meaning of money; Measurement scales; Monetary wisdom; Outcome variables/constructs; Prospect theory; Risk averse; Risk seeking; The dark and bright sides; The have-nots; The haves; The Holy Bible; The Matthew effect; The Parable of the Talent; Theoretical model; The Enron Effect

## Introduction

The Matthew effect is a double-edged sword with both the bright and dark sides. The Matthew effect also creates “the haves” and “the have-nots.” As a consequence, the rich get richer; the poor get poorer. On the dark side of the Matthew effect, some CEOs were extremely smart. However, they apply their intelligence to engage in corruption and unethical behaviors. Corruptions destroyed corporations, executives, and employees’ careers. The poor (with intelligence but without wisdom) get poorer. On the bright side, other CEOs promote ethical climate, make employees happy, and reap their return on investment (ROI), achieving expected utilities, and ultimate fulfillment. Furthermore, individuals with monetary wisdom curb their desire for money, become good stewards, and enjoy their ultimate happiness and satisfaction in their lives. Thus, the rich (with intelligence and wisdom) get richer. The Matthew effect applies to individual, group, and organizational, and country and society levels.

## The Matthew Effect

Monetary Wisdom (Intelligence) asserts: Individuals apply their deep-rooted personal values (the aspiration for money or the love of money) to frame critical concerns in the proximal (immediate) and distal (omnibus) contexts to maximize expected utilities and ultimate happiness. Following Robert K. Merton's (1968) notion of the Matthew effect published in *Science*: "For to everyone who has, more will be given and he will grow rich; but from the one who has not, even what he has will be taken away" (Matthew 25: 29). Therefore, the Matthew effect has bright and dark sides. The Matthew effect also creates "the haves" and "the have-nots." As a consequence, the rich get richer; the poor get poorer. In this entry, I will discuss both bright and dark sides of the Matthew effect in monetary wisdom: wisdom versus intelligence. "The Parable of the Talents" in the Holy Bible presents the exciting story helping readers fully understand the Matthew Effect.

It will be as when a man who was going on a journey called in his servants and entrusted his possessions to them. To one he gave five talents; to another, two; to a third, one—to each according to his ability. Then he went away. Immediately the one who received five talents went and traded with them, and made another five. Likewise, the one who received two made another two. But the man who received one went off and dug a hole in the ground and buried his master's money. After a long time, the master of those servants came back and settled accounts with them. The one who had received five talents came forward bringing the additional five. He said, 'Master, you gave me five talents. See, I have made five more.' His master said to him, 'Well done, my good and faithful servant. Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy.' [Then] the one who had received two talents also came forward and said, 'Master, you gave me two talents. See, I have made two more.' His master said to him, 'well done, my good and faithful servant. Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy.' Then the one who had received the one talent came forward and said, 'Master, I knew you were a demanding person, harvesting where you did not plant and gathering where you did not scatter; so out of fear I went off and buried your talent in the ground. Here it is back.' His master said to him in reply, 'You wicked, lazy servant! So you knew that

I harvest where I did not plant and gather where I did not scatter? Should you not then have put my money in the bank so that I could have got it back with interest on my return? Now then! Take the talent from him and give it to the one with ten. For to everyone who has, more will be given and he will grow rich; but from the one who has not, even what he has will be taken away. And throw this useless servant into the darkness outside, where there will be weeping and grinding of teeth'. (Matthew 25: 14–30)

Nobel Laureate, Kahneman (2011), developed the prospect theory. Following prospect theory, one may frame decisions under uncertainty in "gains-losses domain" and "high-low probability." Further, the formation of the problem, the norms, and the decision-maker's personal characteristics influence one's decision frame. Kahneman (2011) declared that the fourfold pattern of risk attitudes is one of the core achievements of prospect theory. It reveals risk aversion for gains and risk seeking for losses in the context of high probability (the certainty effect) and also risk seeking for gains and risk aversion for losses in the context of low probability (the possibility effect). Prospect theory provides a value function, the S-shaped curve, that is concave for gains, convex for losses, and steeper for losses than for gains. Interestingly, no research has incorporated "cultural differences in attitude toward money" (Kahneman 2011, p. 298) in testing nor extending Kahneman's prospect theory (Tversky and Kahneman 1974) from a choice of options at the individual level to managers' ultimate choice of corruption on the dark side (intelligence) and happiness on the bright side (wisdom) across cultures.

## The Dark Side

A study of 6382 managers in 31 countries (entities) across six continents presented the following theory: Managers apply their love of money to frame corruption in the contexts of two levels of subjective social norm: (1) perceived corporate ethical values (CEV) at the micro-level (Level 1) and (2) Transparency International's Corruption Perceptions Index (CPI) at the macro-level (Level 2) (Tang et al. 2018). Our



cross-level analysis of data from multiple sources (at the individual and country levels) reveals a significant three-way interaction effect.

Researchers have classified individuals of the study into four groups and, then, into three barrels: the good barrels (high CEV/high CPI), mixed barrels (low CEV/high CPI or high CEV/low CPI), and bad barrels (low CEV/low CPI), displaying low, medium, and high magnitude (quantity) of dishonesty, respectively. With high CEV (perceptions of ethical values at the organizational level), the intensity of the relationship between the love of money and corruption is the same across cultures. With low CEV, the intensity of corruption is the highest in high CPI entities (risk seeking of high probability) – the certainty effect (the Enron Effect); but the lowest in low CPI entities, showing risk aversion of low probability – the possibility effect. CPI (ethical value at the entity level) has a strong impact on the magnitude of corruption, whereas CEV (ethical value at the organizational level) has a strong impact on the intensity of corruption. Results demonstrate dishonesty in light of monetary values and two frames of social norm, revealing critical implications to the field of behavioral economics and business ethics.

These profound discoveries offer exciting cross-cultural differences on corruption. With low CEV (low ethical culture at the organizational level), the intensity of the relationship between the love of money and corruption is the highest in high CPI entities (high ethical culture at the country level). Corruption reflects managers' risk-seeking behaviors in the context of high probability – the certainty effect. That is, in a country like the USA, robust economic, legal, political, and social infrastructures exist. Therefore, due to the free press, open communication, and a solid legal system, the probability of getting caught for corruption is pretty high.

Following the Parable of the Talents in the Holy Bible and the perspectives of the master and principal, "And throw this useless servant into the darkness outside, where there will be wailing and grinding of teeth" (Matthew 25: 30). Did this happen in the real world of work in the USA? Our readers may recall the sad story that

corruption caused the destruction of the Enron Corporation, Arthur Andersen, and the careers of more than 110,000 employees worldwide.

It is safe to assume that the CEO, Jeffrey Skilling, and other executives were brilliant and smart individuals. They all have earned their MBAs from top business schools and moved their way up to the top of the organizational echelon. Jeffrey Skilling earned his MBA from the Harvard Business School. Intelligence without wisdom has caused avaricious executives to become corrupt. Consequently, corruption destroyed their careers, freedom, integrity, and reputation. Many top executives were incarcerated. Jeffrey Skilling served 12 years in the Alabama minimum-security federal prison for his 24-year sentence. Enron CEOs and senior executives applied their "intelligence" to maximize expected utilities, but lost their ultimate happiness in the long run. The costs outweigh the benefits. It is the Enron Effect. This is the dark side of the Matthew Effect in Monetary Intelligence. The poor get poorer. Here, researchers have used the term Monetary Intelligence, not Monetary Wisdom, on purpose (Tang and Chen 2008).

## The Bright Side

One longitudinal study bridges the gap between stock volatility and behavioral economics (N. Tang et al. 2018). Researchers recruited individual private investors ( $N = 229$ ) in Shanghai – the financial capital of China and collected longitudinal data from multiple sources and at multiple times. They asked participants (investors) to answer a survey, involving their love of money (Rich-affect, Motivator-behavior, and Good and Important-cognition) and demographic variables. During the 2008 financial crisis, scholars obtained public records – daily Shanghai Stock Exchange Composite Index ("the Index") for 30 consecutive trading days. To collect investors' private information – daily Index Happiness, Stock Percentage (stocks/liquid assets), and Stock Happiness, a team of researchers text-messaged all investors and solicited their daily responses.

Investors' data illustrate several profound discoveries: Interestingly, investors with high Rich motive fret about low Index happiness, yet investors with high Rich motive and high Importance cognition boast high stock happiness, supporting the endowment effect and investor hubristic smirk. Investors who consider money as a Motivator quickly adjust their stock percentage and change their portfolio, but suffering low Index happiness and low stock happiness. Gender moderates the relationship between the Index and Index happiness. Our panel data of intrapersonal changes of stock happiness illustrate investor monetary wisdom in the boom-and-bust cycles. That is, to be happy, investors must become masters of money, but not slaves to money, and behaviorally deactivate money as a Motivator.

Restraining investors' desire to become Rich enhances happiness after gains, in the boom cycle (risk aversion). Realizing money's Importance bestows happiness after losses, in the bust cycle (risk seeking). We cannot take the money attitude's cognitive component for granted: Money is Good and Important. Monetary wisdom in this study expands prospect theory and offers exciting implications to not only investors' wealth, health, and happiness during the financial crisis but also individuals' subjective well-being (SWB) and happiness in general. In a sense, following the Parable of the Talents, the master said to the servant, "Well done, my good and faithful servant. Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy." The rich get richer. This is the bright side of the Matthew Effect in Monetary Wisdom.

Nobel Laureate, Daniel Kahneman (2011), counseled us: "Closely following daily fluctuations is a losing proposition, because the pain of the frequent small losses exceeds the pleasure of the equally frequent small gains" (p. 339). Therefore, investors must focus on long-term valuation. This strategy helps investors deliberately evade the stock volatility and improve their emotional quality of life.

Following the Parable of the Talents, "Then he (the master) went away." "After a long time the master of those servants came back and settled accounts with them" (Matthew 25: 15, 19). I want

to argue that investors may heed the advice clearly stated in the Holy Bible and do the same.

Following 2016 Nobel Laureate, Richard H. Thaler, and the Matthew Effect's bright and dark sides, I offer readers some good ideas to nudge toward making better decision and become healthier, wealthier, and happier (Thaler 2015, 2018; Thaler and Sunstein 2008).

## Cross-References

- [Monetary Wisdom: A Measure of Attitude Toward Money – Constructs and Items](#)
- [Monetary Wisdom: The Attitude Toward Money and the Meaning of Money \(The Love of Money\)](#)
- [Monetary Wisdom: The Love of Money, ASPIRE, and Unethical Behavioral Intention](#)

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## Moral Entrepreneurship

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### Synonyms

Ethics pioneer; Innovative ethical leadership;  
Leader in ethics; Leadership in ethics; Moral  
frontrunner; Moral leadership; Moral reformer;  
Proactive ethical leadership

### Introduction

The moral entrepreneur is a person or organization who creates a new ethical norm that others follow. Moral entrepreneurship is the process by which such ethical norm is created.

Moral entrepreneurs are leaders in ethics. They develop new and better ethical norms. Apart from challenging an ethical norm, rethinking ethics, and reflecting on ethical goals, moral entrepreneurs also create new ethical norms. Moral entrepreneurs are innovators and pioneers in ethics. They disrupt existing moral codes and give rise to a new one. They alter the views about what is “right” or “wrong.” Instead of simply following current or accepted morality, moral entrepreneurs lead morality through the creation of a new morality.

The moral entrepreneur should not be confused with the social entrepreneur. Whereas social entrepreneurs can be agents of change and emphasize innovation, they do not necessarily introduce new ethical norms. However, social entrepreneurs can also develop new products and services that make existing ethical standards more feasible. Likewise, a moral entrepreneur, as an innovator in ethics should not be confused with the ethical innovator who innovates in a normatively appropriate way. Neither is moral entrepreneurship the morality of entrepreneurship, which is the values and norms associated with being an entrepreneur.

The concept of moral entrepreneurship does not suggest that a person or organization is a leader in ethics regarding every relevant norm. Moral entrepreneurship is norm-specific. The moral entrepreneur can display moral entrepreneurship regarding one issue while being reactive or passive regarding another.

### Origin

The concept of moral entrepreneurship has its origin in the sociological literature. Becker coined the term in 1963 to explain how moral reforms happen. Becker’s central thesis was that social groups create deviance by making rules and applying these rules to people who deviate and then labeling the deviants as outsiders. For Becker, moral entrepreneurs are people who make this moral reform happen. He differentiates between two kinds of moral entrepreneurs: those who create new norms and those who enforce these new norms. The crusading reformer, as rule-creator, is the moral entrepreneur par excellence. The moral entrepreneur experiences some evil that profoundly disturbs him and that he wants to correct by translating a preferred norm into legal prohibitions; however, he also risks becoming an outsider himself when he is not successful in his attempt to create support for the new rule or norm, as Becker argued.

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This chapter is largely based on my article “The moral entrepreneur: a new component of ethical leadership”, published in the *Journal of Business Ethics* in 2019.

## Examples

Outside the business and professional literature, the concept of moral entrepreneurship has been applied to the challenges faced by non-governmental organizations concerned with human rights, to the conditions under which global norms become part of the agenda of global governance, to the transformation and institutionalization of international commercial arbitration as the leading contractual method for the resolution of transnational commercial disputes, and to cooking shows on television that tackle some social problems like health and social exclusion. Other examples of moral entrepreneurship analyzed in the literature are the development of moral norms against smoking, drunk driving, underage drinking, and copyright infringement. A scale has also been developed to assess the personality of moral entrepreneurs.

In the business and professional literature, the concept of moral entrepreneurship has been employed in analyzing the careers of exemplars of the moral entrepreneur, to the actions of multinational enterprises fighting corruption in largely corrupt regimes, and in explaining why employees who observe wrongdoing speak up to correct the wrongdoing or wrongdoers. Other examples provided in the literature are:

- A CEO who, based on the belief that once goods are delivered the money for it belongs to the supplier, decided to pay invoices immediately even though the norm in the sector then was to only pay suppliers after 90 days.
- A manager who, out of respect for animals, led his airline company to be the first to introduce a ban on the transport of dead animals as hunting trophies.
- A lingerie shop manager who, out of respect for women, made his shop the first in his country to stop portraying scantily dressed women on advertising billboards.
- An organization that, out of respect for the stakeholders, established the new norm requiring employees to prevent not only conflicts of interest but also the appearance of it.

## Importance of Moral Entrepreneurship

Demonstrating moral entrepreneurship is important. Some reasons for this are:

- Moral entrepreneurship has a positive influence on society: the creation of a new ethical norm that will be followed can contribute to a better society.
- Moral entrepreneurship improves trust: Moral entrepreneurship indicates that the moral entrepreneur values ethics by going further than what is expected, has a good will, and the drive to improve society.
- Moral entrepreneurship creates efficiency: by being proactive the moral entrepreneur demonstrates self-regulation that may prevent interventions and measures, like rules and regulations, set by others.
- Moral entrepreneurship is good for self-actualization: making a moral difference can advance individual (or organizational) self-fulfillment and self-development.

## Dimensions

Moral entrepreneurship can be described in terms of its various dimensions. Some of the relevant ones are:

- The actor: Who is the moral entrepreneur? Is it an individual or an organization? If an individual, then the hierarchical level of this individual can be employee, manager, or CEO. If an organization, then is it a business or a sector organization, or is it a team or division within an organization? Is the moral entrepreneur one or more individuals or organizations?
- The object. What type of ethical norm is created? To which value, principle, or stake is the norm related? What issue does it aim to solve, and how big is the difference with the current ethical norm?
- The process. What is the process of creating the new ethical norm that others follow? Is it gradually or suddenly, formally or informally, individually or collectively, iteratively or

- straightforwardly, consciously or unconsciously? What type of arguments does the moral entrepreneur use to convince followers?
- The subjects. Who are the followers? Are they inside or outside the organization, sector, or country? How many followers are there? What are the other characteristics of the followers and nonfollowers?
  - The context. What is the context and situation in which the moral entrepreneurship takes place? Is it a crisis or a stable situation? One of scarcity or abundance? Is it well-ordered or complex, with many or few pressures and issues?
  - The output. To what extent is the new ethical norm observed? Is it followed sometimes or always? Is the new ethical norm deeply or only superficially embedded? Does the government adopt it in its laws and regulations and is there supervision and enforcement? Are there further innovations by others on the new ethical norm?

## Relationship with Other Concepts

The concept of moral entrepreneurship is closely related to other concepts. Three of those concepts discussed here are ethical leadership, corporate social responsibility, and proactive leadership.

Moral entrepreneurship is one of the three layers of ethical leadership. There is one widely used definition of ethical leadership developed by Brown et al. (2005). They define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (p. 120). According to Brown et al., managers become ethical leaders, firstly, by being and behaving ethically, that is, by fulfilling the role of “moral person”; and secondly, by promoting the ethical behavior of others through two-way communication, reinforcement, and decision-making, that is, by fulfilling the role of “moral manager.” This definition suggest that ethical leadership is consistent with what a particular

society or culture defines as right and wrong or as good and evil. According to this definition, the ethical leader follows current morality. However, the ethical leader can also lead morality. So, an ethical leader can also be a moral entrepreneur who creates new ethical norms. Thus ethical leadership is “the demonstration of normatively appropriate *and new* conduct...” The moral entrepreneurship component complements the two other components of ethical leadership: whereas the moral person is oriented towards *who* the leader is and the moral manager towards *how* the leader influences others, the moral entrepreneur is focused on *what* norms to establish.

Moral entrepreneurship relates to the highest level of corporate social responsibility. Studies on corporate social responsibility are concerned with how companies can contribute to societal development not only in the sense of solving social problems but also in the sense of improving social welfare, promoting social progress, and creating new social value. According to Carroll's (1979) widely used typology, there are four kinds of strategies that companies can follow to contribute to the development of society: obstructionist, defensive, accommodative, and proactive. These strategies are in a continuum, from doing nothing to doing much. The difference between an accommodative and proactive strategy is that companies that adopt an accommodative strategy meet stakeholders' demands without initiating voluntary actions for the common good, whereas companies with a proactive strategy initiate voluntary actions for the common good, and they lead the sector or industry. Thus, being proactive coincides with the highest level of social responsibility. It is only at this level, according to Carroll, that leadership takes place. It is also at this level that moral entrepreneurship takes place.

Moral entrepreneurship is an example of proactive leadership. Based on a literature review, Wu and Wang define proactive leadership as “generating and enacting self-initiated and future-focused leading actions that are persistently sustained to bring changes toward the environment” (2011, p. 305). In their view, proactive leadership requires leaders to do more than what is required and expected of them. This kind of

leadership is also forward-looking, responsive to opportunities or challenges in advance rather than merely focused on the problems or demands at hand. Such leaders actively set goals to create a better future. Proactive leaders actively master and effect changes in their environment. Proactive leaders are innovative. The quality of proactiveness also distinguishes leadership from management. A crucial difference is that management concerns the implementation of what is set and what others expect, whereas leadership concerns, first and foremost, the setting of new standards and the formulation of new ambitions and goals. Moral entrepreneurs are in this sense proactive leaders who set new standards to create a better future.

## Antecedents

Moral entrepreneurship has many antecedents. They can be grouped into the opportunity for moral entrepreneurship, the vision on moral entrepreneurship, and the capability for moral entrepreneurship.

### Opportunity for Moral Entrepreneurship

*A1. Moral Issues.* Moral entrepreneurship depends on whether there are moral issues that need to be addressed or that will arise in the short or long term. These moral issues, whether they are problems, dilemmas, or challenges, are conditions for or enablers of societal improvement and development. It is not only the number of moral issues that creates room for moral entrepreneurship but also their urgency. The urgency of an issue is its magnitude in terms of potential harm and its proximity in time and space. The more urgent an issue, the more morality or an appropriate normative response is required. Moral entrepreneurs are critical for norm emergence because they call attention to moral issues or even create them.

*A2. Moral Void.* Moral entrepreneurship is required only if morality is lacking or inadequate with respect to a particular issue; in other words, if there is a moral void. Moral void is the absence of a shared and adequate moral orientation. The moral entrepreneur can only introduce a new ethical norm when that norm does not exist yet. This

means that moral entrepreneurship is not a moral obligation for everyone in an organization or profession. When there is no opportunity for moral entrepreneurship, we cannot blame people and organizations for not showing it.

### Vision on Moral Entrepreneurship

*B1. Moral Awareness.* Moral awareness – the recognition of the moral aspects of a given situation – is essential for moral entrepreneurship. It is not enough that moral entrepreneurs recognize the moral dimensions of a given issue; they should also recognize that an issue is (potentially) arising. The process of anticipating moral issues is clearly critical to the success of moral entrepreneurs: they have an image of the future of a society, including what will happen and what might happen. Moral entrepreneurs may show their leadership in situations where others have not yet recognized an issue, or where the issue is still at a very early stage of development, or where the issue has not yet manifested itself. Moral entrepreneurs have the moral awareness or sensitivity to recognize moral issues as such.

*B2. Moral Development.* How to come up with a new ethical norm after recognizing a moral issue is crucial for moral entrepreneurship. Moral entrepreneurs have an image not only of what will happen and what might happen but also of what ought to happen. Following Kohlberg's three levels of moral development, moral entrepreneurship is negatively related to the second level (where people follow the moral conventions in their environment) and positively related to the third level (where people base their arguments on principles that they believe are right and good for society).

*B3. Moral Identity.* Where there is an abundance of moral issues for which there is no or inadequate morality, moral entrepreneurship does not require that a person or organization shows leadership on all those issues. The moral issue(s) to which an individual or organization decides to commit is likely to depend on their moral identity, understood as their self-conception around a set of moral traits. Some specific traits of a person's or organization's identity may be related to the specific issues with regard to which they will choose to demonstrate moral



entrepreneurship. For example, one whose moral identity is linked to caring for the natural environment is more likely to select issue(s) and norms in that area than someone who identifies with being a good employer or fair competitor.

### Capability for Moral Entrepreneurship

*C1. Drive Towards Transition.* Moral entrepreneurship coincides with transitional leadership in the sense that these persons or organizations are not focused on improving current practices to catch up with current ethical norms. Instead, they are focused on improving current ethical norms through the introduction of new and better ones. An antecedent of moral entrepreneurship is thus the extent to which a person or organization is driven toward transition, i.e., toward focusing on improving one or more ethical norms. This drive is important because improving ethics is a struggle accompanied by conflict and resistance. Therefore, moral entrepreneurs are committed and dedicated. They persevere because they have a deeply rooted drive to change.

*C2. Capability to Gain Power.* Moral entrepreneurship is successful when others adopt the new ethical norm. This points to the importance of moral entrepreneurs gathering support for their proposed new norm. Therefore, it is crucial for moral entrepreneurs to gain power. There are many sources and tactics of power. Power can be developed through relationships, reputation, credibility, networks, competence, information, skills, and expertise. Moral entrepreneurs can encourage the inclusion of issues on the agenda in various ways, for instance, through their use of the media, lobbying, and testimony. Through role modeling, that is, demonstrating the new norm through one's own behavior, moral entrepreneurs can also gain power. What is relevant for moral entrepreneurs is the extent to which they are capable of building their power and applying that power in a manner that gets others to adopt the new ethical norm.

### Finally

Moral entrepreneurship is a useful concept to describe not only the development of ethics of businesses and professions but also of people

and organizations that become leaders because they create new ethical norms and are able to get followers for these norms.

### Cross-References

- [Business Code of Ethics](#)
- [Corporate Social Responsibility](#)
- [Ethical Leadership](#)
- [Leadership Development](#)
- [Leadership Moral Foundations](#)
- [Transformational Leadership](#)

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### Moral Self-Awareness

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### Synonyms

Agency; Altruism; Moral identity; Moral motivation; Moral reasoning; Moral self-image; Pro-social behavior; Virtue

### Introduction

Moral self-awareness theory stems from a growing consensus that burgeoning inequality,

ideological division, and the detrimental effects of climate change together suggest that if capitalism is to be globally sustainable, it will need to be based on a more integrated and aspirational conception of self-interest – one that can activate – and not simply dissipate moral virtue. For ultimately, moral and social responsibility require more than thinking in terms of mere financial or reciprocal self-interest. Otherwise, economic actors run the risk of rationalizing negative individual actions that only become problematic in the aggregate. This conflict of incentives between social and financial purpose presents business leaders and policy makers with the challenge of how to motivate economic actors to engage in more virtuous behavior. Moral Self-Awareness theory offers a way forward for how virtue may be built back into capitalism by leveraging the powerful psychological forces of pride, shame, and guilt.

The approach builds on historical, psychological, and philosophical research demonstrating that financial incentives have never in fact been the only motives behind free markets, but that markets themselves are representations of our individual and collective moral identities.

Organizational scholars have observed that the influential *homo-economic* conception of human nature as intrinsically self-interested has led to a default reliance on economic incentives, leading to a gradual dissipation or *crowding-out* of civic and prosocial dispositions across society over the late twentieth and early twenty-first centuries. Moral self-awareness provides a corrective to this tendency via a four-stage motivational construct anchored in systems theory, leading consumers, workers, and business leaders to progressively higher levels of virtue for increasing human flourishing and positive externalities.

## The Moral Dimensions of Markets

While free markets are traditionally characterized as amoral transactions between self-interested actors, organizational scholars over the last 30 years have demonstrated that those interactions are in fact also determined and conditioned by myriad moral considerations. It is often forgotten

that the essential underpinnings of market transactions – specifically, (1) what can be owned and traded, (2) who can own and trade, and (3) the conditions under which trade may occur – already embody a moral assessment of who we are and who we aspire to be, both individually and collectively. Indeed, the continuing moral progress of markets is realized by such self-reflective considerations.

### What Can Be Owned and Traded

From ancient to modern times, children and adult persons were openly owned and exchanged through networks of international trade. On strict utilitarian grounds, this might arguably not have been unjust so long as it could be shown that such trade dramatically increased economic output, thereby maximizing total happiness for all concerned. Slave owners became intensely efficient at exploiting their property and many of their practices developed to extract the greatest value from those assets – from production quotas to asset depreciation – are still in use today.

Had profit maximization been the only determining factor as to whether slave markets would continue, these markets might still be widely in existence. The fact that they are not – and indeed quite repellant to our common sensibilities – owes to our increasing levels of moral self-reflection as a society. Gradually, it became abhorrent to own and trade human persons simply because it became increasingly recognized as an immoral business practice by the same individual stakeholders who once embraced it. This is a clear example of how evolving moral self-awareness functions to effect collective social progress in business practice. Looking forward, nonhuman animals have started to garner their own legal rights against torture and abuse, and moral vegetarianism and veganism are globally on the rise – fueled very much by increased moral self-reflection.

### Who Can Own and Trade

The second structural dimension of markets informed by moral self-reflection is who can own and trade. Children, for example, might benefit financially from trading their labor, and strict free market principles would maintain that they

should be allowed to do so. However, those with longer-term perspectives on children's interests will point out that they – and society – would be better served by their staying in school. For these reasons, most states, with glaring exceptions including in Sub-Saharan Africa, have deemed child labor abhorrent and illegal, though the reverse was often true in the past. These restrictions did not just apply to labor, as women were widely banned from owning property in the UK and USA until the late 1800s. By extension, women were not generally granted the right to vote in public elections until well into the next century.

Beliefs regarding who should or should not own property, or be able to trade in markets, or participate in electoral decisions, are evolving morally self-reflecting assessments of who we are as individuals and who we collectively aspire to be. They are not mere financial considerations and to even construe them as such is now properly considered vile.

### **The Conditions Under Which Trade May Occur**

The third structural dimension of markets that is informed by moral self-reflection is the condition under which trade may occur. Strict free market proponents would argue that the conditions of any sale are entirely subject to the transactors concerned. However, there are three classical problems with this argument: (1) what is enforceable in court evolves, as noted above regarding what and who may trade, (2) information asymmetry between buyers and sellers places greater risk on the former, who does not know the true quality of the product or service being traded, which is why consumer protection laws exist, and (3) not all dimensions of the transaction are necessarily priced into the trade, as negative externalities such as pollution may exist.

In sum, what can be owned and traded, who can own and trade, and the conditions that allow for trade, all define what we value as a society. Indeed, the mere existence of a market may communicate social information about the appropriateness of trading itself, potentially rendering what is morally questionable to be considered more allowable. As such, markets themselves

may tend to corrode moral virtues. They therefore continually require the moderating influence of moral self-reflection by the economic actors that create, innovate, and perpetuate them.

## **The Structure of Moral Self-Awareness**

Social psychology has established a relationship between moral identity and moral thought and action, and the wider literature on civic mindedness indicates that pride and shame are the most effective moral motivators of civic behavior. Furthermore, ethical consumers are happier and have stronger repurchase intentions when motivated by their moral self-image. This indicates that economic actors are more likely to engage in responsible behavior when focusing on how their actions reflect upon themselves than when focusing solely on the potential harm they may be alleviating.

Moral self-awareness (MSA) is a four-stage evolving mindset informed by reflection on moral identity, namely, what one's actions say about oneself given (a) the negative impact on others or society that one's action may produce, and (b) what one contributes to others and/or society by taking a given action. While operative at the lower levels, the painful emotional triggers of shame and guilt become progressively less important at each successive stage of self-awareness, ultimately becoming unnecessary at the highest level.

### **MSA Level 1 – Social Reflection**

At the first level, individuals rely chiefly upon negative feedback from observers in order to guilt or shame them into changing their behavior. In a college classroom *tragedy of the commons* exercise in which students were incentivized to be self-interested, participants gradually learned to temper their self-interest in subsequent rounds of decision-making after being shamed by fellow students left with fewer resources. Eventually, all students showed preference for mutually lowered returns in favor of equitable and sustainable longer-term outcomes. This example demonstrates the power of shame avoidance in inhibiting negatively impactful behavior.

**MSA Level 2 – Self-Reflection**

At the second level, individuals become more self-reflective. Rather than relying solely on outside observers to bring negative impacts on others to their attention, actors themselves start to take on the role as their own source of feedback. This occurs by following the positive example of others. In another classroom experiment, subjects were 2.5 times less likely to litter in a room containing swept litter than in a litter-strewn room. Observing the swept nature of the litter informed them that a clean room is desirable, thereby increasing their propensity to join in to help keep the room clean.

**MSA Level 3 – Anticipatory Self-Reflection**

At the third level, individuals start to become forward looking, foreseeing potential future negative impacts on others before acting. This forward-looking behavior that often comes after self-reflection on prior behavior has led to an internal sense of guilt or shame. For example, at a crucial turning point in the above-mentioned *tragedy of the commons* experiment, one student anxiously asked aloud, “are we bad people?” in an evident attempt to reconcile a glaring inconsistency between prior action and self-perception.

**MSA Level 4 – Proactive Self-Reflection**

At the fourth and highest level, agents become increasingly forward looking, considering not just their potential negative impacts on others but also their potential positive impacts, and

actively engage in appropriate actions to realize those positive outcomes. At this level, individuals internalize the ideal of the self as potential hero rather than potential villain. By recognizing their place within a broader system and taking positive actions to improve it, agents self-actualize by benefiting others. At best, these decisions are conscientiously habit-forming, bringing persons closer to becoming whom they aspire to be (Table 1).

**System-Theoretic Dynamic**

MSA leveraging can gradually result in virtuous managerial and employee behavior, being crowded-in across the entire system. This process is structurally reinforced system theoretically. Systems theory is an ecologically inspired approach to describing the interrelated nature of complex systems, such as the different moving parts of a firm, namely, manufacturing, research and development, supply chain, finance, human resources, marketing, etc. Given this interrelation, levers can be pulled by actors in certain parts of the system that will have immediate or delayed effects in other parts of the system, which will in turn create feedback for future decision-making. This approach has been used to describe numerous organizational logics including structuring human resource practices for sustainability strategies. For example, this approach worked well for [Amazon.com](https://www.amazon.com), a company once widely criticized for wasteful packaging. After years of social media backlash, the company developed a series

**Moral Self-Awareness, Table 1** Four stages of moral self-awareness

|                                                | Recognition of Externalities                        | Externality Focus | System Theory Focus                            | Motivators        |
|------------------------------------------------|-----------------------------------------------------|-------------------|------------------------------------------------|-------------------|
| Level 1<br><b>Social reflection</b>            | Via others                                          | Negative          | Feedback                                       | Guilt/Shame       |
| Level 2<br><b>Self-reflection</b>              | Via reflection on outcomes achieved by others       | Negative          | Self-feedback                                  | Guilt/Shame/Pride |
| Level 3<br><b>Anticipatory self-reflection</b> | Via forward-looking consideration                   | Negative          | Self-feedback with consideration of the System | Guilt/Shame/Pride |
| Level 4<br><b>Proactive self-reflection</b>    | Via self-actualization of one’s internalized values | Positive          | Consideration of the System                    | Pride             |

Adapted from Friedland and Cole (2019), Friedland (2019)

of new packing systems to reduce its carbon footprint. This produced lowered shipment sizes via reuse of original packaging and combined shipments of multiple orders, which in turn improved shipping algorithms, optimized transportation networks, and increased efficiency in storage and distribution, totaling millions in savings.

### **Activating Consumer MSA via AI**

For MSA to function as a positive motivational tool requires clear conceptual framing and messaging to relevant stakeholders via management and marketing. Instead of appealing solely to financial incentives, the appeal is directed to moral self-image. Of course, for this to be effective, it needs to be in an area with an obvious social or ethical component. Once this connection is plainly and clearly articulated, various strategies can be used in order to guide actors up the scale from the first to fourth levels. A rapidly growing area is in the use of artificial intelligence (AI) for activating consumer moral agency.

Showing notices embedded in digital choice architectures can provide users with snapshots of their behavior, for example, time spent online or steps taken in a day. Such notices allow actors to take greater control of their own behavior through positive habit-forming that demonstrates to themselves – and to others – that they are becoming whom they aspire to be. Such experiences are self-affirming and personally gratifying as users gradually move from the lower levels of self-awareness where negative feelings like guilt and shame primarily drive moral behavior, toward the higher levels where positive aspirations are the main encouragement. Allowing users to share their progress with others in a social context further enhances the effects. Five lifestyle categories in particular hold significant potential for this type of innovation: health and well-being, sustainability, media and civics, skill maintenance, and personal edification:

#### **Health and Well-Being**

Myriad health and wellness apps are already in existence, from personal fitness, mindfulness and

sleep management, to screen-time settings on cell phones and personal computers. Smart refrigerators are another frontier. For example, showing notices highlighting patterns of consumption of sugary, highly-processed, canned or frozen versus fresh food, including calorie counts could help users improve their nutritional habits. Combined with data from grocery delivery services, such notices can guide consumers to order groceries according to healthier recipes and locally or sustainably sourced products, based on personal preference.

#### **Sustainability**

Investors can also be encouraged to make responsible choices that align with their social values. Some apps highlight possible ethical concerns in financial portfolios, flagging optional sectors to avoid things such as alcohol, petroleum, and tobacco and potential trouble spots firms may be involved in. Smart refrigerators could also provide consumers with the carbon footprints of groceries purchased. Such notices could extend to other areas, such as air and water pollution, resource depletion, and green packaging.

#### **Media and Civics**

Media-quality applications can use showing notices to alert users to misleading or biased news sources, either case-by-case or in overall news consumption. They can also allow users to curate their newsfeeds for decreased partisanship and increased factual reliability, nudging users out of ideological echo chambers. Similarly, smart citizen phone apps can allow users to develop localized crowd-sourced maps revealing problem areas for litter, broken street lights and windows, vandalism, poor air or water quality, pot holes, etc. Aptly designed interfaces can encourage residents to increase their civic awareness and engagement on local, national, and global levels, prompting them to take action when and where help is needed.

#### **Skill Maintenance**

Our tendency to outsource tedious tasks to technology may lead to significant losses of ordinary skills. GPS maps and autonomous vehicles are

cases in point. When following visual or voice commands, users no longer rely on landmarks for orientation. Showing notices can offer a potential corrective, whereby AI-enabled systems could describe a route with 3-D images of key landmarks where the next turns must be made. This would allow users to orient themselves to their surroundings and acquire memory of the landscape. Other designs could encourage drivers to stay alert and maintain their driving skills so that they may be able to continue driving should the automated system crash or fail.

### Personal Edification

Ultimately, what aptly designed MSA-leveraging systems provide is technology that acts less like an object and more like a coach that helps users develop to their fullest potential. AI systems can hence encourage greater discernment in domains such as the arts, cuisine, fashion, and entertainment. Instead of exposing users to whatever products they may react most impulsively to, they could show alternatives with high quality ratings based not merely on popularity but also on a blend of expert opinion and personal and shared social preferences. Users could also be given increasingly fine-grained rating categories as their sensibility improves.

AI-assisted platforms provide consumers with extraordinarily powerful tools for controlling and managing their daily lives, activities, and interactions. If designed to leverage MSA, such technology has the potential to activate virtue and enhance well-being on a massive scale. But if designed shortsightedly, without features to counteract its own negative habit-forming effects, it can instead foster widespread passivity, ignorance, vulnerability, and irresponsibility.

### Cross-References

- [Artificial Intelligence and Ethical Journalism](#)
- [Authenticity](#)
- [Capitalism](#)
- [Ethics and Artificial Intelligence](#)
- [Implications of Mindset Theory for Ethical Decision-Making](#)

- [Leadership Motives or Intentions](#)
- [Materialism, Well-being, and Ethics](#)
- [Meaningful Work](#)
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### Moral Simpliciter of Ethical Giving

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### Synonyms

Charitable giving; Consequentialism; Decision theory; Philanthropy; Universalized principle



## Introduction

Uniformity in human actions and attitudes incumbent with *the ceteris paribus clause* of folk psychology lucidly transits moral thoughts into the domain of subject versus object-centric explorations. In *Zettel*, Wittgenstein argues, “Concepts with fixed limits would demand uniformity of behaviour, but where I am certain, someone else is uncertain. And that is the fact of nature.” (Wittgenstein 2007, 68). Reflecting on the moral principle of “ethical giving” revives a novel stance in modern moral philosophy. An “ethical giving” is a moral position that looks at giving from the context of harmonizing the changing demands of situations with normative ethical principles. Despite giving more prominence to the query of intuition, the chapter brings up the justification of normative moral principles pertaining to their applications and purports. Human activities aimed at decision-making goals conducted by the moral compass are nothing but the sanction of certain ethical norms and rules. In this context, two principles, the *normative aspect* and the *perspective aspect* need to be expounded in parallel.

The *perspective-based* principle seeks practical guides to action, whereas the *normative aspect* principle looks for the concrete moral justification behind it. Normatively based moral decisions hinge on the probabilities and interests of agents that can sometimes lead towards a better choice. Thomas Nagel’s thought sounds more appealing, since his idea of practical conflict bends towards “...conflict between values which are incomparable for reasons apart from uncertainty about the facts.” (Nagel 2013, 128). Positions on moral personality and equality of justice collide with the conception of verities of the agents’ reason that cogitate a minimal aspect on the morally significant properties (range properties), which can hardly be possessed by all human beings equally. This argument sounds reasonable in light of Singer’s thought of “the principle of equal consideration of interests.” (Singer 2003, 21–22)

The concern of this section is deliberative about how an agent could balance the demand of moral situations and the spirit of the moral

principle devoid of being close to the relative truth. The conception of the moral decision remains capricious in line with the agent’s mood, time, and situation. The germane queries are:

- (a) How could one get the *simpliciter* of moral balance in “ethical giving” or offering help to the poor, orphans, and so on, who need helps from the agents and society?
- (b) Can we find any *universalized principle* in defense of ethical giving?

## Entangling with Moral Values

If we look from a different angle, you may ask how we could try to influence one to make decisions by appealing to what one should do. Inspiring an individual to execute moral action seems a social function that makes claims upon moral sentiments. From this point on, norms inform the social endeavors as we persuade others to carry these out. Our personal moral exhortation (for instance, “Lalon doesn’t like the Valentine celebration”) cannot be a norm, since it has no social accords. Actually, norms are based on ethical principles that have been articulated and supported by a group of people. One can ask, “whether the values are entirely the result of a *manmade process* with some fact-centric experimental mode?” If we think so, then does it not follow that the culminating values from the fact would be a *situation centric* appeal?

Another interesting question is, if we take an anti-realist stand regarding the emptiness of objective reality, then the process of resistance leads us to the “subjective” way of understanding values. The concern is whether the subjective way of understanding value could mingle with universalized principles like “Always speak the truth,” “Always respect women,” and so on? This reflection is the specter of an added type of question-begging: how could we strive for “universalized moral principles?”

Moral values appear subjective because they can differ according to varied cultural backgrounds and the subject’s preferences. Moral values can also appear objective, as they are held by people across various cultures, and the polygonal belief-desire psychology is arguably

universal. Suppose we adopt a liberal view on the idea of objectivity. In that case, we will notice that our subjective experiences influence our knowledge of the external world. Yet, it is undoubtedly objective as our knowledge of the external world is open to “inter-subjective verification and agreement.” (Chakraborty 2018, 49–50). The principle of universalizability gets a strong position here. Singer writes:

...the universalisability of ethical judgments requires us to go beyond thinking only about our own interests, and leads us to take a point of view from which we must give equal consideration to the interests of all affected by our actions. (Singer 2003, 315)

One can opt for a non-universalizability principle and hinge on their interests, but the principle will collide with the Kantian advocacy “Act only on that maxim through which you can at the same time will that it should become a universal law.” (Kant 1972, 84). This is apparent enough on the surface. We think the term “reason” is a universally and objectively valid principle similar to the concept of freedom. More specifically, we believe that morality cannot be subjective as it depends on the situation, and it also manipulates the communication process towards disagreement. But it would be a peculiar thesis if we argue that moral values draw from an objective set of natural principles, because without the conscious being, morality does not have any existence. Only the self-reflection or conscience of a human being can think and behave based on conscience. Moral values are an indispensable part of humans’ conscience that holds normative outlook.

In Rawls’ sense (Rawls 1999), people should not be restricted by others’ presumptions regarding what one should be worthy to act upon or think about. The Kantian view also opposes any kind of coercion against rational human thoughts and freedom. In Korsgaard’s words, “We are bound only by restrictions that spring from the requirement that everyone’s liberty or autonomous pursuit of her own conception of the good should be equally protected.” (Korsgaard 2018, 25)

Before taking care of the charge of analyzing the principle that a moral agent should give with

the *provision* that their giving to the extent of *x-amount* must not affect somebody else’s interest or even the agent’s own interest, here a moral agent may prefer to stress the concept of moral values that underpin the self-interest and the moral balance (impartiality) together.

### Decision Theory and Consequentialism?

Decision theory advocates a reason-based underlying approach of an agent’s moral choices that could turn out to be challenging in terms of some practical conflicts of values. The practical conflict emerges when the agents are aware of the distinction of the alternative courses. That is, they are assured about the facts or the consequences of their action that they prefer but are unable to bring together the decision into a single evaluative judgment. In the case of exceedingly balanced choices of different actions, it would be consequently uncomplicated to reach a decision from an arbitrary level, like choosing between Harvard University and Princeton University as an institution for pursuing a degree in philosophy. However, for one who advocates reason-based choices, where the act of reason becomes more pertinent, arbitrary choices look untenable.

But the conflict arises when we focus on the delineation of values. We both have an obligation and general rights together, and most people experience a conflict in determining these in a single judgment, like children who have a lot of responsibilities to their teachers and schools, but who also have the general right to think in their ways that often collides with their parents and teachers’ consciences and policies. Besides, the intrinsic nature of value initiates the dominance of objective values based on utility or benefits that an agent preserves. But the commitments or the utility approaches of an agent should not go against the agent’s self-interest. Similarly, one’s decision should be underpinned not only by self-interest but by the interests of others as well. Still, the question that bothers one’s mind is how a mode of decision could become absurd? Nagel argues,

For example: never infringe general rights, and undertake only those special obligations that cannot lead to the infringement of anyone’s rights; maximize utility within the range of action left free by

the constraint of rights and obligations; where utility would be equally served by various policies, determine the choice by reference to perfectionist ends; and finally, where this leaves anything unsettled, decide on grounds of personal commitment or even simple preference. Such a method of decision is absurd, not because of the particular order chosen but because of its absoluteness. (Nagel 2013, 131)

So, here the absurdity of a particular decision depends on the unbalanced pursuit of probing absoluteness. It turns towards an unsteady circle as it has hinged unreason by prioritizing the hypothesis that a utility approach cannot prevail over an incurred obligation.

Consequentialism, another normative stand, supports normative properties depending on their consequences. Frank Jackson urges,

Consequentialism approaches the question of whether an action is right or wrong in terms of a comparison of the possible outcomes of the action with the possible outcomes of each available alternative to that action. The notion of a possible outcome of an action is interpreted so as to include the action itself and the comparison of the various outcomes is carried out in terms of a consequentialist value function. (Jackson 1991: 462)

The different variations of consequentialism like hedonism, universal consequentialism, act consequentialism (morality of an action depends on actual consequence), evaluative consequentialism (morality of an action relies on the value of the consequence) establish their claims in a logical-cum-ethical manner. It would be puzzling to execute all values in a single ground of judgment; so far, pluralistic values marginalize rigid individualistic values and advocate context-sensitive values in particular situations. Besides, a *utilitarian right* that maximizes respect for moral rights in Rawls' work *A Theory of Justice* (Rawls 1999) synchronizes the "justice of fairness" anchored in the constitutive idea of "original position" by underscoring impartiality for the individuals who have a reasonable conception of justice. Equality is not something that can be measured by an individual's external affairs and physical body. Rawls points out that all human beings are equally possessed of moral responsibility, a property that is undoubtedly related to the sense of justice or

being concerned with the conception of moral appeals. Rawls writes:

I have said that the minimal requirements defining moral personality refer to a capacity and not to the realization of it. A being that has this capacity, whether or not it is yet developed, is to receive the full protection of the principles of justice. (Rawls 1999, 445–446)

There may be some controversies, since it somehow minimally entertains the principle of equality, as does a choice for Amartya Sen's argumentation in support of Rawls' dictum. Sen writes:

Equal personal liberty is given priority over the demands of the second principle which relates to the equality of certain general opportunities and to equity in the distribution of general purpose resources. (Sen 2009, 59)

The notion of balance most concerns liberty, justice, and equal consideration. These are not only bound by others' interests in the stage of distributive equality apart from there being a personal sense (subjectivity), but difficult to find equality in an exact sense. An "egalitarian" approach vindicates *equality for something*, not from a definite ground, as one variable of equality may differ from the other variable of equality maintained by a non-egalitarian stance. Equality may conflict with the pervasive diversity of humans. Because of the focal variables that have some internal pluralities, it may lead towards inequality, as Sen admirably articulates in his book *Inequality Reexamined* (Sen 1992). This is perhaps to go too far, but a significant numbers of philosophers are inclined to concur with Sen to the extent that freedom submerges in rational control.

What matters for human beings is to dispose of giving more to a charity that nourishes the requirements of compassionate persons than to one that simply cites statistics or newspapers reports. No amount of moralizing is going to prevail over such an elemental, evolutionarily embedded retort. An agent would require a clever advertising campaign to maneuver our normal responses in the desired direction. If we mount moral giving as an agent's subjective choices instead of group choices, then the conception of ethical giving will mislay its universalized stance. The

“universalized principle of ethical giving” indicts against any sorts of subjective etiquette.

This is a picture of ethical life that goes beyond personal interest by taking account of the interests of others. Although it seems inevitable that almost all our moral conduct and decisions will be concerned about our own or others with whom we maintain good relations, living an ethical life always enshrines ethical conduct and moral decisions from an altruistic sense that goes towards humanity and global welfare. In an Aristotelian dictum, becoming virtuous is a constant practice of virtue and moral conduct like becoming a good *lyre-player* (Aristotle 2009, 11). Ethics is an inevitable part of human life and the choice of doing moral acts for humanity, in general, is a sort of ethical ramification of an individual’s moral decisions that hinge on the ways they live and act in the world. Rationality and intelligence can facilitate us to resolve our moral ambiguities. We would not probe into here the idea of the good and its controversy on whether the concept of the good is an attributive or predictive adjective etc. One may be fascinated to revisit Williams’ analysis on Aristotle’s weakness on the good that is called the “Gauguin problem” (Williams 1972, 70–71).

To find out a moral *simpliciter* is doubtlessly a difficult task. We can partially relinquish it to the subject’s moral conscience. On the face of it, considering personal connection should never be allowed; but if the giving is morally justified, then it must be done irrespective of whether the recipient is a friend or loved one or not. The spirit of all ethical principles is to promote the good; keeping this in mind only, the agent must respond to situational facts. And that is universalizable as it will apply in all relevantly similar situations. One criterion that sounds promising is the motivation or principle of the particular person who prefers to engage with some charitable works. A person who has a moral disposition in pursuing charity for self-interest or a person whose motivation is to do charity for the sake of charity itself or others interest without being deluded by any personal interest usually delineate a different valuation. Leaving aside some general opinions, if we

prefer to draw out the moral standard of an agent’s charity or moral acts, we need to refrain from the self-interest or personal profit of the particular donor. The foundation of the practical reason of doing something (i.e., charity) for poor or incapable persons, who require our attention and help, should be guided by compassionate ground and more especially from the perspective of “Equal respect for conscience.” (Nussbaum 2013, 59–97)

The orientation of morality is a checkpoint that engenders the usual upshot of prudence for the subject and others in an integrated sense. But a completely synchronized human being is fully incorporated with the collisions of moral disciplines, and charity sounds more ambitious as Aristotelian depicted or the Bhagavad Gita cultivated. Human beings are the amalgam of self-interest and other-interest concerning sensibilities and moral obligations. They are neither static nor a determinate alliance of moral values even if it seems categorical and inescapable. Singer says, “If we are to make properly considered ultimate choices, we must first become more aware of the ethical ramifications of the way we live.” (Singer 1997, 201). Morality in the human sense is a sort of deliberative choice that one can practice and carry out in their wills within the sphere of moral rules and conducts maintained by the society or the world in a broader nuance. We should give the highest deliberate priority to the moral consideration that should be equally beneficial for us and the others of the world.

## Cross-References

- [Altruism’s Moral Heuristics](#)
- [Ethical Decision-Making Process](#)
- [Gift-Giving and Foundation-Owned Business](#)
- [Kant, Immanuel](#)
- [Normative Ethics](#)
- [Rawls’ Theory of Justice](#)
- [Sen, Amartya](#)
- [Social Norms](#)
- [Utilitarianism](#)

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## Moral Spiritualism and Network Efficiency

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## Synonyms

Efficiency; Network; Spiritualism capitalism; Trust

## Introduction

Max Weber's (1976) seminal work identified Protestantism as a major factor in the success of capitalism in Europe. Weber noted that Protestantism could be distinguished from other Christian faiths, particularly Catholicism, and some other major religions in that it brought spiritual values into the everyday operation of capitalist work systems by advocating thrift, hard work, and diligence in the service of God. Thus, for example, although Protestantism professes an omnipotent God who knows what individual lives are inexorably destined to become, it strongly encourages our struggles to improve ourselves in the sight of God in our daily lives, despite our inevitable and predetermined destinies. This immanent form of religious belief, unlike, for example, Catholicism where the service of God is strongly separated from the service of mammon, brings God's service directly into the world of industry. Max Weber in *The Protestant Ethic and the Spirit of Capitalism* (1976) argues that Protestantism is a causal variable in the explanation of the emergence of capitalism in Europe. As Ferguson (2012, p. 261) puts it, "It contains one of the most influential of all arguments about Western civilization: that its economic dynamism was an unintended consequence of the Protestant Reformation. Whereas other religions associated holiness with the renunciation of worldly things—monks in cloisters, hermits in caves—the Protestant sects saw industry and thrift as expressions of a new kind hardworking godliness." The capitalist calling was, therefore, religious in nature. Although Weber's thesis has been criticized for not recognizing that some of the initial steps toward capitalism occurred in Lombardy and Flanders prior to the Reformation, and that many reformation leaders held strongly anti-capitalist views (Tawney 1926), Ferguson (2012, p. 265) indicates, "There was indeed, as he assumed, a clear tendency after the Reformation for Protestant countries in Europe to grow faster than Catholic ones, so that by 1700 the former had clearly overtaken the latter in terms of per-capita income, and by 1940 people in Catholic countries



were on average 40 per cent worse off than people in Protestant countries.”

Although Europe has become increasingly secular, Weber’s spiritually based explanation of capitalism’s rise in Europe has recently been seen as a factor in the success of Protestant business enterprises in China, and this aspect is dealt with in more detail later in the chapter.

There can be little doubt that business has been rocked by crises recently. Financial crises have diminished trust both between and within businesses themselves and between businesses and their customers. This turbulence shows little evidence of abating and leads to the need to present a more detailed explanatory analysis of economic benefits of trust and particularly that derived from spiritual commonalities. To show the centrality of spiritualism to business network trust and trust to business efficiency, it is necessary to:

- Present an analysis using the conceptual framework of the prisoners’ dilemma of how trust is a core factor in repeated business relationships.
- Show how trust articulates with bureaucratic control mechanisms. (Trust is presented as being inversely related to administrative and bureaucratic controls and positively associated with network efficiencies.)

Spiritually based value orientations have been shown to be associated with trust enhancements in capitalist networks by Ferguson (2012); however, this entry aims to show the importance and interconnectivity of spiritualism (specifically, in this case, Protestantism) with trust and business network efficiency. To achieve this goal, the entry analyzes interrelations of aspects of trust enhancements brought about through spiritual capitalism on economic costs and network efficiencies using recent Chinese business experiences as exemplars.

Although the entry concentrates specifically on network efficiency from spirituality derived from Protestant religion, because this has a historically well-documented association with capitalism and economic growth, it is in no way meant to suggest that other religions cannot also positively affect economic growth. For example, Barro and

McCleary (2003) indicate in a study of 59 countries that religiously based beliefs in *heaven* and *hell* alone positively influence individual values of honesty, hard work, thrift, and openness to strangers, which are aspects of behavior that have been found to positively impact on economic growth.

## The Concepts of Trust and Distrust

Trust and distrust are not opposites of a unidimensional bipolar construct. “Trust and distrust are not opposite ends of a single trust-distrust continuum and the opposite of trust is not distrust” (Lewicki et al. 1998, p. 448). Trust emerges from positive expectations of a trustee’s behavior, while distrust arises from negative expectations of the trustee’s conduct. Also, it is quite possible for trust and distrust to coexist simultaneously in the same person at different times and in different situations (Lewicki and Tomlinson 2003).

Trust is often conceptualized on a continuum ranging from “thick” to “thin” trust and from personalized to generalized trust (Torche and Valenzuela 2011). “Thin trust and thick trust represent the ends of a continuum,” “thick trust refers to trust with a short radius, encompassing only others who are close to the truster. . .,” and thin trust “refers to trust. . .with a long radius, encompassing people at greater social distance from the truster” (Putnam 2000, p. 466).

Close community-type trust occurs largely on a *personal level* and is distinguishable from *generalized trust* which occurs in impersonal social interaction among strangers (Burt 1992).

Torche and Valenzuela (2011, p. 186) note that trust offers a resource to reduce risks attached to strangers’ freedom to act, without personal thick trust’s more onerous and binding interpersonal constraints. Generalized trust is a modern phenomenon made necessary for reliable social action beyond the domain of “closed networks” (Torche and Valenzuela 2011). Here the risk of trust breakdown is obviously greater but can be diminished by common commitment to a spiritual belief with its expectations of dependable behavior.



## The Concept of Spiritual Capitalism

Spiritual capitalism is defined as a new *sustainable* form of business which emphasizes responsibility and integrity. Here, it refers specifically to the trust element on which enhancements in responsibility and integrity are made. Spiritual capitalism is regarded as promoting “lean trust” of that is it is seen as potentially generating trust deeper than thin trust but less deep than thick trust. Lean trust built through spiritual commonality is regarded as providing a double advantage in the business context by presenting reliable and predictable trust without the costs of bureaucratic controls, while avoiding the emotional entanglements of thick trust.

## The Concept of Network Efficiency

Latora and Marchiori (2001) define network efficiency in terms of information exchange. Global efficiency measures information exchanges across the extent of a given network. Local efficiency measures small network’s resistance to failures in information exchanges. Quantitative models of information exchange efficiency in networks measure the number of nodes and the length of information paths between nodes. Efficiency is seen as the shortest information path between one node and another. Network efficiency analyses tend to adopt quantitative approaches (Latora and Marchiori 2001); however, qualitative aspects of network efficiency such as trust in interpersonal relations also can be expected to affect the speed information passes from one node to another and the number of nodes required for bureaucratic control.

## The Concept of “Lean Trust” and Its Advantages in Business Networks

The importance of “lean trust” behavior in increasing group advantages over other competing groups is most forcefully demonstrated, according to Darwin (1989), not at the micro group level of a nuclear family (thick trust) but at the macro level of a community (i.e.,

community level of “lean trust”). As Darwin (1989, p. 166) puts it, “...although a high standard of morality gives but slight or no advantage to each individual man and his children over other men of the same tribe. ...A tribe including many members who, from possessing a high degree of the spirit of patriotism, obedience, courage, and sympathy were always ready to aid one another, and to sacrifice themselves for the common good, would be victorious over most other tribes, and this would be natural selection.” The “spirit of community” Darwin (1989) alludes to draws on a trust relationship in the community that is thicker than the thin impersonal, contractual-type trust generally found in most businesses yet is distinct from the thick trust which characterizes trust within a family.

Pfaff (2015) suggests all human interactions require trust of some sort, whether they are the thick trust of family relationships or the thin trust involved in purchasing a phone on eBay. We need to feel confident that, in the latter case, those we are doing business with are not aiming to cheat us. Thin trust situations that generally characterize business transactions incur large bureaucratic control costs which impede business network efficiency. In short, when trust is entirely absent, interpersonal relationships necessary for human existence vanish altogether (Pfaff 2015). It follows from this that if “lean trust,” which stands somewhere between thin and thick trust and is evident in “community spirit,” can be established in the business context, it is likely to generate beneficial economic outcomes. As Fukuyama (1996, p. 31) suggests: “A high trust society can organize its workplace on a more flexible and group-oriented basis, with more responsibility delegated to a lower level of the organization. *Low-trust societies, by contrast must fence in and isolate their workers with a series of bureaucratic rules*” (Emphasis added).

## Trust Derived from Personal Ethic and/or Spiritual Belief

Uslaner (2002) suggests that trust encompasses the norms and mores governing giving and

receiving trust: it concerns being trusting and trustworthy to others. Trustworthiness, a closely related concept to trust, can be regarded as reputation arising from personal responsibility shown in reliably fulfilling agreements and obligations, both with people known personally *and* strangers.

### Heuristic Model of Hypothetical Business Transaction Payoffs in Trusting and Untrusting Business Contexts

In the first model (Table 1), “the business person’s dilemma,” hypothetical “payoffs” from spiritual capital are analyzed using a derivation of the prisoner’s dilemma game (Axelrod 1980). There is the possibility of two types of behavior: cooperation (trusting behavior) or defection (untrusting behavior) among two persons. The purpose of the model is simply to show that business trusting behavior is most likely to lead to optimum payoffs for both parties over time. Trusting behavior proves to be the most favorable iterative strategy.

In Table 1, cooperation corresponds to trusting business behavior, while defection is seen as untrusting behavior. Two time periods,  $t_1$  and  $t_2$ , are considered. The  $t_1$  period refers to first-time business transactions with a business person. In the first-time ( $t_1$ ) business interaction, both parties have no knowledge of the other’s likely business behavior (whether they are likely to cooperate or defect). Table 1 shows hypothetical payoffs at  $t_1$  and  $t_2$ .

If both act trustingly (cooperate) at  $t_1$  and  $t_2$ , they both receive a three-point payoff as transaction costs are relatively low because both parties

behave in a reliable and predictable way. If both act untrustingly (defect), in the first round, they each receive only a one-point payoff because the transaction costs are increased considerably by additional checks required to verify the reliability of the other’s behavior. In  $t_2$ , such mutually untrusting behavior would mean that business might not take place at all (zero payoff) or that it would continue with heavy transaction costs (one-point payoff).

Finally, if one business person acts trustingly (cooperates), while the other behaves untrustingly (defects), the payoffs are, respectively, zero points and five points to the business persons. The defector makes a “profit” (five points) by “duping” the cooperator in the transaction who obtains zero or even minus points from the transaction, depending on the extent and depth of the duplicity. Assuming the unscrupulous business person gets away “scot-free,” he/she wins total profit *in the short term* ( $t_1$ ).

If both business persons behave untrustingly (defect) in the first round ( $t_1$ ), they will receive zero from business at  $t_2$  as there is unlikely to be further business.

Why should business persons behave in an untrusting manner? Zhao (2011) suggests:

For many people in this market environment, the reason why they do evil things is because the overall market environment is not very good. Under these not-so-good market conditions, they utilize this method of doing evil things to protect themselves. Or when they predict that other people might do evil things to them, they do it first. We call this the ‘prisoner’s dilemma,’ in which people do bad things not because they are bad people but because they worry that others would ruin them, so they ruin others first. This kind of behavior we find very common in the marketplace.

If trusting (cooperative) behavior in the first round is continued in the second round, both parties achieve a three-point payoff, and, as trust deepens over time, transaction costs can be expected to decline and payoffs increase. Such cooperative reciprocity can be self-policing so long as the probability of future reciprocity makes cooperation stable. Unlike in the traditional tit-for-tat outcome, the development of trust produces benefits well beyond a specific transaction by generating loyal business and customer

**Moral Spiritualism and Network Efficiency, Table 1** The business person’s dilemma. (Adapted from Coldwell 2016)

| Business person’s behavior | Trusting             | Untrusting               |
|----------------------------|----------------------|--------------------------|
| Trusting                   | $Tt_1 = 3, Tt_1 = 3$ | $Tt_1 = 0, U = 5$        |
|                            | $Tt_2 = 3, Tt_2 = 3$ | $Tt_2 = 0, Ut_2 = 0$     |
| Untrusting                 | $Ut_1 = 5, Tt_1 = 0$ | $Ut_1 = 1, Ut_1 = 1$     |
|                            | $Ut_2 = 0, Tt_2 = 0$ | $Ut_2 = 0/1, Ut_2 = 0/1$ |

networks and by indicating new business opportunities. Thus, building and consolidating trust in “tit-for-tat” business transactions can lead to enhanced economic payoffs and benefits. Zhao (2011) points out, “If this market consists of more people with morality, then we can discover that it does not matter whether we talk of externalities or of the prisoner’s dilemma . . . these phenomena would decrease. This is especially so if they do business with one another *within a group of moral individuals*. Then, they can form mutual trust among them. They will have a common position and a common relationship based upon trust” (Emphasis added).

### A Heuristic Model of Network Efficiency and Trust Interfaces

Figure 1 presents a heuristic model of the effects of different kinds of trust on network efficiency. In general terms, the model suggests that as trust increases among business persons, from “thin” to “lean” trust, there is a corresponding improvement in network efficiencies through the elimination of bureaucratically required nodes now made redundant, the shortening of distances between nodes, and the quickening of communications between nodes.

Figure 1 indicates how “lean trust” can improve network efficiency. The model suggests that for low levels of trust such as the thin, bureaucratically bolstered trust commonly found in businesses, network efficiency tends to be low and

transaction costs correspondingly high. The bureaucratic control that thin trust requires in “normal” business situations creates extra nodes for checking particular transactions and slows down business communications. However, the model displayed in Fig. 1 also suggests that as trust increases to “thick trust” levels, network efficiency tends to decline because the intensity of the emotional bond slows down network communication, shortens the potential *span* of the network (as in the case of Chinese *guanxi*), and adds economically inefficient baggage.

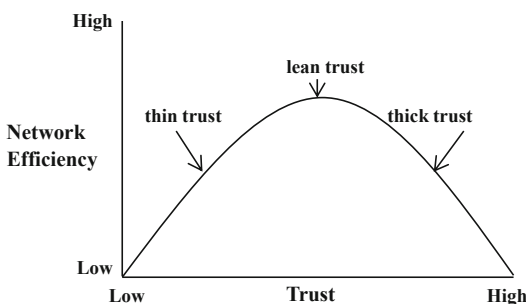
The network improvement brought about by lean trust generates economic benefits by reducing transaction costs and the lengths of bureaucratic structural lines (and their staffing), speeding up business decision-making, adding social capital, and generating worker and customer loyalty. Lean trust of the kind derived from spiritual capital, helps run and maintain networks more efficiently, and increases the rewards of trusting, cooperative businesses.

Beneficial effects of such trust-based networks are evident in the superior economic performance of companies embracing spiritual capitalism in China.

### The Protestant Community in China

Chua of the Harvard Business School points that business networks in the USA and China are built on different approaches (Working Knowledge, 2009). American managers *separate* work from their personal relationships and behave impartiality and objectivity when dealing with workplace issues. Chinese managers prefer to have their work and personal relationships merged together. For example, Chinese *guanxi* networks are built on “thick trust” involving personal socioemotional ties which encourage considerable overlap between business and personal relationships.

From examples of US and Chinese management networks, Chua (2009) distinguishes between premises on which trust can be built. According to Chua trust can be built “from the heart” (affect-based thick trust) or “from the head”



**Moral Spiritualism and Network Efficiency, Fig. 1** Network efficiency and trust interfaces. (Adapted from Coldwell 2016)

cognition-based “thin trust,” with the latter usually requiring bureaucratic structures as controls. Affect trust focuses on care for the welfare of others in a relationship and their intrinsic value. Affect-based trust is driven by feelings and emotions. Cognition-based trust emanates from recognition of the other’s competence and reliability in specific situations, underwritten by formal bureaucratic controls. Weber’s theory on the emergence of the capitalist spirit in the west through Protestantism indicates the importance of affect-type (lean) trust built from spiritual beliefs.

Tong (2012) notes that Weber’s essay entitled “The Protestant Sects and the Spirit of Capitalism” suggests that belonging to business communities with common belief systems provides a level of trust which goes beyond the “thin trust” norm in the business context. As Towse (2013, p. 59) puts it, “. . . we trust information that comes from people we know. . . . personal networks provide psychological support as well as information and resources.” The benefit of spiritual capitalism in networks derives from the fact that, in business situations where impersonality tends to prevail, “lean trust” engenders sustainable business environments without the burdens and constraints imposed by thick trust. “Lean trust” business networks based on spiritual beliefs also have span advantages over Chinese *guanxi* business networks as the latter tend to be limited to the size of specific extended families. Clearly, the finite boundaries of extended family size impose greater constraints on network development than business networks comprising people joined in relationships through common spiritual belief.

Lean, spiritually based trust networks are better able to provide up-to-date information that helps locate business opportunities (Hendry et al. 1991; Mulholland 1997) than thin, bureaucratically based business networks. “Lean trust” networks also provide better network access to limited resources (Burt 1992) and generate higher levels of commitment, loyalty, and trust among workers and customers (Bates 1994).

Tong (2012) presents a good example of the benefits of “lean trust” with the example of “ZD” a businessman whose business network is based on

Christian spiritualism and generates a large number of loyal customers. ZD remarking on the advantages a spiritually based network provided in recruitment and selection of personnel states: “It saves us a lot of money to find a suitable candidate to fill the post in our company. . . . You inform him [the manager] what you want, and he can find a suitable person for you. I think he is not only helping us to find employees, but he is also matching Christian employees with Christian bosses; it is like sending and putting people into the right places. So I see it as ministry and not only business” (Tong 2012, p. 115). In such circumstances the thin trust systems that operate in most business bureaucratic networks would require, *inter alia*, the intervention of a recruitment professional, a formal selection process involving an interview, and follow-up credibility checks of the candidates. And, even after the selection process has been completed, this thin trust-based bureaucratic process involves an increased risk of employing misfits, whereas lean trust emanating from spiritually based networks can make such transaction-type costs less laborious, costly, and time-consuming.

## Cross-References

- Capitalism
- Christianity and Business Ethics
- Protestant Work Ethic
- Religion
- Religion, Spirituality, and Business Ethics
- Spirituality at the Workplace
- Weber, Max
- Work Ethic

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## Movies and Business Ethics Training

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## Synonyms

Movies as pedagogical tool in business ethics training

## Introduction

Business ethics training refers to the introduction of the key concepts and approaches of moral reasoning to so-called practitioners, that is, employees, managers, entrepreneurs, members of NGOs, and public officials who need to be able to apply the business ethics approach to solve real, business-related issues in their professional life. These training programs are also relevant – and, in fact, getting more common – for graduate students in general MBAs and in specialized Master Programs.

The audience for business ethics training, delivered both within universities, business schools, and other educational organizations – like the Institute of Business Ethics (IBE) in Europe and the W. Michael Hoffman Center for Business Ethics in the US – and in the form of in-house corporate training through dedicated programs, may include managers and employees across virtually all functional areas (e.g., Finance, Procurements, Marketing and Sales, Human Resources, Legal, Health and Safety, etc.). Additionally, business ethics training is particularly important for executives whose main responsibility is, in different ways, directly linked to the design, management, monitoring, and reporting of the organization’s ethics program, such as Corporate Ethics Officers and their staff, Compliance Officers, experts in ethical investigations, staff of Speak-Up and other internal reporting functions,



Corporate Social Responsibility (CSR) and Sustainability Directors.

The main theoretical concepts and frameworks that are applied in business ethics training clearly overlap with those used for business ethics teaching, which generally aims at:

- Understanding the key concepts of the main normative ethical theories (e.g., deontology, virtue ethics, and utilitarianism);
- Enabling participants to apply these moral frameworks to analyze moral dilemmas;
- Appreciating the influence of situational (e.g., authority, incentives, organizational culture, etc.) and individual factors (e.g., ethical blindspots, cognitive biases, unconscious drives, etc.) on ethical decision-making processes; and
- Stimulating personal reflection on values in life and business.

Additionally, according to the IBE (2021), the goals of business ethics training delivered to executives include:

- Raising awareness of what is acceptable business practice and where support can be found, for example, in the code of ethics;
- Raising the ethical sensitivity of staff so that they know when a decision they are faced with involves an ethical choice.

Compared to general business ethics education, business ethics training has therefore a stronger practice-oriented focus to enable executives to make ethical deliberations and demonstrate ethical behavior not only with the help of the normative ethical theories, but as well in light of their own organization's (and profession's) informal values and formal code of ethics. In other words, according to IBE the purpose of business ethics training is to develop "ethical capabilities" of staff and executives to support legal and regulatory compliance (ethics as protector) and strengthen the business (ethics as enabler).

This more practice-oriented form of executive education offers many opportunities to constantly innovate training approaches and educational

content, adapt to the specific audiences, and maintain the training as relevant and updated as possible.

One of the ways to deliver business ethics training that has become more widespread in the new millennium is the use of movies (as well as documentary films and series, available on TV and through many digital platforms such as Netflix, etc.) as the basis for classroom discussion.

The advantages of using movies in business ethics training include at least six aspects:

1. Help to focus in depth on a clearly written (and portrayed) business ethics issue, typically in around 90 minutes (making the *case-study* method more effective);
2. Enable participants (viewers) to empathize with the human side of business (*reducing psychological distance*);
3. Foster participants' *moral imagination*;
4. Movies are a form of contemporary art that can foster our sense of beauty and have positive relationships with ethics (*pedagogical value of art*);
5. Watching movies is engaging, entertaining, thought-provoking, and fun! (*enhancing classroom engagement*);
6. Movies are a great integration to face-to-face teaching (*supporting blended learning*).

The sections below discuss each of these aspects more in detail. It also provides numerous examples of popular movies to illustrate specific benefits of using them for the purposes of business ethics training.

### **Making the Case-Method More Effective**

The case-method is the preferred approach for teaching business ethics, as it enables education of students in the most important goal of business ethics education, that is, to apply (*general, abstract*) normative ethical theories to address (*specific, practical*) problems in business life. Typically, students are required to read the case before classroom discussion and prepare their answers on some preliminary questions (individually or with their study group). In the classroom, the instructor raises additional



questions and “steers” the discussion in ways that enable participants to reflect on their original answers (*moral intuitions*) and try to create a shared interpretation of the case being confronted with different opinions in the room. This pedagogical methodology is very well established, especially in the US universities, and can just work very well by substituting a written case with a movie. The key element of success for the case-method approach is, in fact, to enable students to put themselves in the shoes of executives of real companies: watching a movie that includes some fictional (but realistic) corporate decision-making might just achieve this goal in a very effective (and entertaining) way.

Focusing a classroom debate on a specific movie can provide plenty of excellent topics for a deep case-study discussion. For example, Werner (2014) illustrates how *Margin Call* (2011), portraying the fictional decision-making process happening in a financial investment bank the night before the start of the 2008 financial crisis, can help participants focus on the different motivational aspects of the different decision-makers in the bank (brilliantly impersonated by a stellar cast including Jeremy Irons, Kevin Spacey, Demi Moore, and Paul Bettany, among others) as well as stimulate a reflection on the influence of power structures, reward incentives, and conflicts of interests in the banking industry. Similarly, Berger & Pratt (1998) examines the ethics of business communication analyzing two movies based on David Mamet’s plays: *Glengarry Glen Ross* (1992) and *House of Games* (1987). Rob van Es (2003) illustrates how to create a workshop on practical ethics around *The Insider* (1999). Finally, Darden Business School decided to produce their own movie to promote business ethics discussions even beyond the walls of their MBA and executive courses: *Fishing with Dynamite* (2020) is a documentary film featuring Darden professor R.E. Freeman and real case-studies of contemporary business and entrepreneurs, reflecting on the key lessons of stakeholder theory.

Together with *Margin Call*, movies like *Wall Street* (1987), *The Wolf of Wall Street* (2013), and *The Big Short* (2015) and documentary films like

*Enron: The Smartest Guys in the Room* (2005) and *Inside Job* (2010) are all excellent basis for case-study discussions on the ethical issues in the financial services industry, the real case of the Enron bankruptcy, and the conflicts of interest and ethical failures linked with the 2008 financial crises.

Other examples of movies that can be used for business ethics training on a specific industry (e.g., the issues within the tobacco industry) or to focus a case-study discussion around a specific issue (e.g., sexual harassment) include:

- *Philadelphia* (1993) to discuss *stigma* and *LGBT rights*.
- *Disclosure* (1994) and *Spotlight* (2015) to discuss *sexual harassment*, *sexual abuse*, and the *ethics of journalism*.
- *The Insider* (1999) to analyze legal and ethical aspects of the tobacco industry and reflect on *whistleblowing*.
- *Erin Brockovich* (2000) and *Michael Clayton* (2007) to discuss the social and environmental responsibilities of corporations and the legal aspects linked with *corporate responsibility*.
- *Thank you for Smoking* (2005), focusing on the tobacco and other controversial industries such as alcohol and weapons, for a discussion on the *ethics of corporate lobbying*.
- *Up in the Air* (2009) and *The Company Men* (2010) to discuss ethical issues in HR management (*downsizing*) and managerial culture.
- *The Net* (1995), *The Social Network* (2010), and *Snowden* (2016) to stimulate reflection on the many ethical issues raised by the impact of technology, use (and abuse) of internet, and industry application of Artificial Intelligence for commercial or military purposes (*privacy*; *cyberbullying*; *cyberterrorism*; *identity theft*; *surveillance*; *internet addiction*).

### Reducing Psychological Distance

Movies show us faces. It may seem a trivial remark, but it has been argued that many problems of contemporary business are due to the fact that managers (and management books) often talk about employees, suppliers, customers, shareholders, and other stakeholders in a

de-humanized way, as “human resources,” “drivers of cost,” or “value generators,” forgetting that beyond these labels and groups there are human beings. Yet, one of the central messages of stakeholder theory is that stakeholders have names, faces, families, and ethical values: managers should never forget that business is a “human institution” and is “fully situated in the realm of humanity” (Freeman et al. 2010). Movies have a strong emotional impact on the viewers that can be very beneficial in this perspective. By portraying the complexity of human personality, movies help viewers to appreciate the human dimension of business decisions – and the effects that they may have on other human beings. Psychologists and behavioral economists argue that separating ourselves from other people spatially, temporally, or experientially – what is called “*psychological distance*” – may have strong influence on our moral awareness (i.e., realizing that our decisions may affect the well-being of other people) and, therefore, our ability to activate a moral reasoning process.

Movies like *Flight* (2012) or *The Wizard of Lies* (2017) are good examples pointing out this aspect. In *Flight*, Denzel Washington plays the role of a commercial air pilot struggling between heroism, personal failures (alcohol addiction), and truth-telling: watching all these tensions and contradictions in a human life through the character played by Denzel Washington enables students to empathize and “put themselves in the shoes” of the protagonist, which is again the key for a successful (and rich) case-study discussion. Similarly, in *The Wizard of Lies*, Robert De Niro’s masterful acting enables students to resonate with complex personality traits a respected businessman (Bernie Madoff, the former Chairman of NASDAQ) who turned into the largest fraudster of the history, running a Ponzi scheme worth about \$65 billion. Beyond the financial elements of the rise and fall of Mr. Madoff (who was sentenced 150 years of prison), students watching this movie become aware of the human tragedy embedded in this “business” story (one of Madoff’s sons committed suicide).

### Fostering Moral Imagination

Movies can be a powerful “philosophical medium” to initiate philosophical discussion around right and wrong practices in business and to stimulate personal reflection on the way we should live our life. More than representing and describing reality, as in a case-study text, movies have the power to push us to imagine different possible scenarios and future development of our society – some of them might be worrying and raising ethical concerns. In business ethics scholarship, moral imagination is an idea rooted in the work of Adam Smith and Immanuel Kant and has been defined by Patricia Werhane as “the ability in particular circumstances to discover and evaluate possibilities not merely determined by that circumstance, or limited by its operative mental models, or merely framed by a set of rules or rule-governed concerns” (Werhane 1999). Developing executives’ moral imagination is therefore very important in order to support the activation of moral reasoning processes within organizations. In fact, Werhane argues that it is precisely the paucity of moral imagination that can explain several decision-making disasters, from both an ethical and an economical point of view.

Movies like *Limitless* (2011), *Contagion* (2011), *Her* (2013), and the TV-series *Black Mirror* (2011–2019) are good examples to stimulate reflection on the ethical issues linked with human enhancement medicine, the challenges of a pandemic health crisis (before COVID-19!), the possible impact of Artificial Intelligence on human interaction, and (several) dystopian futures made possible by the (mis)use of technology.

### The Pedagogical Value of Art

Movies, like literature, poetry, visual arts, and music (which are, by the way, often employed within a movie), are a form of contemporary art. The relationship between art and ethics has been discussed by various philosophers. As the American Pragmatist John Dewey says in the conclusion of his *Art as Experience*, “art is more moral than moralities,” pointing out that art is always beyond the “consecrations of the *status quo*, reflection of custom, reinforcement of the established order”: art has the power to enable us

to imagine possibilities that might be in contrast with actual conditions (Dewey 1934: 362). The beneficial use of art for management education, and, in particular, for business ethics training, has been supported by various scholars. Koehn (2010) points out that discussing works of art in the classroom may be useful both pedagogically, “as a way to develop students’ capabilities for moral reasoning,” and for awareness raising purposes, “as a way to get students thinking more deeply about the differences between ethics and morality, about modern society’s norms, and about the challenges of living in a potentially alienating world that tends to valorize instrumental reasoning.” Purg and Sutherland (2017) argue that the key value of arts is *meaning*, that is, “how the arts afford reflection, conversation, and challenge to the meanings and purposes of what we do.” Therefore, presenting art in a classroom of tomorrow’s managers may facilitate a conversation around *purpose* in their present and future career. Moreover, embracing beauty and hope – central messages in the work of artists – may positively inspire future leaders’ innovation and creativity (Adler 2015). At the same time, it is important that instructors acknowledge “the multivalent relationship between art and ethics and morality” (Koehn 2010), since movies may also disinform, distort facts, indulge in prejudice, and prey on unconscious and unwelcome desires (Cox and Levine 2011). All movies mentioned above might be seen under their artistic value as well.

### Enhancing Classroom Engagement

Most people like watching a good movie. Thanks to great acting, movies are just catalyst of attention – and this can be extremely useful to enhance students’ engagement when dealing with a classroom of MBA students who are moving from one course to another and busy executives who squeeze training hours in their hectic schedule. (Great) movies are popular, entertaining, and enable everyone in the classroom to quickly empathize with the “case-study” represented in the fiction. Even just playing a short clip from a well-known movie might be very beneficial to gain a higher level of engagement in the classroom. A great example is the famous “*Greed is good*” speech delivered by Gordon Gekko, played

by Michael Douglas in *Wall Street*: “*The point is, ladies and gentlemen, that greed, for lack of a better word, is good. Greed is right. Greed clarifies. Greed works. Greed in all its aspects ... greed for life, greed for love, for money, for knowledge.*” By showing this 30-second video in the classroom is, in many business ethics instructors’ experience, a great boost in students engagement: “is one of the best ways to engage student participation and foster the learning process. [...] Film clips give an opportunity to pull ethical issues and conflicts that permeate the business and popular culture into the classroom, and give students a chance to deal with them creatively” (Shaw 2004).

### Supporting Blended Learning

Especially in the last decade, with the rise of technological innovation and applications to record videos and online streaming, there has been a great increase of online business ethics training offerings. Offering courses online clearly has the benefit to potentially reach a global audience and reduce costs and the need for travel. The COVID-19 pandemic has undoubtedly contributed to accelerate this process. While most of the benefits of business ethics education are best achieved with face-to-face training, the opportunity to design some form of blended learning, that is, courses with both online activities and face-to-face learning, has been pursued by most universities, business schools, and other educational centers. Clearly, including movies in a business ethics training can ideally support this form of blended learning via streaming a movie simultaneously online to participants across the globe or allowing participants to watch the movie offline and come to class (either face-to-face or online) for the follow-up discussion.

### Cross-References

- ▶ [Academic Integrity and Business Ethics Teaching](#)
- ▶ [Anti-corruption Education](#)
- ▶ [Business Ethics as an Academic Discipline](#)
- ▶ [Organizational Culture and Corruption](#)

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## Multiculturalism and the Ethics of Immigrant Integration in the Twenty-First Century

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## Synonyms

Minority accommodation; Polyethnic rights;  
The politics of recognition

## Definition

Multiculturalism is increasingly being used to describe an ethical alternative to the process of cultural assimilation and, more precisely, a way in which governments can “ensure that the terms of integration [for minority cultural communities borne out of individual and familial immigration] are fair” (Kymlicka 2001: 162). In immigrant-receiving societies, public institutions (e.g., courts, public schools, legal frameworks, and the military) tend on the whole to reflect the languages, customs, and/or religion of the majority; this may, in turn, prevent members of some minority cultural communities from being able to fully exercise their citizenship rights and to participate in the political, social, and economic arenas of the receiving society. Traditionally, immigrant-receiving societies sought to assimilate immigrants into dominant cultures and languages in order to facilitate their political, social, and economic integration. By contrast, multiculturalism policies are designed to recognize diversity and intended to accommodate cultural, religious, and/or linguistic differences. The accommodation of difference can entail implementing exemptions from general rules (such as allowing a Sikh police officer to wear his turban instead of regulation headwear) or providing assistance in interactions with public institutions (such as producing official governmental forms in minority languages or having a minority language interpreter available for on-sight communication with government officials). The first official multiculturalism policy was adopted in Canada in 1971; following that, a number of immigrant-receiving countries have implemented their own multiculturalism policies.

To be clear, multiculturalism is a polysemic concept. The word multiculturalism is sometimes used in public discourse to describe demographic diversity in terms of language, religion, race, and/or ethnicity. In popular discourse, multiculturalism is generally equated with the celebration of the customs, traditions, and cuisines of cultural minorities. Political theorists (e.g., Taylor and Gutmann 1992) have used multiculturalism as a synonym for a “politics of recognition” in liberal democracies that must, on occasion, allow the pursuit of collective goals to trump the protection

of individual rights. And, during the late stages of the twentieth century, political activists began to employ multiculturalism as shorthand for a worldview that ascribes equal value to all cultures and advocates their equal representation across public institutions.

### Historical Origins, Ideological Roots, and Recent Developments

Multiculturalism as public policy is a distinct and characteristic phenomenon of the age of migration and, more specifically, of the late twentieth and early twenty-first centuries. The first official multiculturalism policy was adopted in Canada on October 8, 1971. On that day, and in response to the findings presented in the *Report of the Royal Commission on Bilingualism and Biculturalism, Book IV: the cultural contribution of the other ethnic groups* (1969), Pierre Elliott Trudeau, the then Prime Minister of Canada, declared that the Canadian government would heretofore implement a policy of “multiculturalism within a bilingual framework.” This policy change was guided by a moral imperative to recognize the importance of group belonging and by a pragmatic desire to enhance the life chances of ethnic minorities in Canada (Trudeau 1971).

Canada deepened its commitment to official multiculturalism in 1982 when the Canadian constitution was repatriated from the jurisdiction of the British parliament; included under the ambit of The Charter of Rights and Freedoms – the Canadian Constitution’s newly enshrined bill of rights – was a clause that it be “interpreted in a manner consistent with the preservation and enhancement of the multicultural heritage of Canadians” (Canadian Charter of Rights and Freedoms, s 27 1982). And, in 1988, the Canadian Multiculturalism Act achieved royal assent thus creating the Department of Multiculturalism and formalizing the federal government’s duty to both recognize the diversity inherent in Canadian society and to take action to facilitate the full participation of ethnic minorities in Canadian public institutions.

In the late 1970s and during the 1980s, national governments in Australia, New Zealand, Sweden,

and the Netherlands implemented their own official multiculturalism policies. Each of these official multiculturalism policies was designed and implemented by a center-left government, and, to this day, multiculturalism remains a policy project that is inherently consistent with the goals and objectives of left-leaning ideologies, including the radical erosion of social hierarchies through democratic means and the institutionalization of equality of opportunity. The only notable exception to the connection between the political left and emergence of official multiculturalism took place in Canada when Brian Mulroney’s Conservative government passed the Canadian Multiculturalism Act in 1988. Nevertheless, this exception occurred well after the left of center Liberal governments of Pierre Elliott Trudeau entrenched the first two iterations of Canada’s official multiculturalism policy in 1971 and 1982 and, in so doing, also established the celebration of cultural diversity as a key feature of Canadian national identity.

To be clear, immigrant-receiving countries have implemented multiculturalism policies other than official multiculturalism in the aim of recognizing and accommodating immigrant cultural communities. Such policies include changes to national curricula in order to include greater representation of minority cultures, religions, and languages; the funding of transitional bilingual and mother tongue instruction; increased representation of minorities in public media programming; and affirmative action/positive action in public sector employment and in public universities. A recent empirical study conducted by Keith Banting and Will Kymlicka (2013) shows that, by the end of the first decade of the twenty-first century, a number of countries without official multiculturalism (such as Austria, Belgium, Germany, Norway, France, and Italy) had nonetheless implemented one or more multiculturalism policy.

### Criticism and Alternative Models of Immigrant Integration

Multiculturalism is not without its detractors. It has been criticized (1) for diluting national



identities and for threatening the persistence of national consciousness; (2) for essentializing minority cultures and for other potentially deleterious effects on minorities and minority cultural communities; (3) for obfuscating institutionalized racism and demobilizing anti-racist activists; (4) for stifling mobilization along class lines; (5) for protecting patriarchal minority cultures and thus preventing the realization of gender equality in minority cultural communities; and (6) for failing to integrate immigrants into the receiving society and for creating separate majority and minority cultural communities.

Criticism of multiculturalism sometimes translates into policy-making, as it has in the Netherlands and in Britain. In the Netherlands – in response to the apparent failure of Dutch official multiculturalism – successive national governments instituted, between 1998 and 2007, “civic integration” policies (i.e., the Civic Integration for Newcomers Act 1998, the Civic Integration Abroad Act 2006, and the Civic Integration for Newcomers Act 2007) that acknowledged demographic diversity but offered little in the way of cultural and linguistic accommodation for minorities on the path to integration. And, in a speech at a security conference held in Munich in 2011, David Cameron, the then Prime Minister of the United Kingdom, denounced “state multiculturalism” for creating parallel communities and for contributing to the rise of Islamic extremism in Britain and went on to declare that his government would practice a policy of “muscular liberalism” moving forward (Cameron 2011). According to one prominent observer (Joppke 2014), the Netherlands’ civic integrationist turn and the rise of “muscular liberalism” in Britain might be indications of a “retreat” from multiculturalism.

## An Uncertain Fate

Recent electoral developments suggest that multiculturalism – if it is not already in “retreat” – may have to persist in an increasingly inhospitable environment. In the last two decades, far-right political parties across Eastern and Western Europe (i.e., the Austrian Freedom Party, France’s

National Front, the Danish People’s Party, Greece’s Golden Dawn, and the Sweden Democrats) have made unprecedented inroads into mainstream politics. At the same time, social democratic and center-left political factions have steadily declined in power and influence, while some center-right political parties (i.e., the *Volkspartij voor Vrijheid en Democratie* in the Netherlands and the *Österreichische Volkspartei* in Austria) have adopted anti-immigrant positions more commonly associated with the far-right. Due to multiculturalism’s historical and ideological roots as a project of the political left, the rise of the political right at the dawn of the twenty-first century therefore not only threatens the survival of existing multiculturalism policies, it may also prevent the future attempts at recognizing and accommodating the diversity borne out of immigration.

## Cross-References

- [\(Managing\) Diversity](#)
- [Immigration and Business Ethics](#)
- [Racial and Ethnic Diversity in Business](#)
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## Music and Business Ethics

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### Introduction

The work on music and ethics looks at the ways in which emotions may be engaged by music in order to make optimal ethical decisions and also the ethical issues that arise in the use of music, for example, on politics or by businesses themselves. A primary driver has also been the connection between ethics and peace studies, and so much of the writing on music, business, and ethics also connect to peacebuilding.

### Music and Business Ethics

A relatively new effort to integrate music, business, and ethics with peace studies began in 2016. This collaborative effort was initiated by two conferences at Indiana University led by scholars at the Jacobs School of Music, the Kelley School of Business, and the College of Arts and Sciences. Music certainly stands to be a candidate for a cultural artifact that brings people together. It is not that we believe that we could find a single song that we all sing; it is the fact that we all do sing, and to broaden the concept, we all music and we know that musicking (Small 1998) touches emotions that can help to make us all instruments of peace. To push the metaphor further, the peacebuilding musicking provides more than just harmonizing.

Yet, it is even more than that too. Perhaps the most powerful tenet of the research into music and peacebuilding is the suggestion that music can contribute to empathy. It follows that empathy is required for compassion, and compassion is required for conflict resolution or peace. Music provides a language: it can be a unifying anthem of protest and of solidarity; it can be the rallying point for charitable acts that alleviate suffering. It can articulate, in ways, more powerful than words, the hopes, dreams, and fears of a community, nation, and world. The power and potential of music – and musicking – is enormous.

Such assertions, however, are loaded with ambiguities in at least two ways. One ambiguity lies in exactly how different nations might characterize a cultural artifact as being a shared heritage or something divisive. Any cultural artifact could be used for ill or for good. Music can be peaceful or violent. Sports can be welding or divisive. Religion can reach the most humanitarian aspects of love and justify the torture of an infidel. Business can bring people together to peacefully exchange good, and it can be exploitative. The difference between these kinds of uses lies in the normative aims.

To turn to normative thought may seem hopeless itself. How do we agree on what is moral and ethical? Yet, we do know something about what makes peaceful societies, and so by making peace itself an aim, we can move beyond endless philosophical speculations and instead look to the ways cultural artifacts – such as music – lead toward peacefulness rather than toward violence. It is with this dimension in mind that this special issue features the ways in which various cultural artifacts can lead toward peace. Without neglecting the ambivalence noted, what can music do to enhance peace or sports, business, religion, law, and film?

Readers of this encyclopedia will be familiar with business ethics. Kathleen Higgins provides a foundational understanding for the connection between music and ethics. Higgins, a professor of philosophy with a particular expertise in music and ethics, provides a philosophical methodology for disentangling the ambivalence of music. More specifically, she examines music's mechanisms

for creating solidarity, its risks in fostering enmities, and the use of music to build thriving relationships. Thus, drawing upon issues and concepts of relationality, she demonstrates models of how music can constructively nudge cultures toward peace or not (Higgins 2018).

More specifically with respect to Higgins' earlier work (Higgins 2011), she notes music's psychophysiological power that deeply impact not only our emotions but our very bones, thus orienting us to certain ways of thinking and behaving. She also describes music's metaphorical and symbolic capacities that help us understand tensions and their resolution, the notion of harmony, and the importance of listening, all of which can have application in ethical living.

Carolyn Calloway-Thomas studies intersections between empathy and conflict, and pedagogy and civil engagement. Calloway-Thomas has strong interests in the role of the arts in creating cultural connections and communication. Her article on empathy highlights the essential nature of communication and its powerful impact on relationships (Calloway-Thomas 2018).

Moving back toward the business side of things, in Timothy Fort and Todd Haugh's *Cultural Foundations of Peace: Sketching the Terrain, Business* (Fort and Haugh 2020), the authors set out a number of ways these three areas can interact. Included in this interaction is an understanding of the cognitive processes that are stimulated by both music and ethical business conduct, which may be similar and may reinforce each other. Because the authors argue that ethical conduct is related to peace itself, this reinforcement provides potential for music and business to constructively build on each other with results for peacebuilding itself. This intersection draws upon the ways in which both music and business depend on relationships in order to exist, the place of emotions in decision-making and musicking. They are also linked in their ubiquity and their ambivalence.

The authors provide a more in-depth assessment of the way ethical behavior connects with peace, and they then explore the ways in which music touches the emotions in ways that may be conducive toward nudging individuals toward

engaging in ethical behavior. Drawing on current thinking in behavioral ethics, they suggest that music may be able to play a proactive role in fostering ethical conduct in business. Drawing on the aforementioned, Higgins and Fort and Haugh describe how music can ethically impact human conduct in a naturalistic way as well as providing a narrative vehicle for ethical reflection. They also note music's ability to bring people together, literally in common song, that provides a sense of unity of common purpose.

In a response to musicologist Olivier Urbain (Urbain 2018), Fort also offers the example of an assignment from his business ethics class. Synthesizing several models of moral development, Fort then asks his students to identify a piece of music that corresponds to each level. Not only does this novel experience help students understand the levels of development, it also provides them with a musical touchstone to relate to during their career that may help them reorient whatever mind-set they might currently be in and a way to move to something different (Timothy Fort 2018).

There are additional, practical connections between music, business, and ethics. Jerry White, who earned his EMBA from the Ross School of Business at the University of Michigan and also shared in the 1998 Nobel Peace Prize, provides a commentary on how social movements are launched, grow, and become successful. Drawing on his own experiences in such movements, he weaves music themes throughout his message of how one might make music and business (and one could add other cultural artifacts such as film or sports) into agents of peacebuilding. Among his interesting insights is his view that in order to be successful, leaders must "come in from the right." That is, peace-related movements often find their homes and energy in left-leaning organizations and individuals. Yet, if one can find a way for more conservative individuals and organizations to see how a movement resonates with them, then one can be in a position to weld a non- or bipartisan movement that transcends contemporary politics (White 2018).

Cindy Schipani, Waterman Professor of Business Administration at the Ross School of Business, co-authoring with Kate Peterson (Schipani

and Peterson 2020) in *Recording Artists, Music, Social Change, and the Business World*, provides an analysis both in terms of how the lyrics associated with music can enhance cognitive awareness and movements toward peace and the business of music and the models for it to be constructively governed. More specifically, they remind us of the ways in which music has been used in social movements in the United States, ranging from the songs sung by slaves to Bob Dylan, John Lennon, and Bruce Springsteen. They also note its importance globally, including use of jazz as an international tool of cultural diplomacy and concerts such as Live Aid on behalf of the fight against AIDS. With this as background, they then address the business ways in which music is used, for example, to obtain charitable donations for a cause, such as Farm Aid, which in turn can have impact on legislation. The other side of the coin of music having an impact on government is the question of the censorship of musical expression either from the government itself, for example, with respect to lewd or violent lyrics, or within the music industry.

Finally, Joshua Perry and Arlen Langvardt, professors at the Kelley School of Business, look at a unique issue of the use of music and other cultural artifacts in political campaigns when such use is directly at odds with the issues of the artist. They introduce the topic by reciting some common appropriations of music in campaigns likely to resonate with the reader: Donald Trump's use of the works of Neil Young, Mick Jagger, Steven Tyler, Adele, and Queen as well as other disputes between Michelle Bachman and Tom Petty, Barack Obama and Sam & Dave, and John McCain and Jackson Browne. Drawing from legal (copyright and tort) law as well as from

ethical analysis, the authors assess the controversies associated with the appropriation of music that is contrary to the wishes and intents of the artist (Perry and Langvardt 2020).

## Cross-References

- [Business and Peace](#)
- [Corporate Social Responsibility](#)
- [Ethical Issues When Interacting with Indigenous Music and Musicians](#)
- [Ethical Responsibility of Orchestras in Contemporary \(Multicultural\) Societies](#)
- [Ethics of Music Teacher Education in Post-colonial Countries](#)

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## Narcissistic Leadership

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### Synonyms

Egotistical leadership; Machiavellian leadership;  
Psychopathic leadership; Toxic leadership

### Definition

Narcissistic leadership is understood as existing when the head of an organization or part of an organization is self-interested, self-admiring, self-absorbed, and self-prioritizing. In other words, the organizational chief puts their own needs, aims, and objectives before those of the organizations and followers they are supposed to be guiding and managing. Suboptimal organizational outcomes are associated with such leadership, because there may often be a lack of alignment with organizational objectives and the personal objectives of the leader.

Like the definition of a psychopath or a Machiavellian, the definition of a narcissistic leader is human-made and has changed over time. The common definition of a narcissist is anchored in the myth of Narcissus. However, a degree of conceptual drift has occurred. For example,

Falkenbach, Howe, and Falki report that extreme narcissism is psychopathic in nature and they have described pathological narcissism as being particularly related to violence and vengeance (Falkenbach et al. 2013). Similarly, Lubit's 2004 description of a narcissistic manager as being grandiose, arrogant, and lacking in empathy, remorse, and conscience and as people who are exploitative of others and disregarding the normal rules of society is very similar to common descriptions of workplace or corporate psychopaths. In line with the view that conceptual drift has occurred, some commentators on narcissism have commented that there are competing and contradictory definitions of narcissism (Rosenthal 2006). For example, for some researchers, narcissists are confident and realistic, while for others, they are unreliable and self-deceptive. Rosenthal suggests (2006) that because there is no "gold standard" criteria on which to base a definitive description of narcissism, such disputes are nearly impossible to settle. However, it can be argued that an examination of the myths of Narcissus can provide just such a gold standard. (See entry on "Narcissus" for this brief examination.)

### Discussion

#### Modern Conceptualizations of Narcissism

Some conceptualizations of narcissistic leadership or narcissistic behavior do correspond with

classical account of Narcissus, while others don't. For a review of what the elements of narcissism are from the literature, see especially Higgs (2009). Higgs paper mentions grandiosity, arrogance, exploitativeness, need for power, need for achievement, dominance, lack of empathy, and need for admiration as being among the elements of narcissism and narcissistic leadership. Current conceptualizations of narcissism in management research also find that as a personality, it is associated with a desire to be admired, deceptiveness, aggression, grandiosity, vulnerability, power-seeking, and dishonesty. Similarly, the American Psychiatric Association defined narcissism in 2014 as including grandiosity, fantasies of unlimited success, a need for admiration, an exploitative nature, a lack of empathy, and arrogance.

The traits, attitudes, and behavior accredited to narcissistic leaders but which nevertheless veer away from the descriptions of classical Narcissus include a desire to be liked by others, being aggressive, being exploitative, deceptive, bullying, grandiose, vulnerability to the perceptions of others, a need for power and prestige, and dishonesty. Similarly promiscuity involving short-term mating strategies and unrestricted sociosexuality is ascribed to the modern characterization of narcissism, but Narcissus himself, as a self-involved young adolescent, spurned all potential suitors and was probably a virgin.

Traits, behavior, and attitudes ascribed to narcissistic leaders and which do correspond with the classical Narcissus include a tendency toward derailment, striving for prestige, disagreeableness, a lack of empathy, failing to abide by the norms for polite social conduct, and unethical decision-making.

Excessive self-focus, attention seeking, exploitativeness in personal relationships, and extreme vanity are measured by the Narcissistic Personality Inventory (Jakobwitz and Egan 2005). Narcissists are reported to have grandiose, unstable self-concepts, an inflated sense of entitlement, and a tendency toward establishing superiority. They are reported to be arrogant and aggressive in terms of their personality (Alwin et al. 2006).

A need for prestige drives them, and they gravitate toward leadership positions after which their personality flaws help to create outcomes which are negative. People with high narcissism are reported to be arrogant, duplicitous, self-centered, and self-enhancing and also to have dominant personalities with a sense of superiority over others (Nathanson et al. 2006). However, the outward self-confidence, ambition for power, and ruthlessness of these narcissistic (and other toxic) managers can look attractive to employers, and this facilitates their rise up to the ranks of the powerful (Lubit 2002).

Potentially, narcissism, especially in its roots in classical-historical mythology, could arguably present the clearest difference between the three dark triad personalities. In its classical roots, it is a self-absorbed, passive, and coldly disengaged personality rather than being actively malevolent and manipulative. However, narcissism has drifted far from the classical myths of Narcissus, and modern characterizations are often Machiavellian and neo-psychopathic in nature.

## Cross-References

- [Corporate Psychopaths](#)
- [Enron Scandal](#)
- [Machiavelli](#)
- [Machiavellianism](#)
- [Toxic Leadership](#)

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## Narcissus

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### Definition

Narcissus is included in this encyclopedia because its derivative, Narcissism, has been associated with dark, selfish, self-promoting, and unethical behavior in the workplace and in leadership (see entry on ► [“Narcissistic Leadership”](#)).

There are several differing accounts of Narcissus in classical literature, but many descriptions are directly based on Ovid’s poem and Graves’s authoritative accounts (Hamilton 1993). Authors reports of passages from Ovid’s writing in Latin (in his book “*Metamorphoses*”) or of translations of the Latin e.g., (Hannan 1992; Tomkins 2011) can be referred to as these are close to the original surviving myths. Narcissus was the extraordinarily beautiful son of Kephissos (Cephissos), a river god, and Leiriope, a nymph. Narcissus was adored by others but only interested in himself (March 2008). Young men, and girls alike, fell in love with the beautiful 16-year-old Narcissus (pp. 510–513), but his adolescent heart was cold and proud and he scorned them all (March 2008).

Reports of earlier, Greek versions of the myth, suggest that one of the male suitors even committed suicide after being spurned by Narcissus. In Greek versions, Narcissus was brought up in Thespeia, in central Greece, and matured into an extremely handsome young man. However, Narcissus reportedly never discovered anyone else whom he considered to be as attractive as he

was, and he left a line of broken-hearted, male and female admirers behind him. One of these admirers was Ameinias, a young man who was repeatedly rejected by Narcissus and eventually killed himself with a sword that Narcissus gave him. Ameinias called on the gods, as he died, to take revenge on Narcissus.

Among those others who fell madly in love with him was Echo, a nymph (Holme 1981), who seeing him when he was out hunting, tried to embrace Narcissus and asked him to lie with her. Narcissus contemptuously spurned her, roughly shaking off her embrace and saying he’d rather die than give himself to Echo.

Echo was broken hearted and in despair, eventually wasted away until only her voice, itself only able to repeat the last few words of others, was left. In retribution for his coldness, Nemesis, hearing the story of Echo and Narcissus or Ameinias and Narcissus, fated Narcissus to experience unrequited love so that he may suffer the same fate as his rejected suitors (and perhaps gain some empathy).

Subsequently, 1 day, after hunting, Narcissus walked up to a cool, shining, undisturbed silver pool of water where he stopped to quench his thirst. However, when he saw his likeness in the silver water, he fell in love with the gorgeous reflection. Some versions report that Narcissus first thought that the reflection was a beautiful water-spirit and he tried to kiss its luscious lips in the lake but as he touched the water the reflection disappeared. At first Narcissus cannot understand why he cannot reach and touch the beautiful image he sees before him and which he desires.

Nonetheless, ignoring the real Echo – the nymph, Narcissus stayed there admiring what he eventually realized was his own visual echo, his reflection. Then unable to embrace or kiss the likeness in the water and therefore incapable of pulling himself away from his unrequited desire, he remained, until worn out by thirst, hunger, and his hopeless love (Ovid) he faded away and died. His body was not discovered but the narcissus flower grew at the spot he passed away and can still be found at lakesides and riversides. A narcissist was thereafter characterized as



someone who was emotionally immature and cold to others because they loved only themselves. Further, narcissists are deemed to love themselves too much for their own good.

In summary, the classical Narcissus was young and immature, an adolescent at the key stages of the myth. He was beautiful, self-absorbed to the point of being in-love with himself; proud, coldly, contemptuously, and passively indifferent to the affection and well-being of others. Although self-absorbed, he is not very self-aware, and at first, he does not recognize that the reflection he loves is his own and that he cannot embrace the image in the pond. He was also self-neglectful to the point of being ultimately self-destructive.

## Discussion

Comparing this classical description of Narcissus to the more recent characterizations of narcissism (see entry on ► [“Narcissistic Leadership”](#)) illuminates the degree of conceptual drift which has occurred in modern characterizations. The commonalities between classical Narcissus and modern narcissism are fewer than the dissimilarities, and a large degree of conceptual drift has occurred. For example, the original Narcissus displayed no grandiosity, rage, or desire to lead others. Similarly, the classical Narcissus was self-occupied to the point of self-destructiveness and this self-destructiveness is not reflected in modern measures of narcissism. Furthermore, Narcissism has been described as entailing pathological self-absorption, which fits with the classical Narcissus, but also with an inflated self-image and tendency to exploit others, which does not. The adolescent Narcissus did not exploit anyone, he only ignored them due to his pride and self-interest.

## Cross-References

- [Corporate Psychopaths](#)
- [Enron Scandal](#)
- [Machiavelli](#)
- [Machiavellianism](#)
- [Toxic Leadership](#)

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## Networks of Complicity and Persistent Unethical Behavior

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## Synonyms

Bystanders; Organizational ethics

## Introduction

Many types of unethical behavior persist in organizations despite the efforts of legislators, scholars, and responsible people in all occupations and professions. Not only is unethical behavior persistent, it is often an open secret, ignored, tacitly supported, and hidden from the public. It causes great harm to victims, organizations, and society. As such, an intriguing question is, “Why does unethical behavior persist when it is so damaging?” What is known about why unethical behavior occurs in organizations is outlined in the next section before the research question is explored.

## Why Unethical Behavior Occurs

For many years, researchers have attempted to understand the antecedents of unethical behavior

in work organizations. In the 1960s, researchers used surveys to identify and rank-order factors influencing unethical behavior: (1) behavior of superiors, (2) formal policy or lack thereof, (3) industry ethical climate, (4) behavior of one's peers, (5) society's moral climate, and (6) one's personal financial needs (Baumhart 1961). These factors formed the basis of models subsequently designed and tested to explain unethical behavior (e.g., Ferrell and Gresham 1985). Such models examined a variety of individual factors (e.g., age, experience, gender, moral philosophy, and locus of control) as well as organizational factors and situational factors (e.g., leadership, ethical climate, organizational culture, conduct of peers, stakeholder ranking, ethics management systems, and human resource practices).

Researchers also examined the roles of bystanders, people who know about unethical behavior yet do not try to intervene or help – behavior labelled “the bystander effect.” (See the seminal meta-analysis of bystander research by Fischer et al. 2011). The bystander effect was stronger in some situations: in hierarchical organizations, when information was widely known, when situations were ambiguous, and when some employees had high-quality relationships with managers (Hussain et al. 2019). There have been recent calls for research in workplace settings where bystanders are not strangers and when groups, such as human resource (HR) professionals, can act as “permanent bystanders” (Hussain et al. 2019; Parkes and Davis 2013).

## Theoretical Background

Recent conceptual articles (e.g., Zuber 2015) have proposed that two theories may be particularly helpful in addressing why unethical behavior persists: social network theory and behavioral ethics. Rather than focusing on unethical individuals – the bad apples – social network theory prompts researchers to focus on the relationships surrounding the perpetrators – their social networks. It posits that ongoing social relationships influence how individuals act in organizations (Granovetter

1978). Individuals' desires to develop and maintain social relationships often outweigh ethical considerations (Brass et al. 1998). Behavioral ethics posits that people make most decisions instinctively, rather than rationally, and it focuses on cognitive errors, social and organizational pressures, and situational factors that can undermine ethical decision making (Bazerman and Tenbrunsel 2011; Drumwright et al. 2015). It is especially helpful in explaining why people who believe they are acting ethically fail to do so.

## Networks of Complicity

Using social network theory and behavioral ethics as lenses, various types of persistent unethical behavior in diverse organizations and professions were studied (e.g., Cunningham et al. 2019). A primary finding was that perpetrators of unethical behavior built social networks around themselves that protected them and enabled them to continue their unethical behavior. These groups were labelled “networks of complicity” since they were composed of a group of people who were complicit in that they actively or passively supported the perpetrator. Networks of complicity are a primary and compelling explanation for the persistence of unethical behavior in organizations, and social network theory and behavioral ethics were pivotal to understanding them and explaining their impact on organizations.

Networks of complicity protected perpetrators in many ways. Some network members protected perpetrators proactively through actions such as making excuses for them, covering up their bad behavior, and undermining those who resisted or threatened to expose the bad behavior. Others were more passive in their support of the perpetrator and merely turned a blind eye to the bad behavior. How could members of the network do such things? Network members had succumbed to the behavioral ethics conditions of incrementalism and motivated blindness. Incrementalism is a cognitive bias that is often referred to as the “slippery slope,” and it occurs when people unconsciously lower their ethical standards over time, so they do not notice the change as minor ethical

infractions gradually give way to major ethical infractions (Drumwright et al. 2015). Motivated blindness is the tendency not to see the unethical behavior of others when it is not in one's best interests to do so (Bazerman and Tenbrunsel 2011). This moral blindness was supported by cognitive biases such as the in-group/out-group bias in which network members rationalized that other members of their in-group would not be capable of bad behavior. To acknowledge that a fellow in-group member would engage in unethical behavior would damage their favorable perceptions of their personal and professional relationships and ultimately of themselves. Given the evidence of the presence and negative impact of these networks, another question needed to be addressed, "How could such networks come about?"

Networks of complicity were built by perpetrators over time. Perpetrators were talented relationship builders who networked effectively inside and outside of their organizations. Their effective networking enabled them to assume a central position in the network that they created. Their network centrality provided them with network cognition, which refers to the ability to understand the network. Centrality and network cognition translate into increased power (Granovetter 1978). Perpetrators often had formal power from their organizational positions of authority as well as informal power derived from their network centrality and cognition.

Perpetrators drew people into their networks and secured their loyalty by providing them benefits – e.g., perks, bonuses, rewards, and promotions. Often the recipients did not merit these benefits, but they received them because they were willing to support the perpetrator. These rewards typically invoked the self-interest bias (Drumwright et al. 2015). The self-interest bias motivated network members to interpret information about the perpetrator and the unethical behavior in a way that benefitted themselves, and it kept them from seeing the unethical behavior for what it was.

Network members also justified their support of the perpetrator and their membership in the network as a result of the obedience to authority

bias and the conformity bias (Drumwright et al. 2015). The obedience to authority bias compels one to accept the unethical behavior of an authority figure, and as noted above, perpetrators typically had formal and informal power. The conformity bias prompted members of the network of complicity to conform to the unethical behavior of others in the network. This finding led to the next question, "How did perpetrators maintain their networks?"

Perpetrators used fear and their formal and informal power to intimidate, dominate, or exclude others, often using techniques such as verbal and physical intimidation. Victims and others who might expose the perpetrator were typically excluded, isolated, and marginalized.

Perpetrators were also masterful information manipulations, and their ability to control and shape information was increased by their central positions in their networks of complicity. Perpetrators maintained their networks by building myths about themselves to enhance and manipulate information about their importance, accomplishments, and abilities. For example, perpetrators would build myths about their indispensability to the organization even when they were incompetent. To decrease the chances that their unethical behavior would be detected and reported, perpetrators adeptly used the framing bias to their advantage. They framed information about their unethical behavior or the harm it caused in a way that camouflaged it. For example, one perpetrator framed the harm he caused as a necessary part of organizational change, and another framed his bad behavior as harmless humor. Perpetrators also would start rumors about their victims or others who resisted them, and they would disparage these people's accomplishments. In turn, network members spread the misinformation and myths. Perpetrators' network centrality combined with their ability to control and manipulate information typically succeeded in disguising their bad behavior. These findings raised a further question, "What are the effects of networks of complicity?"

Networks of complicity spread unethical behavior. The network property of contagion set in (Granovetter 1978); that is, attitudes, behaviors,

values, and norms spread rapidly through the network of complicity as members adopted some of the perpetrator's bad behavior. A vicious cycle was perpetuated. Protected by the network of complicity, perpetrators continued their persistent bad behavior, and others, given license to be uncivil, abuse authority and behave badly, joined them. As more and more employees witnessed managers' failures to address abuse and other unethical behaviors, it became less and less likely that such behavior would be reported or countered. As a result, the perpetrator and the network of complicity's became more and more entrenched. As unethical behavior increased and persisted, the culture of the organization became increasingly toxic.

The effects were devastating, not just for victims but also for other organizational members and for the organization as a whole. Victims typically experienced physical and psychological symptoms from the trauma they had experienced, and these symptoms were often severe. The perpetrator's unethical behavior, combined with favoritism in hiring and promotion, changed the power and decision-making structure of the organization. Trust in the organization broke down among the employees who remained outside the network of complicity. Without trust, cooperation and collaboration were often absent, and disillusionment was typically widespread. Often, the most talented people left the organization. Those who remained became less and less motivated to fulfill their roles in a high-quality fashion. Organizational performance declined, and innovation came to a halt.

It is important to note that unethical behavior persisted and spread despite formal policies against it. One might ask, "Where were the human resource professionals who create and enforce the policies?" Ironically, human resource professionals were often perceived as part of the problem – as active members of the network of complicity – or at least as permanent bystanders, who failed to speak up, step forward, and enforce the policies. This failure heightened distrust in the organization, and the negative spiral accelerated.

## Conclusions and Directors for Future Research

Social network theory and behavioral ethics are indeed helpful in understanding how and why networks of complicity develop and become entrenched, and why and how they enable unethical behavior to persist in organizations. They also can provide guidance regarding how to minimize the influence and the negative effects of networks of complicity. Perpetrators obviously must be removed, but because of the power the network has accrued, and the strong relationships among the members of the network of complicity, the network itself is likely to remain intact. If it remains intact, its counterproductive and unethical behavior is likely to continue. As such, leaders need to understand the social dynamics within their organizations, so that they can detect networks of complicity and work to erode the connections among members or disband the network and limit its power. For example, units and teams can be reorganized, and responsibilities can be reassigned to weaken formal ties and connections among the members of the network of complicity.

Leaders must work to increase transparency and have open discussions with employees about their concerns and the harm unethical behavior has caused. This is especially important since informal connections are harder to control than formal connections. Leaders need to make it clear through both words and actions that there are negative consequences for those who persist in their unethical actions or those who attempt to participate in a network of complicity. Rebuilding trust and changing an organization culture are among the most daunting tasks leaders will face. Thus, leaders must use all of the communication vehicles at their disposal to correct misinformation, dispel myths created by perpetrators and their supporters, and articulate a positive vision of how the organization can move successfully into the future.

Bystanders can and must play key roles in countering networks of complicity. Perpetrators and their networks cannot thrive without the passive support of bystanders who remain silent.

Bystanders can also be trained to detect networks of complicity, understand the devastating harm they create, and confront the bad behavior by speaking up. For example, training based on behavioral ethics research can help bystanders recognize the cognitive biases, social and organizational pressures, and situational factors that might prevent them from recognizing and coming to terms with the unethical behavior.

As noted above, victims are often isolated and pushed to the fringes of the organization by perpetrators and their networks of complicity. Victims must be connected and integrated into networks of support. Many victims feel reluctant to report unethical behavior, so organizations must provide them access to support services, such as counseling and confidential legal advice, without requiring them to make a formal report. When victims do make formal reports, ombudspersons must provide them with support and ensure that the investigation process is fair and confidential. Victims can benefit from mentoring programs that help them build relationships with others, especially those with influence and power.

HR departments and the professionals within them need to take the lead and demonstrate that they are committed to their roles as organizational ethical stewards who enforce policies and proactively follow-up on and address any indications of unethical behavior. Senior leaders must make sure that HR professionals are empowered and rewarded for fulfilling their ethical stewardship role rather than acting as bystanders.

Research questions associated with these findings abound. For example, achieving a deeper understanding of how perpetrators gain power, and the types of power they yield, would further the understanding of network of complicity formation and operation. Research to better explain the tools leaders use to detect networks of complicity early on and prevent them from fully forming and activating is needed. Studies, aimed at understanding how the negative effects of networks of complicity can be overcome once they form, are required. Such studies need to explore how the toxic organizational cultures created by networks of complicity can be reversed, so that

trust in the organization can be restored. Research needs to address how networks among victims and bystanders can be formed to counteract unethical behavior or used to support ethical behavior in positive ways. Much remains to be learned about networks and their effects on both ethical and unethical behavior in organizations.

## Cross-References

- [Academic Business Ethics in the United States](#)
- [Behavioral Ethics and Rationalizations](#)
- [Business, Law, and Codes of Ethics](#)
- [Corporations as Moral Entities](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Engagement: Observer Obstacles](#)
- [Ethical Leadership](#)
- [Ethics and Crisis Management](#)
- [Harassment in the Workplace](#)
- [Human Resource Management](#)
- [Journal of Business Ethics](#)
- [Online Employees and Employer Relations](#)
- [Organizational Culture and Corruption](#)
- [Teaching Business Ethics](#)
- [Toxic Leadership](#)

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## New Models of Finance

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### Synonyms

Financial innovation; Financial theory; Future of finance

### Introduction

To cope with the complex, interrelated global challenges of the twenty-first century, finance will need to supplement its current focus on managing risk and reward at the investment portfolio and individual security levels with an understanding of its impacts on the environmental and societal systems within which it operates. The dominant investment paradigm today operates according to the principles of Modern Portfolio Theory – a theory of investment based on observations about the benefits of diversification, the connection between risk and reward, the efficiency of markets, and the usefulness of derivative securities. Increasing attention is now also being paid to such concepts as “impact investment,” which can be defined as “investments made with the intention of generating social and environment benefit along with financial returns”; and “triple bottom line investment,” which can be defined as

investments that “generate a return to people, planet, and profits.” This chapter examines the ways in which the latter two concepts are coming to complement the former and represent an evolution in the practice of contemporary finance.

## Evolution of Contemporary Finance

Best practice in investment today focuses on risks and rewards at the portfolio level but does not give equal weight to risks and rewards at the global systems level.<sup>1</sup> That is to say, it ignores investments’ relationship to the global environmental, societal, and financial frameworks within which they take place.

Best practice today is generally governed by the precepts of modern portfolio theory (MPT).<sup>2</sup> MPT focuses on portfolio-level risks and rewards, since the portfolio is its explicit domain. Just as modern portfolio theory represented an important step forward from the previous best practice of risk control in individual security-level selection, so does our understanding of investments’ implications now need to extend beyond portfolios’ bounds.

The management of risk at an individual stock or security level evolved in part as a result of two spectacular stock market crashes in 1720 – that of the Mississippi Company in France and the South Sea Company in Britain. To prevent such abuses in the future, Britain and the United States subsequently required legislative approval for the issuance of publicly traded stock until the late nineteenth century. In addition, until well into

<sup>1</sup>“Portfolio” here refers to the aggregate holdings of a single investor, the stocks, bonds, or other securities in which he or she may be invested at any given time. “Systems” here refers to basic infrastructures of environmental resources, social laws and customs, and financial rules and regulations within which investment are made and upon which investors (and corporations) depend for their ability to produce returns (and profits).

<sup>2</sup>The broad outlines for modern portfolio theory were elaborated between 1953 and 1972 and adopted by the financial community starting in the late 1970s. MPT’s investment disciplines now form the basis for institutional investment practice worldwide.



the twentieth century, financial fiduciaries were restricted to “legal lists” of high quality bonds and the occasional blue-chip stock.

This conservative, security-specific approach to investment worked well while investment opportunities were relatively limited, assets under management relatively small, and most investors relatively unsophisticated. The mid-twentieth century, however, saw an explosion of assets under management – especially by pension funds; the availability of new and diverse investment opportunities; the disclosure of relatively reliable financial information; advances in powerful information technologies; the development of academic theory about innovative investment techniques, particularly risk control; and the emergence of sophisticated institutional investors as the dominant players in the financial markets. As a result, simply assessing single-security risks and rewards was no longer an investment approach adequate to the times.

The next step in the evolution of finance was the management of investments with an eye to the overall risks and rewards of entire portfolios. Elaborated from 1953 through 1972 and put into practice starting in the late 1970s, modern portfolio theory (MPT) was a true revolution in finance. It supplemented the practice of simply avoiding individually risky securities with sophisticated disciplines for managing portfolios as a whole, adopting axioms such as the benefits of diversification, the efficiency of markets, and the correspondence of risks taken and rewards received.

MPT assumes that systematic risks – that is, those inherent in the market or in an asset class (such as stocks or bonds) as a whole – are beyond the ability of investment professionals to influence or control. Money managers therefore should not be penalized, or given credit, for portfolio losses or gains due to the “systematic” rewards or risks of the markets, but only for their own “idiosyncratic” contributions to their portfolios’ performance, positive or negative, relative to that market. The assumption that portfolio decision-making can be treated as independent and disconnected from the markets within which these decisions take place – and by implication, from the world at large – may have been appropriate when

finance was a less powerful tool than it is today and when few investors had adopted the tenets of MPT. As institutional investors throughout the world have come to accept and implement MPT in practice, however, it has become increasingly reasonable to raise questions about their impacts at systems levels.

## Limitations of Modern Portfolio Theory

The benefits of MPT are clear. Rewards at a portfolio level can be increased through diversification in security selection and asset allocation without increasing overall portfolio risk. Risk can be measured by calculating the volatility of securities relative to the market and an adequate level of return calculated for that risk taken. Derivative securities such as options, futures, and swaps can be adequately priced and used to reduce portfolio transaction costs. And inefficient markets where securities are mispriced can be exploited through superior data collection and analysis.

Over the years, to address some of MPT’s shortcomings, academics have proposed incremental modifications including the arbitrage pricing theory, the adaptive market hypothesis, and the discipline of behavioral economics with its observation that those participating in financial markets do not always act in their own best interests.

Although these elaborations did not call into question the basic advances that MPT represented, the unqualified faith in MPT was shaken by the global financial crisis of 2008. How could highly sophisticated, highly compensated, highly educated investors running the largest financial institutions in the world create a situation that resulted in the collapse of Lehman Brothers, the rescue of Merrill Lynch from bankruptcy, and a US government takeover of General Motors, American International Group, Fannie Mae, and Freddie Mac? How could such disastrous mistakes have been made?

In the spirited debate that followed, pundits identified various factors that had contributed to this systemic crisis. Legislators and regulators put

a number of technical reforms in place with incremental fixes. Others called for a more fundamental reevaluation of MPT in part because the crisis suggested that its precepts may have undermined the stability of the financial markets. One line of thinking was relatively straightforward: restore judgment to the investment process. MPT's reliance on sophisticated mathematical models had substituted for judgment in the investment process to a large extent. "The problem on Wall Street at the end of the housing bubble is that all judgment was cast aside. The math alone was never going to be enough," as the *New York Times* columnist Joe Nocera observed in a 2009 article (Nocera 2009).

By eliminating individual, case-by-case judgment, MPT took the human element out of finance and left managers open to the vagaries of poor data inputs (e.g., incompetent credit rating analyses), cons and fraud (e.g., Bernard Madoff), and imprudent lending practices (e.g., the "robosigning" of mortgage documents). In addition, when institutional investors all used similar mathematical modeling techniques they made similar investment decisions that created "herding" effects in the marketplace.

Although the idea of returning to good old-fashioned finance has its appeals, one cannot simply turn back the clock to a by-gone era. The "legal lists" that limited financial fiduciaries' investments to the highest-rated bonds and stocks are clearly impractical and unwise today. Nevertheless, there remains an uncomfortable sense that the overly mechanistic approaches of MPT need modification.

## Systemic Frameworks

As the world of the twenty-first century continues to evolve, institutional investors are increasingly asking whether as a group they impact, positively or negatively, the financial, environmental and societal systems within which they operate. That the question of impact is arising now should not come as a surprise. The absolute amount of assets controlled by the financial services industry has grown to an almost inconceivable size, totaling an estimated \$250 trillion as of 2014. This endows

the financial services industry with an enormous potential influence. The fate of the chemical composition of the Earth's atmosphere and oceans and the durability of arable soil globally, for example, lies largely in the hands of industry and its financial backers. Conversely, these same institutions can direct their considerable assets toward providing the two billion persons at the bottom of the global economic pyramid with access to financial services, information technology, health care and consumer products that would not only enhance their quality of life but also generate a broad range of new investment opportunities.

The next logical step in investment practice in an increasingly populous world, globally connected by telecommunications and transportation, and aspiring to ever-higher standards of living, is therefore understanding the systems-level impacts of investment decision-making, along with their risks and reward characteristics at portfolio levels. It is not only the 2008 financial crisis and ongoing concerns about the stability of the financial systems that is driving investors to look to their role in systems-level risk management, but the potential for systems-level disruption from such complex environmental challenges as global warming and ozone depletion and the challenges to societal stability from such developments as increased inequality, global youth unemployment, and patterns of migration.

Crucial to understanding how these potential risks and rewards can be managed will be a set of metrics for measuring environmental, social, and governance (ESG) factors at both the narrow portfolio and at broader systems levels. Substantial progress is being made in parallel efforts at both levels today, but little work is being done to document and understand the feedback loops between the two. Among the progress made in the development of tools that help in the incorporation of ESG factors into portfolio-level management are methods for:

- Measurement of the ESG performance of companies relative to their peers
- Measurements of the ESG performance of companies relative to absolute standards or scores

- Measurement of company progress toward specific ESG goals

These measurements can be used to assess the overall effectiveness of a portfolio of companies in addressing a specific challenge.

At the same time, an analogous set of measurements has been developed to assess the strength and resiliency of the broader environmental, societal, and financial systems themselves. These include:

- Measurement of progress in various alternatives to gross domestic product (GDP)
- Measurement of progress in human, development, poverty alleviation, and preservation of natural capital, such as those implied in attaining the United Nations Sustainable Development Goals
- Measurement of the stability of the financial system, such as those implied in stress tests for large banks

In both exercises, valuation of nonfinancial assets or capitals is challenging, with economic and accounting flows often serving as a convenient tool for value measurement; relevant non-economic or accounting data being difficult to define and gather; and the incorporation of this additional data tending to complicate comparability.

Little work has been done to date to bridge the gap between these two parallel areas of research. Still unanswered are questions such as: What is the relationship between the standards and goals set by investors at portfolio levels and the general indicators of progress at systems levels? In what ways and to what extent does the management of portfolio-level risks and rewards translate into systems-level impacts? In what ways and to what extent do system-level developments affect portfolio-level performance?

Answering these questions and developing tools that can bridge this gap and understanding the feedback loops between the two sets of systems will be key to the future of finance in the twenty-first century. If we are to make progress in

this direction, asset owners and managers will need to:

- Acknowledge the connections between investment decision-making and risks and rewards at a systems level
- Understand the feedback loops and information flows between their total portfolio policies and practices and the systems-level issues with which they are primarily concerned
- Construct portfolios and engage with issuers, industry standard setting organizations, and nongovernmental institutions in ways that minimize risks and maximize rewards at systems-level frameworks
- Collaborate with governmental agencies to align public policy with the preservation and enhancement of valuable systems
- Communicate publicly their commitments to the management of systemic risks and rewards and how these commitments manifest themselves in their investment practices and policies

## Conclusion

We cannot go back to only measuring security-level risks and rewards, nor are portfolio-level considerations alone sufficient to cope with the challenges of the twenty-first century. Finance must move forward while embracing intelligently and responsibly all three considerations of the risks and rewards to securities, portfolios, and systems. Sophisticated financial systems have been tried and tested over centuries; elaborate societal norms and standards have evolved over millennia; and rich, stable and resilient ecologies and natural resources have taken eons to create. These are among the key components upon which investments depend for current and future rewards and are well worth preserving and enhancing. Without an awareness of the impacts that investment decision-making has on these systems we run the danger of undermining our prospects for long-term prosperity. It is only with a keen perception of how investments can produce positive impacts beyond the narrow confines of the

portfolio that we will be able to act intentionally to assure that finance helps create the stable and resilient world necessary for successful investments and a prosperous society in the coming century.

## Cross-References

- [Economics, Ethics, and the Environment](#)
- [Emerging Trends in Socially Responsible Investment](#)
- [SRI's Normative and Ethics-Based Rationales](#)

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## Normative Ethics

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## Synonyms

Moral philosophy; Moral principles; Rules of conduct

## Introduction

Ethics are the principles guiding one's moral behavior. Ethics is also the study of these principles – namely, what is good, and which actions are right or wrong. Normative ethics is concerned with what people ideally ought to do (Kagan 1997). Typically it is thought that people ought to do the right thing, and ought not to do the wrong thing. People should be good, not bad. People ought (or ought not) to do certain things and when such claims are made, they set forth norms of behavior – the way things ought to be. Ethical behavior is not always common, and

this is why it is frequently said that it is difficult to do the right thing. Normative ethics also play an important role in providing moral justification for one's own behavior. One may ask, “why did you make this decision?” and what is being asked is “what is your moral justification for doing this? – why did you think this was the right thing to do?” and in asking this, one is asking them to provide a moral justification for their action. The goal is to know which normative ethical principles were underlying their deciding to do this instead of something else. If they say “I was just tired” that is not a moral reason (although it is a reason of sorts). A moral reason is what is sought – and it is best to see a moral reason which can demonstrate that they did what someone did makes sense in terms of an understandable normative ethic, so one can see why they thought they ought to have done what they did. So this is what normative ethics tries to discover – how one ought to live, behave, and act in the world.

First, consideration will be given to some of the typical ways by which normative ethics are frequently established, but first, to help clarify what normative ethics is, one should be clear about what is not normative ethics.

## What Normative Ethics Is Not

*Descriptive Ethics:* There are studies of behavior – ethical behavior – which tell us *what people do*, or tend to do. Such studies are not normative, but rather descriptive. Of course one can describe what sorts of principles guide someone's behavior, for example “Sally is always selfish” or “it's hard for John to tell the truth – he is a natural liar” and in those cases again one is providing descriptions of people's ethics. This is descriptive ethics. Descriptive ethics tells us how people do behave (what is the case), but not how they ought to behave (what ought to be). Traditionally, the study of ethics is normative – meaning that one is trying to discover how one ought to behave, not how people actually are behaving. This is why it is often said that it is hard to be ethical – to do the right thing – because frequently people do not act ethically. Those familiar with the saying “you

need to walk the talk” already understand the difference between the way people say one should behave and the way that they do in fact behave. So normative ethics will be principles helping us to know the good life to be and the right way to act.

*Behavioral ethics/Moral psychology:* There are also studies of ethical behavior which examine *why people do what they do*, and why they make the ethical or unethical decisions which they do. While ethics would pursue the question of why they ought to or ought not to have done such a thing, moral psychology or behavioral studies simply want to know why (from a non-moral perspective) people act in those ways. Psychological empirical studies pursue the psychological *why* to why the person acted as they did, but not the ethical *why*. Such studies may be quite helpful in understanding people’s moral blind spots, for example, pointing out how people rationalize particular sorts of bad behavior for example. Such studies may also help us understand how to help encourage moral behaviors through particular institutional policies or programs. For example, it may be shown that workers who work in an environment which has a lemon scent are actually shown to act more ethically, or that people tend to make more moral misjudgments when they are not well rested or under stress. These are all interesting facts to consider, and while it is very important to understand physiological factors affecting why people do what they do – particularly if you want to manage them and get them to act in certain ways – such studies are not normative because they are not trying to understand what *ought* to be done, but rather, *why people do what they do*.

*Legal rules:* It is common for people to justify their behavior as being moral because it does not break any laws, and this applies to business practice as well. For example, when accused of immoral behavior, people will often defend themselves by pointing out that they did nothing illegal. Very frequently, corporate “ethics policies” appear to be nothing more than *whatever the law will let them get away with*. But there are two problems with using the law to determine normative ethics. First, many laws are not oriented toward ethical practices, and so provide no

moral guidance. Many laws simply provide policy requirements to provide conformity and consistency in civil, business, or other activities. Wills must be written in a certain way, particular documents must be signed and sealed by a notary, marriages must be documented in a particular standard manner, and so on. Such procedural requirements, while codified into law, are not ethical requirements. For example, people frequently make handshake agreements without writing things down in a legal contract, and such handshake agreements are often not legally enforceable, because they are based only on a promise – and ethical commitment. But the people who make such handshake agreements frequently say “my word is my bond” and if the two people making the agreement trust each other, then the agreement still is morally binding, although not in a court of law.

A second problem with using the law to determine normative ethics is that frequently the laws people pass are trying to catch up with ethics, and there are many behaviors which may not be ethical, which are not restricted by law, at least yet. A society should not want laws for all ethical behavior in fact. It would be a very strange world where society had laws requiring that children do not speak disrespectfully to their parents, where society made it a legal requirement that one be kind to others, or to think of others before yourself. Of course many laws are established to legally prohibit behavior which society determined to be morally wrong (whether effectual or not, this is the intent of Sarbanes-Oxley act, and laws prohibiting collusion, extortion, bribery, or monopolistic practices). But the law is sometimes challenged on the basis that it is unjust, or unethical. For example, the US has had many laws which were later determined to be unethical and so changed (i.e., Jim Crowe and other segregationist laws, prohibition of women or the landless from voting). Finally, the law often lags behind in providing laws for right behavior in certain areas. There is such lag-time in rapidly developing fields such as bio-engineering, artificial intelligence, and big data use, areas which have evolved so quickly that it has been difficult for legislators and regulators to establish

thoughtful useful policy to give directions for compliant behaviors.

## Types of Normative Ethics

Normative ethics is an attempt to systematically provide a coherent set of rules or aims for behavior, including for professional fields, such as medicine or business (Smith 2008). What are the ideal ways people think people ought to behave? What are the values which people believe should guide and direct us in our activities? What kinds of behavior are to be encouraged, and which are unacceptable behaviors? The study of normative ethics supports these aims systematically by providing reasons for how one should act, and why one should behave this way instead of some other way. Most of these systems have particular starting points. One could say that there are different starting points, or first principles for ethical reasoning.

### Authority-Based Ethics

*Divine Command Theory:* One traditional view of ethics is that it is based on the divine decrees of God. On this view, what is right and good is whatever God says is right and good. The difficulty is, of course, determining what it is that God has decided.

*Theological Ethics:* Also called moral theology, theological ethics provides answers for how one ought to act by deriving it from theological truths of scripture and church teachings. This approach helps believers to determine what they should do in a particular instance.

*Faith or Upbringing:* A less philosophical but very common basis for determining norms for moral behavior is from your parents or family, for example, or your religion. Many of us have strong convictions about what is right or wrong from authorities which helped instill those beliefs in us – our family or our faith. Religions have guiding rules for personal conduct, and provide ideals for how life should be lived. If one is a member of a particular religion, you strive to live out your religious ideals in practice. For example, if I am a Christian, my faith will provide

some guides of what is right and wrong behavior for me. The teachings of Jesus Christ and the Bible and the Church will provide helpful guidance for my personal behavior as well as my civil and public behavior – including my business practices. Once one is a believer, the belief system provides the outcomes and reasons for right actions. But this basis for having norms of behavior is limited, because when one has encounters with people who are outside of our faith or our family norms, one may have difficulty finding common ground. For example, if I am a corporate executive of a public company, it will not work to establish all of the corporate ethics policies simply on the basis of “what my mom always said” or “these are the teachings of Mohamed” or “this is what the Bible says,” etc. For public ethical norms, I need to have some other common basis of deciding right and wrong, since not everyone shares our family or faith norms of behavior.

### Reason-Based Ethics

In the public sphere, and in the realm of business, normative ethics is more often derived from non-religious sources, especially in western cultures. Because not all of the people involved in business transactions in the public sphere have the same religious beliefs or convictions, normative ethics is usually based on reasons which do not require adherence to a particular religion. These norms are usually thought to be discovered through reason – so that anyone with properly functioning reasoning abilities will see the reasoning and potentially agree with the norms.

Even if there is not always agreement, when normative ethics is grounded in reasons which are generally accessible to everybody, there is at least opportunity for everyone to join in the discussion and possibly come to agreement with others. There are a variety of ways to try to derive ethical norms. The field of normative ethics might be divided according to the various ways of conceiving of and justification of what is right and wrong behavior. Here consideration will be given to a few of the more common systems of normative ethics.

One important distinction is between consequentialist and non-consequentialist norms



(Gustafson 2018). Those who determine what is right or wrong according to consequences are consequentialists. For example, you may think that an action is right or wrong depending on whether or not it brings about the greatest happiness overall. Non-Consequentialists derive ethics from ideals or formal principles, not from consequences.

*Egoism* is the view that the right action is whatever will benefit me personally the most. An advantage of egoism is that it is one of the most simple of normative ethical theories, because it has only one consideration – what benefits oneself. But egoism has great difficulty accounting for many of our traditional moral intuitions. It seems that ethics usually require us to make sacrifices for others, or at least consider the interests of others – and that I have certain duties I should perform. Egoism has little place for such concerns. Yet it seems that frequently we find our moral conscience is asking us to give up our own satisfaction. I may want a third piece of chocolate cake, but my moral conscience speaks up saying “you’ve already had two and some have had none – you must let others get some and not be a pig” but for an egoist, such a concern for others would be nonsensical, and so it seems egoism does not capture many of our common ways of thinking about ethics.

*Social Contract Theory* (contractarianism or contract theory) arrives at ethical norms through discussion and agreement (Donaldson and Dunfee 1999). The legitimacy of ethical principles is rooted in demonstrating that the principles are those which would be agreed to by objective actors in a fair and impartial decision procedure (Rawls 1971).

*Utilitarianism*, rather than considering the interest of just myself, is concerned with the greatest happiness overall. Basing ethics on the consequences of actions, Utilitarianism is the view that one can determine which actions are right which ones are wrong on the basis of whether those actions will bring about more or less happiness overall (Gustafson 2013). Actions which bring about more happiness will be the right ones, and actions which bring about less happiness or unhappiness would be the wrong

ones. Utilitarianism may require me to make sacrifices and give up some of my happiness for the greater happiness overall. It also is primarily empirically based on outcomes – the right act is the one which has the best outcome of greatest happiness. A key difficulty is trying to determine or calculate the greatest happiness (Eggleston and Miller 2014).

*Deontological Ethics*, sometimes called duty or rule-based ethics, is the view that ethics is not determined by consequences, but rather by a formal criterion. What makes an action right or wrong is due to its being in line with particular rules (Guyer 1992). For example, Kant said that one can determine which actions are right and which ones are wrong by asking ourselves the question “could I make this into a universal rule?” He also believes the rules one follows must consider people as ends in themselves, not as a means to an end. All individuals have dignity, and that should not be traded as a means for some other end (Arnold and Harris 2012).

*Virtue Ethics*, traditionally conceived, is concerned primarily with what sort of person I should be – and what kind of positive character traits (or virtues) I should develop in myself through habit (Crisp and Slote 1997). Of course there are actions I should practice to become a virtuous person, but the goal is to be virtuous. Its normative focus is on proper character traits, not merely right action in a given instance (Hartman 2015).

*Natural Law*: This is the view that one can discover the rules of what people ought to do by rationally examining our inclinations. For example, from my inclination to try to not get killed (by falling pianos, etc.) one can derive that life is good and one should preserve it (our own and others). Natural law is thought to be available to anyone with a properly functioning mind and inclinations.

*Intuitionism* is the view that basic ethical truths are self-evident, and then one must reason from those to make ethical decisions. Your intuition gives you the fundamental ethical principles (i.e., do not lie) and then reason helps us to determine how to choose what to do in a given circumstance.

*Pragmatic Ethics* consider the discovery of ethical principles as akin to scientific inquiry – ethical norms and principles, like science, are able to be improved upon through discovery, and they may change over time due to societal evolution, which is why the inquiry is ongoing (Rosenthal and Buchholz 2000).

*Market Failures Approach* or Ethics of Competition: More recently, some have attempted to develop a market failures approach to provide normative business ethics by reference to the basic rules of the market itself (Heath 2014). For the market failures approach, norms will come from regulation, but beyond that, individuals and companies need to follow ethical imperatives, which avoid market failures that arise from negative externalities, information asymmetries, barriers to entry, opportunistic behavior, and other activities which undermine the markets proper functioning.

What all of these theories of ethics share in common is a belief that there are norms of behavior which one ought to follow or live by, and that it is possible for us to discover them. Despite the fact that there are so many differing starting points or reasons given for deciding what is right or wrong, in fact there is often a great deal of agreement about the norms of ethics, even from different theoretical perspectives.

## Cross-References

- [Contract Theory](#)
- [Deontology](#)
- [History and Philosophical Foundations of Ethics](#)
- [Utilitarianism](#)
- [Virtue Ethics](#)

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## Notion of Personhood from a Spiritual Perspective

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## Introduction

The concepts of *personhood* and *spirit* are quite usual in business and professions. However, the use of both terms is not univocal. Some authors even question such concepts because they are not easily measurable (Alzheimer-Europe 2013), while others do not accept that they can refer to any reality. Facing these difficulties, this entry

will methodologically assume that *personhood* must not be confused with neither *person* nor *personality*. *Person* refers to the concrete human individual, and *personality* refers commonly to the convergence of his or her psychological and moral individual characteristics. But *personhood* refers to something more basic and profound: the necessary condition that enables a person to be considered as such.

The approach that will be developed here is not empirical and claims that the human individual has a spiritual dimension beyond the body, but complementary with it. It has been said that reductionism is perhaps the most complex topic that any theory about the person must address (Garrett 1998, 320), and the same can be said for personhood. Considering personhood from a transempirical perspective, two principal kinds of reductionisms rise up: firstly, those theories that understand personhood as a result of some mental or cerebral processes and, secondly, more generally and deeply, those which consider personhood as an abstract or general quality. This would critically contravene the reality and irreducibility of personhood (Spaemann 2006, 68; Raeff 2017, 8–9; Mascolo 2017). On the contrary, “personhood” refers to a dimension of human being that is not a mere object, that is, a thing or some quality of a thing, and cannot be reduced to anyone else, that is, that personhood is neither the brain of the person nor her intelligence, nor her feelings, nor a result of her behavior. The spiritual perspective starts from a gnoseological point of view that avoids the misunderstanding of any possible objectification of the sphere of the person (Frings 1996, 99).

We will begin by analyzing the notions of spirit and personhood before dealing with the topic of this entry.

## Notion of Spirit

The first difficulty that faces an approach to the notion of *spirit* is the polysemy of the term. This term admits a religious approach but here will be treated from a philosophical perspective, taking also into account the importance of that notion for

some religions. The second difficulty is the reductionist approach to the notion of spirit, which considers it not as a genuine entity, but because of previous conditions or entities, such as the body or the brain. A historical review of its use could be helpful in order to lead us to a precise notion of spirit (Swinburne 1998; García Cuadrado 2010; Ferrater Mora 1994).

The etymological origin of “spirit” is the Latin term “spiritus,” which translates the Greek term “*pneuma*.” In ancient Greek philosophy, this term is closely linked to the term “soul.” The soul is the principle that enlivens living beings and is responsible for its activity. In ancient medicine “*pneuma*” was also applied to certain rhythmic movements proper to living beings like the beat of the heart. Our current concept of spirit finds its homologue in classical philosophy in the term *nous* (Ferrater Mora 1994), which is translated as “mind,” “intellectus” (Latin), or “Geist” (German). In late Greek thought, “*pneuma*” will acquire the meaning of the supreme dimension of the soul, endowed with immateriality and immortality.

For the first time in Greek philosophy, Plato proposes a clear distinction between the realm of the spirit (the “*nous*”) and that of the senses. For him, it is the intellect and not the senses that reaches true reality, while the senses attain only the corporeal reality which is a shade of the intelligible world, and so a derivative and inferior reality and only completely intelligible in relation to ideas. This conception produces a dualistic anthropology where the human being is divided into a spiritual part, the soul, which can contemplate the ideal world, and the body, which is only temporarily attached to the soul, more as a burden than as a sort of perfection. Some later platonic philosopher will see the union of the body to the soul, at most, as an instrument of the soul during the time they both are united.

Christian thought developed the sense of the term in continuity with later ancient Greek philosophy and Hebraic thought. This way, the supreme spiritual being would be God, and men are spiritual in the measure they are endowed with rationality and free will. In contrast with the ancient view, as expressed by Plato and

Neoplatonism, now the body is neither an instrument nor any kind of burden. Spirituality and corporality are not separated or opposed, but complementary dimensions of the description of human beings. In this line, Aquinas, rooted in Aristotelian anthropology, strongly defends the unity of the person.

In contrast to Aquinas, Descartes considered body and soul as two distinct kinds of substances and so introduces an opposition between both realities: the body is *res extensa* (a thing with extension), whereas the soul or spirit is *res cogitans* (a thinking thing). He not only separates both dimensions but also identifies the spirit with its conscious activity. After Descartes, Kant does not reject this dualism, although he does not substantialize the objective and the subjective side of human experience. Hegel tries to go beyond the finiteness and limitation of the intellectual knowledge in Kant and comes to the apex of the idealism: he considers the spirit, in the last and absolute moment of its development, as an impersonal reality where subjectivity and objectivity are definitely unified. Post-Hegelian philosophers are strongly influenced by this thought. Some of them reject the characterization of the Absolute as spirit and claim it is nothing but matter, while others try to overtake the impersonal character of the spirit: they think that human individuality must recuperate its well-deserved preponderance. In this line stand out Kierkegaard, the personalists, Neo-Aristotelians, and the neo-Scholastic thinkers of the twentieth century. The impossibility of reducing the spiritual dimensions of human being to the methodology of natural sciences finds an influential expression in Dilthey's distinction between two scientific methodologies: natural sciences *explain* the sphere of nature in terms of causes and effects, while the sphere of the spirit must be *understood* attending to the meaning that human productions entail (Dilthey 1989).

For any of the most widely held religions throughout the world, including those of ancient Asia and the three great monotheistic faiths, the human being is composed by a spiritual element (the soul) not reducible to mere matter. This element is considered the basis of freedom,

responsibility, and moral behavior and of the inherent openness of the person to transcendence (Melé and González Cantón 2014, 68–74). These approaches see the spirit as a genuine dimension of the human being, sufficiently distinct from others such as the biological and the psychological, and irreducible to matter.

Finally, it must be considered that *spirit* is not the same as *spirituality*, which is the expression of human longing to approach a supreme entity or power situated beyond human control and grasp (Gross 2006, 425).

## Notion of Personhood

The understanding of the notion of personhood requires an explanation of other notions that are in connection to it. When we try to speak about *personhood*, sooner or later, some key concepts appear that must be highlighted.

*Singularity.* The term *personhood* is related to the singularity of every human being, while another term, *human nature* (or *humanity*), refers to what is common to any of him or her. Why not to use only the term “individuality?” The use of the term “personhood” implies that the singular being it refers to is beyond the simple individuality understood as a case of a species: each person is absolutely unique, that is, not interchangeable (Melé and González Cantón 2014, 94–95; Naughton 2015, 183–184; Spaemann 2006, 236–248).

*Subjectivity.* The special singularity of the human being lies in what can be called subjectivity: the singular human being has a rich inner life, a realm constituted by emotions, perceptions, thoughts, memories, and a personal worldview (Polo 2016a, 23; Melé and González Cantón 2014, 94). The existence of this realm is almost a trivial evidence (broadly speaking there is a certain kind of subjectivity also in some animal species). What is relevant to the notion of personhood is if subjectivity can take control over the individual behavior and development. Personhood as a special subjectivity is directly related to this possibility (Mascolo 2017; García González 2014, 204–206).

*Identity.* Personhood is closely connected with the unity and continuity of subjectivity over time. From a psychological point of view, this feature presupposes memory but does not depend totally on it. Personhood is connected to the living body through which it exists and manifests itself, and this makes also possible the identification of the person through time for her and also for others (Spaemann; Güell et al. 2017). The concept of identity is the key concept to understand the psychological and biological approaches to personhood.

*Self-possession.* The priority of the domain that has been mentioned above, if given, is usually called self-possession. This aspect is opposed to the external causation and therefore related to a strong concept of freedom (O'Connor 2016; Melé and González Cantón 2014, 94, 159–162). With the concept of freedom as the ultimate origination of action are linked the concepts of *indeterminacy*, *choice*, and *self-determination*. Self-determination implies the possibility of distinguishing between first- and second-order desires, that is, those desires related to other desires, which allow establishing an order among desires (Frankfurt 1971). This possibility is rooted in choice, understood as the capacity of acting on the basis of a certain global representation of one's life (Vigo 2016, 180). However, to properly understand this notion, it is important to clearly distinguish between the mere capacity of self-determination and its development or achievement. This capacity is related to the dynamic character of personhood, which must be considered the ultimate center of acts (Scheler 1985, 387–389; Polo 2016a). On the other hand, the development of this capacity constitutes the maturation process, the shaping of the moral character, the emotional integration, etc. (Melé and González Cantón 2014, 171–177; Polo 2016b, 22).

*Intimacy.* Close to the above explained notions of *subjectivity* and *singularity*, this key concept gathers together the interior and unique (unrepeatable) characteristics of personal *subjectivity* (Polo 2016a), which can share his intimacy if she/he wants.

*Intersubjectivity or relationship.* As human persons can share his/her intimacy, *personhood* appears related to *intersubjectivity*. Many researchers consider that the most important feature of *personhood* is *intersubjectivity* (Mascolo 2017; Polo 2016a; Alzheimer-Europe 2013). This means briefly that *personhood* enables to establish some kind of relation with other persons (Martin Buber). It has even been said that “the person is not limited to being: she is *co-being*, co-existing, being-with” (Esclanda and Sellés 2016, 31).

These notions, when considered only as psychological achievements, can carry to an *operability-based approach to personhood*. This approach considers *personhood* as a property that appears as a result of some acts: someone would be person if and when (and while) he develops at some point a certain number of those capacities, either the self-possession or the capacity to perceive oneself as existing over time or the intersubjective relationships. On the other hand, there is the possibility of considering all those notions as ontological traits, where we come to an *inherent approach to personhood*: every human being is a person to the extent that is a human being (Polo 2016a; Melé and González Cantón 2014, 91–109; Spaemann 2006). The first approach relies on a previous objectification. Firstly it excludes from personhood the subject that is underneath, and, secondly, it considers *personhood* as a label that must be achieved (and can even be lost).

## The Spiritual Dimension of Personhood

Personhood, as the singularity of the human being, claims to be considered the key to or hinge of anthropology and ethics. In order to achieve an inherent approach to personhood, that is, a non-reductionist and non-objectifying approach to personhood, it is necessary to develop a spiritual perspective. Only through accepting a spiritual dimension of the human being, we can consider the notions explained above as ontological non-emergent traits excluding, at the same time, an alleged opposition to corporeality and to



psychology, which comes not from a spiritual approach but from a dualistic approach.

Some modern conceptions of personhood have been strongly influenced by the dualistic conception of Descartes. If the body can be considered as a material substance subjected to mechanical interactions, then subjectivity must be considered as a distinct kind of substance whose link with the body is difficult to understand. The post-Cartesian philosophy has faced this problem with different strategies. One of them is the position of Spinoza, which affirms that the whole nature is a unique substance that can be considered legitimately both as a connection of ideas and as a material realm that can be explained through mechanistic laws. In this context, Locke has advanced an influential definition of the person. According to him, the person is different from the living body and from the soul and resides on the conscious possibility of identification of past action as hers.

Nowadays most approaches to personhood have traits in common with the Lockean perspective: they claim that personal identity should be defined in terms of sameness of consciousness rather than sameness of substance (Schechtman 2011). According to Schechtman (2011) and Olson (2017), those approaches (Noonan 2006; Parfit 1984; Shoemaker 1984) focus the question of personhood in the concept of *psychological continuity* or *persistence* through time. A person at time  $t_2$  is the same as a person at earlier time  $t_1$  just in case she has a kind of psychological continuity. This view has experienced a development in the last century from first, simpler versions to wider, more sophisticated concepts of continuity. Updated psychological continuity theories face the problem posed by the existence of delusional memory-like experiences, and they define personal identity in terms of overlapping chains of psychological connections, rather than in terms of direct connections. A direct connection is the one between a memory of a past experience and the mental content of that memory, and an overlapping chain connection is the one between a memory, the mental content of it, and the real past experience of which it is a memory. With this difference, the delusional memory-like experiences, which are not caused by real past

experiences, must not be considered as real memory experiences and then cannot be considered as a criterion to define personal identity. These updated theories also take into account the problems posed by psychological connections other than memory, i.e., if I am now firing a gun, am I the same that yesterday decided to do it? (Schechtman 2011).

The debate around psychological continuity has found a difficult challenge in the so-called “fission” objection, according to which the brain of someone who has a redundant one (every experience in each hemisphere) is transplanted into the body of two different persons, in such a way that these last are in principle psychologically continuous with the former. Confronting this difficulty, it has been argued (and widely accepted) that personal identity should be understood in a reductionist way, so that the fact of a person’s identity over time just consists in the holding of certain more particular facts that can be explained in an impersonal way (Parfit 1984).

These conceptions of the person that follow the Lockean conception reduce personal identity to psychological continuity and operate a primary dissociation between the person and the living being that we consider a person (Güell et al. 2017). This view, which obscures the ontological reality of the person, has been very influential in posterior debates about personal identity. In fact, it weakens the concept of person and makes possible its rejection or the project of explaining it away as a delusion.

However, this conclusion can derive not from the inexistence of the person but from the lack of a good intellectual approach to the question. If we identify reality with objectivity, then what we call subjective must be reduced to it. This conclusion would be necessary if our intelligence were confined to understand reality only in an objective way, reducing it to what we can objectify in the same way we do with, for example, numbers, qualities, or things. However, this is not the case, for example, for Greek and Medieval philosophy, which accepts that we can know realities that we cannot objectify, as is the case for movement, causes, and principles. This is also the case especially for what we use to call subjectivity. Would it



be possible to extend intelligibility also to the realm of what we, in contrast to objectivity, tend to call the subjective side of reality? Some contemporary philosophical approaches open this possibility.

## Concluding Remarks

It is not possible to undertake a serious study of the notion of personhood without addressing the question of its spiritual dimension. As we have seen, the role we concede to this concept and to the features that belong to it is connected to the solution we offer to the questions about the ontology of the person and the methodology to study it. In summary, these two different views are possible. On the one hand, we can accept some kind of reductionist approach which considers personhood as a mere result or emergent property, and, on the other hand, we can accept personhood as the radical ontological feature of what we call persons, attributing to the spiritual and transcendent phenomenological characteristics of personhood a real status. From the outcome of this research depends not only our image of human beings but also the solution to relevant practical questions about the way of dealing with them.

## Cross-References

- [Personalism](#)
- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)

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## Oaths, Professional

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### Synonyms

Pledge; Vow

### Definition

Professional oaths are arguably the oldest form of ethics management, going back at least as far as to Hippocrates of Kos (c. 400 BCE). They are promises made during public ceremonies that exhort oath-takers to treat the oath's beneficiaries in ways consistent with professional standards. They obtain their justification primarily from the social function of the profession. Their binding force and moral weight are generally larger than those of mere promises, from which they can be distinguished on account of their satisfying a number of additional formal and substantive conditions. Professional oaths, if carefully designed, may foster professionalism, facilitate moral deliberation, and enhance compliance with professional standards.

They can be criticized, however, for various reasons, including their dubious efficacy. Prominent examples of professional oaths are the MBA Oath, the Bankers Oath (part of law in the Netherlands), and the Hippocratic oath.

### Description

Despite their venerable history, professional oaths seemed to have lost their appeal as ethics management tools at the turn of the twenty-first century. Codes of ethics, ethics education programs, corporate social responsibility initiatives, and more had taken over their role. The only prominent oath (besides, perhaps, such things as coronation and loyalty oaths) was, at the time, the Hippocratic oath (or variants thereof) for physicians, due to Hippocrates of Kos or one of his students (c. 400 BCE). It has influenced most later professional oaths.

In the wake of the global financial crisis, however, professional oaths have reappeared. Oaths have been drafted for accountants, architects, asset managers, computing professionals, engineers, financial advisers, financial modelers, knowledge management professionals, micro-lenders, pharmacists, public health professionals, social workers, teachers, university managers, and veterinarians. Apart from the Hippocratic oath, the most prominent professional oaths to date are the MBA Oath and the Bankers Oath (part of law in the Netherlands).

Today, hardly any physician pledges by the original text of the Hippocratic oath. An influential version is the Declaration of Geneva, but various countries have their own oath or have no oath, while in other countries, each medical school uses its own version of the oath. Most of these variants address such concerns as patient confidentiality, discrimination, human rights violations, and respect for human life. The MBA Oath goes back to an initiative of Harvard Business School graduates (Anderson and Escher 2010), inspired by earlier initiatives at other business schools. It is probably the most famous oath in business today, with almost 9,000 signatories at the moment of writing, and addresses such topics as stakeholder management, self-interest, legal compliance, and sustainability. The Bankers Oath is the only recent oath with official legal status. It is part of the Banking Code of the Netherlands, effective as a code of conduct under Dutch civil law since January 2010 (Advisory Committee on the Future of Banks in the Netherlands 2009). Employees of most Dutch financial services firms are legally bound to pledge this oath. It contains references to integrity, legal compliance, confidentiality, and responsibility and obligates swearers to give priority to consumer interests in their daily decision-making.

## Formal Conditions

Professional oaths are a specific kind of promise, setting them apart from assertory oaths sworn to the truth of a statement (e.g., in courts). A promise must satisfy a number of additional conditions to qualify as a promissory oath (Sulmasy 1999; De Bruin 2016).

*Publicity* The promise has to be made in a public ceremony, allowing representatives of the profession, beneficiaries, and/or other parties to attend.

*Ceremony* Oaths are sworn during ceremonies that give the promise a particularly solemn character, often involving particular gestures, rituals, sacred or formal language, corporally touching certain sacred objects, etc.

*Commitment* An oath is a promise involving a fairly general commitment, both qua action and qua time frame, often speaking to the oath-taker as a whole person (with values such as integrity, honesty, and good faith) rather than referring to particular concrete actions.

*Beneficiaries* Professional oaths must refer to concrete beneficiaries (e.g., patients, consumers, and environment).

*Function* The promise contains a statement describing the social function of the profession (e.g., the health care of patients).

*Compliance* Oaths should describe the consequences of oath-breaking, legal, reputational, or otherwise.

*Transcendence* Oaths are promises sworn by reference to something that is held in general reverence and that typically transcends the oath-taker, including such things as religious deities, religious and non-religious concepts, objects, and texts (e.g., God, a country's constitution, the swearer's honor, dignity, and conscience).

Not all existing oaths satisfy these conditions. In particular, the consequences of non-compliance are often described not in the oath itself but rather in codes of conduct or legislation in which the oath is embedded. The MBA Oath is exemplary in the way it describes the social purpose of the management profession. Oath-takers declare that as managers, their "purpose is to serve the greater good by bringing together people and resources to create value that no single individual can build alone" and that therefore they will seek to enlarge "the value [their] enterprise can create for society over the long run." The transcendence condition is sometimes given up altogether (e.g., in statutory declarations).

## Substantive Conditions

Professional oaths have to satisfy three conditions concerning their content (De Bruin 2016).

*Beneficiaries* While the formal condition of beneficiaries is to the effect that professional oaths make reference to beneficiaries, the substantive condition holds that they specify the right beneficiaries, in light of the profession's social

function. In the context of professional and business ethics, this will generally be accomplished using stakeholder theory (Freeman 1984). The Declaration of Geneva refers to patients, primarily; and the MBA Oath mentions shareholders, employees, consumers, civil society, government, and environment.

All of the better-known professional oaths unjustifiably exclude competitors and suppliers among the beneficiaries.

*Principles* Oaths must name the principles professionals should use in ethical decision-making. *Compliance-based* principles are grounded in existing laws, regulations, and/or codes of conduct. The Declaration of Geneva, for instance, refers to human rights and civil liberties. *Deontological* principles are centered around such values as respect, dignity, personal worth, autonomy, and freedom and yield support for informed consent or consumer confidentiality. *Virtue ethical* principles are cast in terms of the oath-taker's honor, trustworthiness, or good faith, embodied in the ideal of the "good professional." *Consequentialist* principles raise awareness about the potential and likely consequences of the oath-taker's actions and typically stipulate a method of how to determine the relative importance of the interests of various beneficiaries. The Bankers Oath, for instance, makes clear that the interests of the client should take priority over those of other beneficiaries.

While some existing oaths use compliance-based, deontological, or virtue ethical principles, most draw from consequentialism primarily.

*Norms and values* The principle or principles contained in professional oaths offer general guidance. In addition, oaths mention norms and values furthering the specific social function of the profession. In most professional and business environments, this includes integrity, objectivity, competence, fairness, confidentiality, professionalism, and diligence (Ragatz and Duska 2010). *Integrity* is the ideal of the oath-taker's moral system forming a coherent whole (rather than an opposition between "family ethics" and "work ethics"). It also often is shorthand for the virtue of honesty. The aim of *objectivity* is to avoid conflicts of interest and to make oath-takers continuously aware of the potentially distorting

influence of behavioral biases on their professional judgment. Many professions require their members to hone their professional *competence* through permanent education programs. *Fairness* entails such things as equal treatment of similar cases or a principle of desert or merit. The Golden Rule (treat others as one would wish to be treated oneself) is also part of the norms and values of several professional oaths. *Confidentiality* is meant to ensure that clients feel free to share with their service providers the information that they need for optimal decision-making. Under the heading of *professionalism*, oath-takers are admonished to uphold and/or enhance the reputation of the profession. *Diligence*, finally, is a condition to the effect that professionals exercise due care and ensure that their support staff (who typically have not pledged a professional oath) act with a level of accuracy and integrity furthering the aims of the profession, consistent with the professional oath.

Few oaths include references to integrity and confidentiality. Most oaths seem to be primarily concerned with issues of objectivity, fairness, professionalism, and diligence.

## Function

Professional oaths fulfill three functions, roughly (De Bruin 2016).

*Fostering professionalism* Oaths may foster professional identity. Members are inducted in the profession in solemn ceremonies, rites de passage, in which the oath-takers show that they have completed their professional education. Professional oaths are also, if effective, a sign to the outside world that the oath-taker will conform to professional standards.

*Facilitating moral deliberation* Oath-takers use the text of the oath for guidance in concrete cases (e.g., quality control in hospitals, physician-assisted suicide, and confidentiality). It also provides teams of professionals with a common ground for moral discussions, given that they have pledged the same professional oath.

*Enhancing compliance* If effective, professional oaths may increase compliance with

norms, laws, regulations, and other normative expectations, particularly those made explicit in the text of the oath.

## Conceptual and Empirical Criticism

Professional oaths have been criticized on various grounds (De Bruin 2016).

*Redundancy* Professional oaths commit oath-takers to follow norms and values they have independent reason to conform to (general ethical norms, such as integrity, and legal norms such as confidentiality, professional requirements, etc.).

*Distrust* The obligation to swear an oath may be seen as condescending and as expressing unjustified distrust about the oath-taker's moral and professional capacities.

*Illusion* Professional oaths may give the public the impression that every profession member that has pledged the oath will live up to the highest professional standards. This is an illusion, however, because oaths are unlikely to deter scoundrels.

*Moral error* Professional oaths may contain proscriptions or prescriptions that some oath-takers may find immoral. Since oaths are promises with large moral weight and binding force, a conflict between the oath-taker's personal morality and norms and values expressed in the oath may lead to moral dilemmas (e.g., between client confidentiality and beneficence) that are difficult, if not impossible, to resolve.

*Ineffectiveness* There is little evidence supporting the belief that oaths actually enhance compliance or that they are necessary to facilitate moral deliberation and professionalism.

## Summary

Professional oaths are staging a comeback as ethics management tools. The most prominent examples, besides the Hippocratic oath, are the MBA Oath and the Bankers Oath (part of law in the Netherlands). Oaths are promises satisfying a number of additional formal and substantive conditions. While professional oaths are claimed to

foster professionalism, facilitate moral deliberation, and enhance legal compliance, emerging conceptual and empirical research leads to more somber conclusions. More research is clearly needed to examine the future prospects of professional oaths as a form of ethics management.

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## Officer-Fiduciary Duties

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### Synonyms

Duty of care; Duty of loyalty; Profit maximization; Shareholder value

### Introduction

Corporate officers owe a fiduciary duty to shareholders. The duties owed by a corporate officer are identical to those owed by members of the corporation's board of directors. These duties are divided into two subduties: the duty of care and the duty of loyalty. Statutes and case law have not clarified, and scholars disagree, as to whether these duties require profit maximization.

Courts often invoke the language of moral or ethical obligations when discussing these duties, making their cultural reach broader than what would be legally enforceable.

### Why Focus on Delaware?

In the United States, most major corporations are organized under Delaware law, so decisions about the internal duties within these corporation are governed by Delaware law. Because of this, most corporate legal practice focuses on Delaware law.

### Duty of Care

The duty of care requires that corporate officers “exercise an informed business judgment” when dealing with corporate interests (McMullin 2000). Essentially, they must be paying attention. The officer's good intentions are not relevant in a duty of care case, so an officer can breach the duty of care even when acting in good faith.

A typical duty of care case involves directors or officers who take some major corporate action too quickly and without thoroughly reviewing the data. Meetings surrounding major corporate decisions should be done deliberately, and minutes of those meetings should reflect that substantial care was taken to protect shareholder interests (Smith 1985).

### Duty of Loyalty

The duty of loyalty prohibits officers from acting against the interests of the corporation's shareholders. Unlike the duty of care, an officer's good intentions are relevant. To establish liability for breaching the duty of loyalty, a plaintiff must show that the officer “acted in bad faith” (In re Caremark 1996). Bad faith is not clearly defined, but there are a number of common ways this duty is breached.

The most straightforward breach of the duty of loyalty is when an officer takes assets, customer lists, or other resources from the company. Misappropriation is the clearest violation of the duty of loyalty.

Slightly less clear is when an officer takes an opportunity that might otherwise belong to the corporation. The analysis for misappropriating a corporate opportunity is more involved, but as a general matter, an officer cannot take an opportunity that the corporation would otherwise have been expected to take.

Another subset of the duty of loyalty is the duty of candor. The duty of candor prohibits a corporate officer from hiding critical information from the board of directors, which could include merger-pricing data, competing acquisition offers, or conflicts of interest (City of Fort Meyers 2020). The limits of this duty are not well defined. Advisors that are neither officers nor directors who have withheld critical information have been held liable for aiding and abetting breaches of the duty of candor (City of Fort Meyers 2020).

Another subset of the duty of loyalty is the duty of oversight, sometimes called *Caremark* duties. An officer breaches the duty of oversight when the oversight is so faulty that it constitutes bad faith.

These cases rarely succeed and have been called “possibly the most difficult theory in corporation law upon which a plaintiff might hope to win a judgment” (In re Caremark 1996). The lack of oversight must be over a mission critical piece of the company’s business, for example, food safety for an ice cream company or flight safety for an airline manufacturer.

### **A Duty to Maximize Profits?**

The dominant academic theory of corporate purpose is shareholder primacy, which requires officers to maximize shareholder wealth. However, scholars continue to debate whether profit maximization is theoretically sound, whether it is legally enforceable, and whether it accurately describes reality (Weitzel and Rodgers 2015).

Under the narrowest theory, corporations operate for the benefit of shareholders, and the only benefit shareholders universally value is profit, so corporations should maximize profits (Bainbridge 2008).

The “broad shareholder value” theory agrees that corporations operate for the benefit of the shareholders but recognizes that the ultimate shareholders are humans, and humans also value nonmonetary interests. These nonmonetary interests could include safety, environmental, social, or other considerations. In extreme circumstances, those nonmonetary interests could outweigh the monetary interests for a majority of shareholders. In those extreme situations, an officer best serves the majority of shareholders by prioritizing the nonmonetary interests. While these extreme situations may be rare, directors and officers must always ask whether the situation in front of them is one of those extreme situations. This means that in practice, directors and officers must consider the nonmonetary consequences of their decisions in each decision they make (Weitzel 2015). Under the broad shareholder value theory, weighing matters of conscience is not only proper but also inevitable.

Stakeholder theories go a step further, arguing that a corporation does not operate exclusively for the benefit of the shareholders, but that it operates for the benefit of all corporate stakeholders. These

theories vary widely in their boundaries and prescriptions, with some taking the more modest claim that stakeholder interests can be considered while others treat stakeholder interests with the same importance as shareholder interests (Stout 2012). Delaware has not recognized or adopted these stakeholder theories.

### **Theoretical Support for Officer-Fiduciary Duties**

Scholars have criticized the theoretical foundations of officer-fiduciary duties. Unlike most who owe fiduciary duties, corporate officers are directly supervised by experts in their field with full access to any records relating to the officer’s performance. This reduces the vulnerability and risk of opportunism that typically accompanies fiduciary relationships (Weitzel 2021).

Similarly, while most fiduciary relationships involve the beneficiary entrusting an asset to the fiduciary, here, shareholders have no claim on any assets that the officer manages. For example, an Amazon shareholder does not own some portion of its warehouses. Similarly, shareholders typically receive dividends not by right, but at the discretion of the board of directors. Share value and dividends are correlated with managerial performance, but correlation relationships are not a typical basis for fiduciary duties (Weitzel 2021).

### **Enforcement Considerations**

#### **Exculpatory Clauses**

Delaware allows a corporation to exculpate directors (but not officers) from the duty of care by adopting an exculpatory provision to its charter (Delaware § 102(b) (7)). Because claims are most often made against directors, rather than officers, these ubiquitous exculpatory clauses have shifted the litigation landscape toward the duty of loyalty and away from the duty of care.

#### **Business Judgment Rule**

The business judgment rule attempts to balance the need to hold corporate officers accountable while also recognizing the need for them to act

with limited information. It creates a presumption that “decisions are made in good faith and are based upon sound and informed business judgment” (Unocal 1985). A plaintiff must rebut this presumption to succeed on a duty of care claim. As a practical matter, this requires a plaintiff to show that the officer was self-dealing, entirely uninformed, or grossly negligent.

### Directors and Officers Insurance

Even if an officer is found to have breached the duty of care or duty of loyalty, any payment is likely to be predominantly from insurance proceeds. This further reduces the deterrent effect of fiduciary duties. An officer charged with violating the duty of care or duty of loyalty should review the corporation’s directors and officers’ insurance.

### Cross-References

- [Accounting Ethics \(Including the Profession’s Code of Ethics and Commitment to the Public Interest\)](#)
- [Corporate Social Responsibility Reporting Frameworks](#)
- [Corporations as Moral Entities](#)

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## Online Employees and Employer Relations

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### Synonyms

e-commuting; Flex work; Remote working; Telecommuting; Virtual working; Work at home; Work from home

### Introduction

For any relationship to operate, there must be communication between the parties. For the relationship to grow and thrive, communication must take place frequently with openness and acceptance. Short of that, and the relationship is doomed to fail. In the case of remote employees and online employers, the failure of this relationship precedes the employee leaving their manager, not the company. Preventing this from happening takes a special tri-communication approach: intentional, interactional, and interpersonal.

## Online Employees and Employers Working Relationship for Best Outcomes: Covid-19 and Its Workplace Ramifications

COVID-19 Pandemic caused an office shut down in the United States lasting for 18 months. The office shut down occurred from March 13, 2020, when the USA President declared COVID-19 Pandemic a national emergency. Approximately April 2021 is when offices began re-opening (Smart 2022). From March 2020 to April 2021, the office shut down forced the management and supervision of employees to take place online, and not in a shared physical workspace. Both employees and employers were caught in a

whirlwind of sudden change in their physical, psychological, and social working relationship. What happened in this working relationship during the pandemic office shut down set a precedence for the future of the office workforce relationship.

Suddenly, in March 2020, and without warning or training, managers had to manage their employees working remotely. The managers and the [2020] remote employees were faced with a working environment very unfamiliar. Now there were more aspects of this relationship facing a challenge never faced before, such as trust (Norman et al. 2020), respect, value, equity, and inclusion. The shutdown workforce challenge became instant, and the employers and employees had to work together somehow to the satisfaction of both sides. Several months of the workforce working in the shutdown eventually found a way for managers to manage, and employees to continue their work effort.

The post-pandemic working relationship between employees and employers is consequently in an uproar (van Zoonen et al. 2021). Having had the experience of working at home, many employees wish to continue working at home citing the benefits such as work/life balance, the absence of childcare and transportation issues, and the overall satisfaction of having the time to work and be with their family. There is an increasing demand by employees for their employers to continue allowing them the freedom and autonomy that was inherent in the working arrangement during the pandemic shut down (Liu 2022). Employers, feeling the pressure by their employees, are in a quandary, like never before.

The freedom and autonomy of the employees continuing to work remotely is causing a challenge to the online employers' managers. Managing a remote workforce is not the same as managing a workforce sharing the same workspace. For the relationship to survive these challenges and thrive in a remote/hybrid working environment, managing remote employees takes intentional, interactional, and interpersonal communication.

## **Remote Management Relations with Intentional, Interactional, and Interpersonal Communication**

### **Intentional Communication**

Communication between a manager and their employee is paramount to job satisfaction (Jalalkamali et al. 2016), job retention (Tirta and Enrika 2020), the growth and development of both parties (Richardson 2010), and productivity (Campbell 2015). It is easier and natural for this communication to occur when the manager and the employee work in the same physical space, and not as easy when the employee is working remotely. For this reason, the communication flow only happens at the level of the **intention** for it to happen. The employer must have a culture that includes open communication policy and a frequent dialogue taking place, especially when managing employees working remotely. No one wants to speak into a void. The message spoken is meant to be heard and accepted, especially in a working relationship between the manager and employee.

### **Interactional Communication**

As managers of employees working remotely, constant and consistent communication is not the only way to stay in touch. Intentionally communicating with interactional communication takes managing remote employees to a higher level (Kyei-Poku 2014). When **interactional communication** occurs, there is active listening, empathy, and caring taking place during the interchange of information, ideas, opinions, etc. The manager is attentive to the employee and invites conversation. As a result, the employee is comfortable with sharing their thoughts and expressing themselves openly and honestly. In exchange, the manager does the same. This is the engagement of interacting taking place between a manager and employee. The level of engagement has been noted to be driven by the level of closeness and affinity felt between the parties.

### Interpersonal Communication

Interpersonal communication occurs when two people share their personal selves truthfully, openly, and honestly (DeKay 2012). How is this different than interactional communication? Interactional communication occurs with the other person listening, empathizing, and caring, and **interpersonal communication** occurs when the person is sharing and expressing themselves. The act of interpersonal communication taking place makes it possible for this employee and employer relationship to occur with equity. For that moment of interchange, the sender of the message, and the receiver of the message are on equal ground. There is no judgment or barriers, just openness and acceptance. So, for the manager and employee working apart from each other, interpersonal communication must ensue on a regular and predictable basis and take place with interactional communication happening intentionally.

### Advancing Diversity, Inclusion, and Equity with Remote Workplace Communication

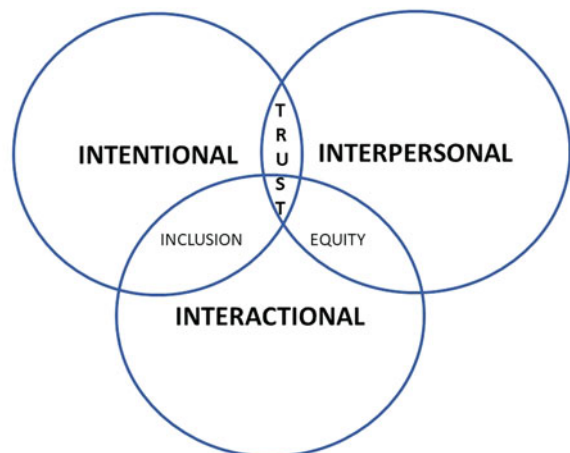
Intentional communication taking place with interpersonal communication fosters trust. Making the effort to invite openness, vulnerability, and honesty with acceptance, honor, and value draws inward a bond between the manager and employee. This is especially needed when the manager and employee do not work in the same physical space. Having interactional communication intentionally, creates a work atmosphere that

is solidly based in a culture where people of diverse backgrounds feel accepted and included and where this is a sense of equity (Fig. 1).

### Expected Outcomes

Communication flowing intentionally, with a mix of interactional and interpersonal communication builds the basis by which a healthy working relationship occurs between the employer and remote employee. Trust and confidence on both sides is a byproduct of this type of tri-communication. We all know that communication is the key to establishing and maintaining any relationship, so it should come as no surprise that in the case of the working relationship between employers and remote employees, communication would be a chief factor and the focus of this article. Given the work climate of the post-pandemic, the pressures placed on the employers by employees demanding to continue working at home, and the future of the workforce development, it behooves us all to intentionally communicate using both interactional and interpersonal communication. What results from this is nothing short of trust, cohesiveness, closeness, affinity, loyalty, acceptance, motivation, productivity, collaboration, innovation, safe workplace, positive mental health. All factors of a healthy and thriving relationship between employers and remote employees. Remote working is here to stay and communicating interpersonally and interactionally,

**Online Employees and Employer Relations,**  
**Fig. 1** Tri-communication model. (Created by Dr. AnnaMaria Bliven)



with full intention is the one sure way for employers and remote employees to thrive in their relationship and face the challenges victoriously.

## Cross-References

- Employee Perceptions of Organizational Justice and Corporate Social Responsibility
- Ethics and Learning in Organizations
- Ethics in Workplace Mental Health
- Good Citizenship Education in the Context of a COVID-19 Reality
- Human Resource Management

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## Organizational Culture and Corruption

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## Synonyms

Corruption culture; Organizational corruption

## Definition

Organizational culture is “a set of taken for granted assumptions divided as ‘artifacts’ (visible organizational structures and processes), ‘values’ (strategies, goals and philosophies), and ‘underlying assumptions’ (unconscious and taken for granted beliefs, habits of perception, thoughts and feelings)” (Schein 1990: 9–10).

## Introduction

The relationship between organizational culture and corruption may appear not immediate, since the common assumption that corruption is determined by individual or organizational profit-seeking behavior tends to minimize the importance of cultural aspects in organizations. However, as abundant interdisciplinary literature and case studies have suggested, seeking for a general ethical standpoint in business relations is one thing, creating the environment in which an



organization builds up a compliance and integrity culture is another. The salience of the organizational culture approach to study corruption and white-collar crimes is situated in the understanding and providing empirically grounded analyses which focus on the visible and less visible aspects of organizations that influence ethical behavior, the dynamics through which ethical behavior and choice-making is transmitted within the organization, the processes through which members internalize ethical behavior and provide it meaning, and the ways how organizational change affects the communication and implementation of integrity mechanisms.

The study of integrity in business organizations is a wide research field that has gained momentum over the last two decades. Some recent literature reviews show that in the research agenda of this topic, at least three tendencies can be identified (Campbell and Göritz 2014). The first is toward conceiving organizational integrity in terms of a relationship between individuals and the organization. In this perspective, individuals may commit corruption because of their own, individual, decisions, and at the expenses of the organization. This is the classical “rotten apple” approach, in which a single, for instance, a sales manager, decides to pay a bribe in order to obtain a contract, without informing this action to his superiors in the company. Within this approach, integrity breaches, such as bribery, are identified mainly as outcomes of individual choices made in spite of the norms and policies regulating ethical conduct in an organization (Misangyi et al. 2008). The second tendency, on the opposite side, is to identify corruption and other forms of unethical behavior within a collusion pattern between the individual and his workplace. Rather than focusing on individual choices, this stream of research typically deals with forms of organized corruption and unethical behavior within organizations (Ashford and Anand 2003; Palmer 2008). This is the classic case of corruption in which a number of mid- to senior level of managers and other employees are involved to create a “system” of bribing schemes. In the third tendency, more recent work in the fields of social psychology,

sociology, and social anthropology has taken a different standpoint, focusing on cultural aspects, both internal and external to the organization, to deal with corruption. In this scholarship, corruption is, similarly to the other two approaches, the result of choices and strategies promoted by individuals, but these are framed within a cultural and behavioral analysis that draws on the specificities of the cultural origin of the individuals involved and of the culture of the organization (Torsello and Venard 2016).

The first approach prevalently tackles corruption from an individual profit-seeking perspective. This has its origins in from the leading assumption that corrupt individuals are profit-seekers and economically rational beings (Shleifer and Vishny 1993). Corruption would occur as a response to occasions of pursuing gain and the discretionary power to approach such gain. This perspective, however, tends to minimize the role of organizations and of the behavior of actors playing roles within them. This is the general focus of the second approach to organizational collusion, which relates to the study of “the normative and cognitive impacts of the social situations that inform and influence behavior in organizations” (Misangyi et al. 2008: 752). One main field of research in organization studies and organizational behavior is the interplay between organizational functions and forces. For example, one structural approach is developed by Luo (2005), which recognizes organizational corruption as built into four patterns that belong to a matrix of two dimension: hierarchic levels (power structures in the organization) and intensity of corruption. The four positions are described as procedural (low hierarchy-low corruption), structural (high hierarchy-low corruption), categorical (low hierarchy-high corruption), and system malfeasance (high hierarchy-high corruption). Procedural corruption happens in organizations where misconduct is not systematic but sporadic, and it appears mostly in subunit levels, with low hierarchy involved. On the contrary, in system malfeasance corruption is expected to take place at different levels and subunits of the organization, with different degrees of hierarchy involved.

Another approach in the organizational collusion perspective departs from the assumption that there has been in the specialized literature a good degree of exaggeration over the secrecy that accompanies individual unethical behavior (Anand et al. 2005). It is through a number of practices that take place at company level that individuals learn how to be corrupt. These practices include rationalizing (to make corrupt practices appear normal), denial of responsibility (to accept the “everyone does it” explanation or denying that circumstances can be changed at all), denial of injury (to believe that no one has been harmed), denial of victim (to believe that the victim, such as a competitor, deserved to be harmed or that there is no personalized victim at all), appeal to higher loyalties (to exalt group cohesion and interests as of primary importance), and balancing the ledger (to believe that the end justifies the means). Apart from these psychological forms of rationalization, a number of socialization tactics are used to rationalize corrupt behavior in organizations. These include co-optation (the idea that rewards justifies unethical behavior), incrementalism (the process through which newcomers in the organization are gradually introduced to forms of unethical behavior), and compromise (the idea that unethical behavior is accepted in order to resolve role conflicts and other internal organization problems).

Two distinctions have been fundamentally made about the organizational corruption control types: the first is outcome vs. process control orientation and the second is between controls transmitted through administrative vs. sociocultural channels (Lange 2008). The first set of differences focuses on the agency of individual decision-maker and the second to organizational issues. Outcome-oriented control focuses on rewards and sanctions, whereas process control are measures that are called in intervention previously or during the illicit act. On the other hand, sociocultural controls are carried by the beliefs, values, and cultural aspects of the organizations, and administrative forms of control are performed through formal structures and routines, particularly by authority.

## Organizational Culture's Aspects Influencing Integrity

Following the third approach to organizational and national cultural aspects, the organizational culture's features that influence corrupt choices are of uneasy delineation. Even if there is a general degree of agreement among scholars on their weight, apart from leadership, motivation, company structure, change, as well as the national cultures of leaders and managers, few attempts have been done to systematize their role in different organizations. One general agreement is on the idea that the incidence of cultural aspects needs to be weighed upon at least four aspects: the industrial factors; the internal or functional aspects of the organization, of its headquarter, and of its subsidiaries in countries of operation; the kind and degree of changes the organization has undertaken over the years; and determinant sociocultural aspects. Rather than thinking that each of these four aspects has its own weight, it is more appropriate to focus on their influence, not as a single but a set of synergies on managerial practices and their interpretation within the organization. In this way, the analysis of cultural aspects that may breed corruption becomes a dynamic approach which takes into consideration the possible array of factors without isolating them (Dong et al. 2013).

Concerning the inner environmental- or industry-level factors, these include typically industry cultures, norms, and histories, investment perspectives, payback periods and returns, concentration, environmental hostility, and environmental dynamism and heterogeneity (Zahra et al. 2007). Organization-level pressures may include separation of ownership and control systems, external and internal legal and regulatory systems, board composition, separation of the board chair and CEO, senior leadership style, and organizational culture. Organizational culture aspects of particular relevance are leadership, compartmentalization of identities, and climates of fear and social learning. Finally, individual factors can include age, gender, work experience, and self-control.

Among the functional aspects of organizational culture that lead to corruption can be pointed out: fragmentation of information, i.e., when information is present elsewhere in the organization, leading to insulation and also to incapability to get the big picture, which is needed for a long-term integrity strategy. Diffuse responsibility allows corrupt organizations to cover up frauds and make responsibility less detectable; rules, schemas, and scripts that guide task performance may have the negative consequence, when abused, of shifting focus on the efficient and effective completion of tasks rather than on the ends that their performance is deemed to achieve (Palmer 2008). Commitment processes can facilitate wrongdoing when organizational members initiate a course of action without properly assessing the intentions and possible outcomes. Communication channels determine the amount and type of information available and hence shape decisions accordingly. Technology, seen as a determinant of organizational structure, may intentionally or unintentionally influence wrongdoings in particular when the control and operationalization of technology is in the hands of small circles of individuals and not accessible to many in the organization. Social influence processes, in particular those expressed by the work of Cialdini (2001), may all be bearers of conditions that can fall into corruption. One of this is the norm of reciprocity, on which a well-developed literature exemplifies its cultural relevance, as it is described below.

### **Sociocultural Determinants**

In the recent literature from anthropology, what has been termed the “transactional approach” has studied corruption as a mechanism of interaction between different actors and levels of political and economic decision-making. A number of ethnographic studies have showed that corruption exemplifies a failure of the State to encompass local government or an incomplete bureaucratization process (De Vries 2007). Competition

between local governmental organizations and the State becomes one potential subject of analysis in reference to different sociocultural contexts (Smart and Hsu 2007; Goldstein 2003). For example, in his study about the effects of European Union structural transport projects in Central Eastern Europe, Torsello has been confronted with the issue whether corruption has been fostered by the attempt of the State to enforce its decision-making processes at local levels, or the opposite, by the attempt of local governments and companies to seek autonomy from State intervention (2012). He has found that one fruitful way to analyze the spreading of corruption in relation with EU enlargement politics is through attention to competition between State and local governments over EU funds and the role of business organizations to channel such funds. After experiencing a profound process of institutional transformation, Eastern Europe has entered a similarly problematic phase of alignment with EU accession requirements and afterward structural development policies. Corruption is a mechanism that not simply allows the classical “greasing of the wheel,” but it generates conflicting sociocultural dynamics of interaction and transaction between national, local, and transactional organizations. Some of these dynamics may have seemingly positive outcomes (such as building an infrastructure or ameliorating an urban space), but in most of the case, the loss of legitimacy of the public and private actors implicated in these transactions is under the eyes of the wide public.

Another approach to study sociocultural determinants of corruption that may facilitate corruption in organizations is the focus on petty corruption. During research, anthropologists and sociologists may become exposed to the observation of bribery and gift exchange patterns in economic transactions, be these semilegal or illegal practices. Being in the troublesome position to judge whose good are serving those practices, the common tendency is to objectivize the meaning of those practices framing them into the sociocultural context of belonging, which lead to the abovementioned distaste for clear-cut categories

(Haller and Shore 2005). One example is Yang's work on *guanxi* (personal connections) in China (2002). These are practices substantiated through the widespread use of gift exchanges in interpersonal relations where favors are granted. Yang reflects on the inappropriate use that some scholars have made of her interpretation of such practices which she saw emerging in the times of the Cultural Revolution as a reaction to conditions of excessive state inherence in the public life. This study treats *guanxi* not as a given set of cultural practices, but as historically specific product acquiring different meanings and deployments along several interest groups. As a culturally recognized form of gift exchange, *guanxi* and other similar practices observed in different world regions (Latin America, Southern and Eastern Europe, Africa) can be perceived as patterns of sociability that defines ways how different sets of actors can interact within and/or outside of schemes of state control and institutions. In the case of *guanxi*, connections are justified by the Confucian virtue of connectedness, according to which individuals are not single atomized beings, but social beings inserted in nested relations (from the family all the way up to the state), without which a person (contrarily to the western philosophical tradition) is not characterizable, or, as the Japanese say, he does not have a "social face" (*hitomae*). Some of these approaches in the anthropology of corruption have generated what can be called the "social exchange theory of corruption." Organizational collusion is, in this perspective, broadened to incorporate a number of sociocultural practices that facilitate the arising of petty corruption since gift-giving is considered an important form of politeness and local etiquette.

Consideration provided to the role of sociocultural determinants of corruption can help to shed lights onto the ways how organizations react to cultural awareness and diversity. In a global context, it is increasingly more important to be able to pinpoint those gray-zone practices which due to organizational and national cultural features may be uncritically accepted or eventually perceived as socially ethical, such as in the case of petty corruption.

## Cross-References

- [Bribery](#)
- [Company Socialization and Ethical Fit](#)
- [Cross-Cultural Aspects of Leadership](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Leadership](#)
- [Leadership Moral Foundations](#)
- [Machiavellianism](#)
- [Person–Organization Fit](#)
- [Self and the Generalized Other](#)
- [Social Construction of Businesses](#)
- [Social Identity Theory](#)
- [Work Ethic](#)

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## Panama Papers

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### Synonyms

Financial services intermediaries; Luxembourg tax files; Paradise papers; Shell company documents; Tax haven documents; Tax haven intermediaries; Tax havens

### Definition

The Panama Papers is the largest set of tax haven documents released so far, focused primarily on one company but revealing the worldwide use of financial intermediaries to help wealthy individuals and corporations avoid and evade taxes, rules, regulations, laws, and obligations at the expense of other citizens, competitors, and governments.

### Description

Sometime in 2015, Bastian Obermayer, a journalist with the German newspaper *Süddeutsche Zeitung*, was contacted by someone calling himself or herself “John Doe.” Doe was apparently

a whistleblower offering Obermayer “secret data” apparently stolen from a firm incorporated in Panama by the name of Mossack Fonseca, Mossfon for short. In a statement written for Obermayer and Obermaier (2016, pp. 340–344), Doe wrote,

For the record, I do not work for any government or intelligence agency, directly or as a contractor, and I never have. My viewpoint is entirely my own, as was my decision to share the documents with the *Süddeutsche Zeitung* and the International Consortium of Investigative Journalists (ICIJ), not for any specific political purpose, but simply because I understood enough about their contents to realize the scale of the injustices they described.

Insisting that banks, financial regulators, tax authorities, the media, and the legal profession had failed to address the serious violations of moral and legal principles he had discovered in the documents he released, Doe asserted that “when it takes a whistle-blower to sound the alarm, it is cause for even greater concern. It signals that democracy’s checks and balances have all failed, that the breakdown is systemic, and that severe instability could be just around the corner.” He reminded readers that notable whistle-blowers and ordinary journalists who had revealed violations and publicly criticized the violators and their witting enablers had been not only unprotected but even prosecuted by authorities and sometimes murdered by those exposed and their hired assailants. At a minimum, he wrote, “Legitimate whistle-blowers



who expose unquestionable wrong-doing, whether insiders or outsiders, deserve immunity from government retribution, full stop.”

Obermayer and Obermaier planned to have a very public, very international release of what came to be called “The Panama Papers” in the spring of 2016, recalling the famous Pentagon Papers from 1971. What came out became “the beginning of the largest international investigative journalism project of all time. Ultimately, around 400 journalists from over eighty countries... [including 90 media organizations, investigated] stories originating from this [sic] data.” The size of the data collection was far beyond any other collection released by or since then. There were 2600 gigabytes (2.6 terabytes = 2.6 trillion bytes), over 8.2 million files. “By way of comparison,” they wrote, “the diplomatic cables published by WikiLeaks amounted to 1.7 gigabytes; the HSBC Files, based on Hervé Falciani’s documents, 3.3 gigabytes; the Luxembourg Tax Files 4 gigabytes; the WikiLeaks Afghanistan protocols 1.4 gigabytes” (Obermayer and Obermaier 2016, p. 70). Initially the authors tried to visualize the size of their data in terms of numbers of printed Bibles, but they gave up because they found it “difficult to imagine a pile of more than a million copies of the Bible.”

What was found in the papers? Regarding Mossack itself, Jürgen Mossack, a lawyer and Ramón Fonseca, a politician and writer, formed the law firm Mossack Fonseca in 1986. The firm consisted of a huge web of roughly 100 active companies plus 100 shell companies, with a dozen holding companies, trusts, and some foundations pasting a variety of subsidiaries together. Fifty offices of these companies existed in 30 jurisdictions, countries, and territories, representing either subsidiaries or partners. The jurisdictions included notorious and not so notorious tax havens, e.g., Panama, British Virgin Islands, Seychelles, Bermuda, Samoa, British Anguilla, Colombia, Luxembourg, El Salvador, Hong Kong, and the US states of Nevada, Wyoming, and Florida.

In 2013, the web contained around 600 employees, with relatively few of this number playing the role of nominee director which is

a man or woman “ostensibly leading ‘their’ companies.” The leadership of nominee directors is as fictitious as shell companies’ productivity. For example, a woman named “Leticia Montoya,” who spoke little English and had never gone to secondary school, served as the nominee director of “more than 25,000 companies” over some years. In 2012, she was listed as a nominee director in 3,143 shell companies (Obermayer and Obermaier 2016, pp. 171–173, 322).

On top of all the in-house players, the web was supported by an enormous number of intermediary enablers. “Despite repeated fines and documented regulatory violations,” Obermayer and Obermaier (2016, pp. 343–344) wrote, [the web] “found allies and clients at major law firms in virtually every nation,” including over “500 banks worldwide” (p. 245). Clients owning over 214,000 shell companies included

“drug lords, financial fraudsters, mafiosi, arms smugglers, tax evaders, sanction breakers [and] pretty much every type of fraudster” (p. 217), “as well as investors who do not wish to reveal their true identities and their true intentions, senior politicians who’d like to spirit their wealth abroad (perhaps because they have accumulated it dishonestly) and companies looking to funnel bribes... [including] famous directors and actresses, South American singers worshipped like gods in their own country, brilliant chess players and a whole string of owners and chairmen of top-flight football clubs”. (pp. 11, 287)

Mossack and Fonseca had their own companies apparently shielding a variety of assets from tax collectors and perhaps creditors. The variety is quite extraordinary. For example, Mossack had individual companies owning “a couple of *fincas*, ... a penthouse, ... his helicopter hangar, ... his helicopter, ... his teak plantation, ... his gold, ... his yacht, ... his Mercedes, ... his Volvo, ... his Mazda and the Chevrolet Tahoe”. The Mossack Family Foundation, registered in Switzerland, owned most of his companies and the “primary beneficiary” of the Foundation was Mossack, with “children and stepchildren” listed as “subordinated beneficiaries” (pp. 174–175).

Following release of the Panama Papers, there were challenged and unchallenged news media reports, resignations and terminations,

indictments, and prosecutions around the globe. In February 2017, Jürgen Mossack and Ramón Fonseca were arrested and charged with money laundering. In April 2017, The Panama Papers won the Pulitzer Prize for “explanatory reporting.” In March 2018, Mossack Fonseca shut its doors, reporting that

The reputational deterioration, the media campaign, the financial siege and the irregular actions of some Panamanian authorities have caused irreparable damage, whose obligatory consequence is the total cessation of operations to the public. (Fitzgibbon 2018)

By November 2018, it was reported that over \$700 million in unpaid taxes had been recovered by governments in Europe, Africa, Asia, and the USA (Fitzgibbon et al. 2018). By April 2019, \$1.2 billion had been collected globally in “fines and back taxes resulting from the Panama Papers” (Dalby and Wilson-Chapman 2019). That is a very small percentage of the world’s total estimated offshore wealth of \$5.6 trillion (Alstadsæter et al. 2017), but it is a significant advance for international efforts addressing a very troublesome problem. Perhaps more importantly, there is an “enduring legacy of the Panama Papers . . . [through] its effect on behavior and public attitudes. . . Although many of the methods of evading tax detailed in the Panama Papers were legal, their use has since been widely condemned in the court of public opinion . . . a failure to pay a fair share of tax is no longer considered a victimless crime” (Dalby and Wilson-Chapman 2019).

## Cross-References

- [Financial Secrecy Index](#)
- [International Consortium of Investigative Journalists \(ICIJ\)](#)
- [Shell Companies](#)
- [Tax Havens](#)

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## Pay Equity/Pay Inequity Issues

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## Synonyms

Pay equality; Pay fairness

## Introduction

Fair compensation across demographic subgroups remains a salient issue in the modern-day workplace. Indeed, unfair compensation across gender (i.e., pay inequity) is an important contributor to the gender wage gap. This entry focuses on the gender pay gap and pay inequity between men and women in the United States, but simultaneously offers generalizable insights to pay inequity for other demographic subgroups and other regions of the world as well. This entry begins by defining terms and describing how pay inequity

contributes to the gender pay gap. Next, legislation passed to give employees a means to challenge gendered pay inequity is discussed. Finally, this entry concludes with options for organizations to monitor and address pay inequity.

## Pay Equity/Inequity Issues

### The Gender Pay Gap and Pay Inequity

For the purposes of this entry, *gender pay inequity* describes a woman and a man receiving unequal compensation despite performing the same work, and occupying the same position, absent any important differences in seniority, merit, quality, or quantity of production, or a job factor other than sex (Sady et al. 2015). The *gender pay gap* refers to an mean level difference in compensation between women and men. Utilizing a psychological and historical approach can provide insight into how gender pay inequity contributes to the gender pay gap.

Within the United States, female employees, on average, are paid significantly less than male employees (Sady et al. 2015). The root causes of the pay gap have been vigorously debated. Blau and Kahn (2007) provided insight into the factors that contribute to the gender pay gap, finding that, of the variables studied, occupational category contributed the most (27.4%) followed by industry category (21.9%), labor force experience (10.5%), union status (3.5%), and race (2.4%). Interestingly, incorporating educational attainment into the analysis did not narrow the pay gap as women in the USA now have a higher average level of education compared to men.

Considering the history and psychological factors associated with these variables sheds light on why they lead to women earning less than men, on average. For example, when examining why gender differences exist in labor force experiences (which lead to women being paid less than men), many women have, historically, entered and exited the workforce based on family care needs (Blau and Kahn 2007). The resulting lack of continuous work experiences for women subsequently decreases promotion and job training opportunities that lead to salary increases, thereby

widening the pay gap. As a second example, gender differences in vocational interests (Su et al. 2009) and the extent to which different occupations are family-friendly (i.e., allowing women to fulfill gender roles as caretakers in their families; Sabbatini and Crosby 2009) can explain why gender segregation exists across occupational and industry categories. When accompanied by evidence showing that the market has assigned higher value to skills and abilities utilized in male-dominated occupations (Blau and Kahn 2007; Junor et al. 2009), it becomes clearer why and how occupation and industry contribute to the pay gap. While systematic of an employment structure that (perhaps unfairly) advantages men, these variables do not constitute pay inequity as defined above, which focuses on pay differences between women and men in the *same job*.

Returning to Blau and Khan's study, 41.1% of the variance in the gender pay gap remained unaccounted for by the variables included in the analysis (i.e., those listed above). While there were multiple potential contributors to the pay gap that were not included, experimental research backs up the notion that at least some of this variance can be accounted for by pay inequity (i.e., differences in pay between men and women in the same job that is not attributable to legitimate factors). For example, Moss-Racusin et al. (2012) found that resumes of individuals with stereotypical male names were offered more money for the same job than identical resumes of individuals with stereotypically female names.

Social role theory may provide a means to explain the origin and perpetuation of gender inequity (Eagly et al. 2004). It lays out a series of mechanisms that begin with the biological differences between men and women. Men, on average, are larger and have greater physical strength than women whose reproductive abilities most saliently physically differentiate them from men. These sex differences have created different patterns of behavior among men and women. Historically, men's strength and size, on average, have allowed them to better engage in activities like hunting and warfare, while women who were occupied with reproductive activities and subsequent childcare responsibilities were limited from

engaging in male-dominated activities. Because of these differences, men have developed agentic characteristics (e.g., independence, assertiveness) and have typically carried out tasks that made them the “breadwinner,” whereas women have developed communal characteristics (e.g., caring for others, helping others) and occupied the role of “homemaker” due to their reproductive abilities and childcare responsibilities.

Stereotypes based on expectations that men and women will fulfill these different roles and endorse these different characteristics provide a potential means to understand not only why masculine occupations and skills would be valued more but also why individual women will be given less compensation than a man in the same job. For example, a woman in a leadership role may be compensated less favorably than a man in the exact same role because she is perceived as less competent and powerful and therefore deserving of less pay.

### Pay Equality Legislation

To counteract pay inequality, many countries have passed laws that require organizations to pay women and men equally when they complete the same tasks in the same role (Myors et al. 2008). As an example, this entry summarizes the primary US federal laws used to prevent and address pay inequity.

Following World War II, the US Congress began to consider legislation requiring equal wages as women represented a significant portion of the United States workforce at that time (Gutman et al. 2011). In 1963, the Equal Pay Act (EPA) was enacted by Congress amending a previous fair pay act and creating pay equality legislation that still stands today. To increase congressional support for the EPA, the terminology “equal” was used to denote that jobs that were equal, rather than comparable in worth, should be compensated equally. This law prohibits illegitimate differences in compensation between men and women who perform equal work (Sady et al. 2015). Furthermore, compensation differences are only legal and legitimate when explained using one of four defenses: seniority, merit, quantity or quality of production, or a job factor other than sex. Importantly, an organization cannot provide a

defense that argues market forces prompted lower pay, meaning that an organization cannot justify paying a female employee less than a male employee by arguing that the higher wage for the male employee was necessary based on what the market demands to successfully recruit or retain such an individual (Vodanovich and Rupp 2022).

Employees may also challenge pay inequity through Title VII of the Civil Rights Act of 1964 (Vodanovich and Rupp 2022).<sup>1</sup> Although the EPA and Title VII are similar in that they both protect employees from experiencing gender-based pay discrimination and signal to organizations the importance of pay equality; they also differ in a few key ways. First, the EPA requires that two individuals perform *equal* work to qualify as equivalent, whereas Title VII only requires two individuals to be *similarly situated* in their positions (EEOC 2000). Therefore, Title VII takes a more lenient approach to interpreting which individuals can be compared for the determination of pay equality. Somewhat unclear is exactly what “equal” work means in the context of the EPA; however, courts have generally interpreted equal work narrowly. According to the EPA, work must be equal in terms of skill, effort, responsibility, and working conditions. Another substantial difference between the EPA and Title VII is the burden of proof required (Vodanovich and Rupp 2022). For a difference in pay between two similarly situated employees to be illegal under Title VII, it must be shown that the pay discrimination was intentional. Alternatively, unintentional differences in pay between employees in the same role performing the same work are illegal under the EPA, unless explained by seniority, merit, quality, or quantity of production, or a job factor other than sex. Also, the EPA, unlike Title VII, requires that the two compared individuals work in the same *establishment*, which generally means the same physical location (EEOC 2000).

Because EPA and Title VII pay equality cases are civil cases, the burden of proof is met through

<sup>1</sup>In addition to prohibiting gender-based pay discrimination, Title VII prohibits pay discrimination on the basis of other protected group identities, including race, color, religion, and national origin (Sady et al. 2015).

demonstrating a preponderance of evidence, or more evidence than not (EEOC 2000). Initially, the burden of proof rests with the plaintiff who brings forth a *prima facie* violation, which often relies on demonstrating unequal compensation between a male and a female employee who perform equal work or are similarly situated. Then, the burden shifts to the defendant, commonly the organization, who must prove under the EPA that the difference in pay results from one of four affirmative defenses: seniority, merit, quantity or quality of production, or a job factor other than sex, or provide a reasonable explanation for the pay difference under Title VII. Finally, a plaintiff can then assert that pay discrimination has occurred if they can prove that the defense offered by the defendant was only a pretext for discrimination (Gutman et al. 2011). If a plaintiff wins a pay discrimination case, they are entitled to certain remedies that may come in the form of financial awards such as backpay or liquidated damages. To ensure protection for individuals who file pay discrimination claims, retaliation against a plaintiff is illegal.

Although the EPA and Title VII provide a solid platform for individuals to pursue pay equality, such legislation has limitations in that it does not protect all individuals equally. For example, Eisenberg (2010) illustrated that women in high-level positions have had trouble successfully pursuing pay equality cases because filing an equal pay claim typically requires finding a comparator that has performed the same tasks as the plaintiff, and many women in high-level positions cannot identify a male comparator who performs the same work. Eisenberg advocated for the expansion of pay equality legislation to protect individuals who are not currently protected under the EPA and Title VII. Recently, both statewide and federal legislation has increased the equal pay protections of the EPA and Title VII.<sup>2</sup>

<sup>2</sup>Recent legislation has been passed on the state level to increase equal pay protections. Additionally, in 2009, the Lilly Ledbetter Fair Pay Restoration Act amended previous pay discrimination law by stating that pay discrimination occurs each time a paycheck with a discriminatory sum is issued, thereby increasing the opportunities a plaintiff has

## Monitoring Pay Equity

To pursue fair employment practices and compliance with legal standards, organizations can proactively monitor for pay discrimination (Doverspike et al. 2017). Analyses used to evaluate pay equity can become complex, necessitating many organizations to employ external consultants to ensure correct practice and compliance with legal standards.

By statistically analyzing their data using multiple regression, an organization can evaluate if a significant difference in pay exists between men and women after controlling for legitimate factors such as an employee's job group, tenure, performance, and degrees held (Doverspike et al. 2017). If a significant effect of sex remains, then there is evidence that pay discrimination may be present within the organization. Multiple jobs are often aggregated into one regression analysis to increase statistical power; however, it is debated whether and to what extent such aggregation is appropriate. Additionally, the accuracy of these regression analyses is questioned when the sample size is small and legitimate explanatory factors are difficult to identify and quantify.

If an organization uncovers the existence of pay inequity, they should seek to remedy the situation, both to avoid litigation and to mitigate the negative attitudes and behaviors that have been shown to be associated with employee perceptions of distributive injustice (such as unfair pay; Colquitt et al. 2001).

## Approaches for Decreasing Pay Inequity and the Pay Gap

To eradicate existing pay inequity, organizations can take a number of steps, including raising the compensation of the underpaid employee(s) or

to file a complaint (Vodanovich and Rupp 2022). Additionally, the Supreme Court ruled in 2020 that the protected class of "sex" in Title VII includes gay and transgender individuals. Therefore, LGBTQ+ employees are now protected under U.S. legislation from experiencing pay discrimination. Some states have recently allowed broader pay equality protections. In 2018, New Jersey passed a law that allows a comparator to perform similar, rather than equal work, and in Massachusetts the standard is "comparable" work. (Strah et al. 2022).



foregoing awarding bonuses to the overpaid employee(s) (Doverspike et al. 2017). However, ensuring that employees who are performing equal or equivalent work are categorized as performing the same job – a task required before pay equity analyses can be conducted – can be challenging. Strah et al. (2022) describe how job analysis and job classification methods can be used to increase pay equity. Job analyses are used to identify the tasks performed on the job as well as the knowledge, skills, abilities, and other characteristics needed to perform those tasks. Job classification then uses the information from a job analysis to give positions job titles and classifications that can be used to compare various positions. The authors argue that job analysis and job classification should be conducted with the relevant pay discrimination legal standards in mind.

Recent advocacy for pay transparency has been another effort employed to decrease the gender wage gap (Miller 2021). The Society for Human Resource Management (SHRM) notes that 94% of human resource professionals believe it is important for organizations to be transparent about how pay decisions are made. Increased pay transparency can prompt organizations to critically examine the factors that influence their pay decisions for sources of bias that lead to discrimination. Once bias has been identified in the pay decision process, an organization can work to eradicate the bias and develop new, equitable processes.

Addressing variance in the pay gap that is due to factors beyond pay inequality of employees in the same position is more complicated and beyond the scope of this entry. However, the pay equity literature has provided some suggestions – for example, the reconceptualization of skill values that have been gendered. Researchers in New Zealand, who analyzed 4 years of pay data, observed occupational segregation by gender and the different skills used in gendered occupations (Junor et al. 2009). Technical skills were more common in male-dominated occupations, whereas interpersonal skills were prioritized in female-dominated occupations. They found that greater value, and consequently financial

compensation, was placed on technical skills over interpersonal skills, which contributes to a gender wage gap. To combat pay inequity, these researchers created a skills taxonomy to identify important interpersonal skills that have been undervalued in occupations predominantly occupied by women. They argue that naming and organizing undervalued interpersonal skills allows for the recognition of such skills in (mostly female-dominated) occupations.

## Conclusion

Investigating the causes and effects of, and remedies to the gender pay gap provides an understanding of issues surrounding pay equity. The current entry defined and discussed pay inequity in the context of the gender pay gap. It then covered example (US) legislation before discussing methods for monitoring and addressing pay inequity and the gender pay gap.

## Cross-References

- ▶ [CEO Compensation and Just Pay Theories](#)
- ▶ [Compensatory Justice to Groups](#)
- ▶ [Directors' Duties to Tie Executive Pay to Environmental Protection](#)
- ▶ [Distributive Justice](#)
- ▶ [Employee Perceptions of Organizational Justice and Corporate Social Responsibility](#)
- ▶ [Human Rights Duties Towards Future Generations and Achieving Climate Justice](#)
- ▶ [John Rawls' Theory of Intergenerational Justice](#)
- ▶ [Justice](#)
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## Peer Review and How It Is Constructed and Measured: A Question of Fairness

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## Synonyms

Bibliographic metrics; Impact factor; Peer review; Special editors

## Introduction

This entry explores scholarly biases to publication and evaluation in top journals. While peer review is frequently asserted to be “blind” and “a level playing field,” some indications suggest biases occur and may, at times, reflect systemic institutional norms that undermine scientific progress. Based on ongoing research, we discuss some of these barriers that scholars face, particularly issues related to coercive citation, gratuitous reference padding, special editors that may skirt conventions, and other similar biases that impact a meritocratic academy and an objective and impartial advancement of scientific research.

## Measuring Academic Performance

The classical Humboldtian model of higher education is based on essential rules of academic governance including (1) individual autonomy and predominance of the faculty in university affairs, (2) the primacy of basic over applied research, and (3) ideals shared by teachers who pursue research on them despite potential obstacles (Ash 2006). Such setting offers an environment for the development of specific institutional structures that favor academic freedom,

knowledge creation, bonds, and interactions between faculties. This enhances the link between research and teaching where students are viewed as partners in the process. With its undoubted contribution to encouraging research and knowledge creation Humboldtian model of university revealed several shortcomings related to the primacy of faculties as well as the emergence of bureaucracy and rigid structures. Public concerns about the efficiency of funds dedicated to academia as well as the effectiveness of the structures dominated by the seniority-based authority lead to significant reforms of American and Western European entities of higher education followed by Asian and Eastern European universities. Majority of them evolved toward corporate-dominated model that rests of the legacy of modern management. In consequence, universities – similar to other organizations – adopted the system based on classical corporate solutions that include evaluation, management, rewarding, and directing job performance of faculties. Performance measurement systems are designed to ensure university efficiency defined as the relationship between invested funds versus research and teaching results as well as academic excellence understood as the number of top-tier journal publications and citations. These metrics combined with additional measurements on academic mobility, faculty, and student internationalization comprise university rankings which depict the institution quality and position. In the language of Bourdieu's concept of *homo academicus* performance measurement based on quality and impact of academic publications decide about the distribution of power which “is essentially based on academic capital, that is, control over the material, organizational, and social instruments of reproduction of the faculty. On the side of the culturally autonomous disciplines, symbolized by the natural sciences, power is rooted principally in intellectual capital, that is, scientific prestige and capacities as defined strictly by and among peers” (Wacquant 1990:680).

Success in academia is closely tied to success in academic publishing viewed as the “crucial antecedents to meaningful outcomes” (O’Boyle

et al. 2017:377). With the milestone of the seminal work by Gross and Gross (1927) performance of scholars is frequently measured with the number of publications in high impact journals and the metrics that show the citations of these publications. An individual’s publication record drives their success in the job hunt process, access to grants, and obtaining tenure at their institution (Honig et al. 2017; Niles et al. 2020). Different institutions have different expectations regarding the type and amount of academic publications required for tenure. However, it is a universal fact that the majority of academic institutions value publications in peer reviewed, high-tier journals (Honig et al. 2018; Niles et al. 2020).

Further, success in academic publishing is dependent on the acceptance and acknowledgment of one’s work by peers since peer review is considered the most effective and accurate method of advancing scientific knowledge and remains the essential prerequisite to publish research results and obtain research grants. However, contemporary academic publication is a socially constructed enterprise, highly competitive, and susceptible to a number of biases and weaknesses introduced by actors attempting to leverage advantages. Editors, as well, have a vested interest in enhancing the metrics by which journals are evaluated, such as impact factor (e.g., PloS 2006).

Interestingly, meritocracy or the novelty of the research topic is not enough to publish in these journals. This corresponds with Luhmann’s concept of “autopoietic character” of an organization where the reform or implementation of new practices is constrained due to the impact of the existing structures. Numerous studies indicate that the growing competition in science for funding and citations may deform research process and lead to serious side effects. These include blatant scientific misconduct such as fabrication, falsification, and plagiarism and questionable research policies such as post-results hypotheses development, taking undeserved credit for contribution, data trimming, peek-a-boo approach of showing partial results one at a time in separate papers (Bedeian et al. 2010; Chen 2011; O’Boyle

et al. 2017). In addition, authors argue that the academic publication process is often riddled with bias and inconsistency (Honig et al. 2018; Fong and Wilhite 2017). There is growing evidence that researchers abuse the rules of rigor and relevance and engage in alteration of hypotheses to support data (O'Boyle et al. 2017), avoid reporting statistically insignificant results, offer intellectual exhibitionism, bombastic style, tautology, and the illusion of theory development (Tourish 2020). Finally, criticism of peer review process (Chen 2011) emphasizes the concerns on its "impartiality, reliability and validity" (Bedeian 2004:199) that undermine assessment of a paper's scientific merit. The concept of peer review forces the compromise between the author and reviewers leading to the so-called socially constructed knowledge (Bedeian 2004). The unpredictability of editors' decision and publishing success being the function of the assigned reviewers leads to the abuse of the initial idea that assumed dissemination of new knowledge with the serious risk of the system failure (Edwards and Roy 2017).

This entry focuses on two important issues related to the quality and accuracy of the peer review and journal ranking processes. First, the significance of social ties between authors and editors of special issue and conventional issue journals. Research shows a significant amount of relationship overlap between authors and editors of special issues which indicates presence of a network effect in the review and publication process. Second, this entry considers the implications in the monotonic growth of the number of references over time in academic journals with the simultaneous growth in journal impact factor (IF). This correlation suggests that one response to the overall increase in the importance of IF are gratuitous citations that serve to inflate scholarly impact throughout their fields and disciplines. Both of these perspectives highlight the limitations and possible insertion of relational processes interfering with the accuracy of scientific study, evaluation, and reporting.

The social and work relationships between the editors and the authors of special issues versus

conventional issues of management journals play a significant role in publication. According to the social network theory, individuals who share similar attributes such as age, gender, political affiliation, and so on are more likely to develop social network ties than individuals with different attributes. These social ties are quite relevant in explaining individual behaviors and outcomes because they provide the means by which individuals gain access to information, resources, and ideas (Knoke and Yang 2008). In the context of academic publication, social ties among editors and authors can provide additional avenues for mentoring, information exchange, and opportunities for publication. Examples of social and work relationships in our research include current or previous work at the same institution, current or previous education at the same institution, joint publications, and current or former relationships as a faculty member and a student. In addition to conventional issues, research examined special issues because majority of these special issues are guest edited and the guest editor and/or subject matter expert has considerable liberty in inviting authors who have previously published on the special issue topic or invite authors who belong to their social network. Commensurate with the freedom given to these guest editors, this research examined the percentage of relationship overlaps between authors and editors, predicting it is significantly higher for special issues. Preliminary results from 60 special issues in three prominent management journals support this contention. For instance, 156 out of 633 or 33% of special issue authors had previous publications with the editors. Furthermore, 179 out of 644 or 38% of special issue authors had a work or an education overlap with the editor. These research findings highlight the role of social ties in academic research and question the integrity and objectivity of the publication process. They highlight the need for publication policies aimed at reducing such biases, increasing transparency in the publication process, and adoption of standards that help to enhance the rigor of scientific research.

Another relevant factor is research examining data on impact factor and the number of

references and citations to better understand journal IF strategy (Aluchna and Honig 2021). Specifically, leading management journals organized within the structure of Academy of Management (AOM) were analyzed during two time periods – 1997–2005 and 2006–2019. It was found that the past 10 years reveal a very different record of IF, references, and citations dynamics than the 10 years preceding. Specifically, the results showed that the number of references cited in the average AOM journal publication has increased during the past decade by 50% compared to the decade before, growing from 63 per article to over 90. This research also noted a significant increase of self-citation and cross-citations during the past decade as compared to the decade before. Self-citation increased from an average of 5.7 per article to 7.7 per article during the past 10 years, whereas cross-citation that referenced other AOM journals has also increased, from an average of 4.6 to 6.3. Further, research examined the tendency for journals to cite each other within small families of journals also finding significant relationships.

Existing evidence about the prevalence of misconduct in the peer review and journal ranking process suggests that authors and journal editors need to pay attention to these issues. Given the nature of measurement of academic work and the growing competition among the faculty members to publish in top-tier outlets, the results of recent scholarly research lay ground for discussion on the risk of “gaming the system” including increases in social tie publications, references, gratuitous referencing, and the formation of citation cartels. Note that while some citation indexes account for (and reduce) due to self-citation, not all of them reduce impact factor for self-citation, and it can be difficult to identify which indexes do so. Others offer two impact factors – one reduced by self-citation, and another one without the reduction. Rarely are these differences noted when presenting these statistics. COPE guidelines ask reviewers not to refer to their own research, although in practice this may be overlooked, as both associate editors and reviewers are volunteers who may have limited time to ensure

compliance. Editors and editorial boards who are considered as gatekeepers of academic journals must prevent such gaming of the publication process and strive to maintain the integrity of academic research. Moreover, faculty members can and should play a significant role in establishing performance metrics that disincentivize unethical research behaviors. Overall this research raises concern regarding the side effects of a goal-setting and performance measurement approach to contemporary academic life (Ordnóñez et al. 2008; Murphy 2018).

## Cross-References

- [Conflict of Interest in Research](#)
- [Correcting the Published Literature](#)
- [Criteria for Ethical Authorship and Contributorship](#)
- [Duplicate Publication and Salami Slicing](#)
- [Economics, Ethics, and the Environment](#)
- [Ethical Dilemmas](#)
- [Ethical Peer Review](#)
- [Ethics Committees \(Including Research\)](#)
- [Ethics of Meaningful Work](#)
- [Ghost, Guest, and Gift Authorship](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)
- [Social Construction](#)
- [Work Ethic](#)

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## Personalism

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## Synonyms

Personalist ethics; Person-centered ethics; Person-centered philosophy

## Definition

Personalism refers to a set of philosophical currents developed in the twentieth century facing the depersonalization of some precedent philosophical approaches and ideologies, such as radical individualism and collectivism. Personalism is structured around the centrality of the person, considering his or her individual and social dimensions. Some streams of Personalism also include the transcendent dimension. Underlying Personalism there is an elaborate philosophical anthropology of the person, which also supports Personalistic Ethics. This latter emphasizes the primacy of the person over things, human dignity, and the personal calling to human development, which is not independent of an effective concern for others.

## Description

Personalism refers to a set of philosophical currents born in the twentieth century and structured around the concept of the person.

There are several relevant currents of personalism, including communitarian personalism (Mounier), Anglo-American personalism (Bowne and others), phenomenological personalism (Scheler, Von Hildebrand, Stein), classical ontological personalism (Maritain), and modern



ontological personalism (Wojtyła, Crosby, Burgos).

Most authors within personalism assume a modern concept of the person which is much more elaborated than the old ontological definition where the person is considered as a rational subject. The modern conception entails a rich anthropological perspective as we will discuss below.

Social and political theory and applied ethics can take personalism as a philosophical base. Personalist ethics, often related to personalism, presents a wide range of understandings; however, authors of personalist ethics generally agree that the human person is central and foundational for ethics. The norms for making true moral judgments are grounded in being a person endowed with intrinsic dignity.

## Historical Overview

In a broad sense, personalism has a story as long as that of the concept of the person, a notion created by Christianity in its first theological developments. However, the standard position is that personalism, as a philosophical current, was born in the twentieth century through the work of Borden Parker Bowne (1847–1910) in the USA and Emmanuel Mounier (1905–1950) in Europe. Both thinkers developed the first theories of personalism – though with different theoretical backgrounds. Bowne had philosophical followers and also influenced civil rights activists such as Martin Luther King, Jr. Mounier was very successful in creating a strong social and intellectual movement in Europe, which had great influence in events as the Universal Declaration of Human Rights or the building of the European Constitutions after World War II.

This initial social movement has evolved to a solid philosophical position, thanks to the contribution of a very important group of thinkers like Jacques Maritain, Maurice Nédoncelle, Max Scheler, Dietrich von Hildebrand, Edith Stein, Martin Buber, Karol Wojtyła, Romano Guardini, Gabriel Marcel, Julián Marías, and Xabier Zubiri,

among others. Most of these have a coherent approach to ethics.

## Main Thesis of Personalism

Although personalism includes different sensibilities and approaches, some common elements can be found in all of them (Burgos 2017a):

- (a) *The structural centrality of the person* is the key feature of personalism and this means not only that it values the person or takes the person into account in one way or another in its anthropology, but that the concept of the person is the key to or hinge of anthropology and ethics. One important consequence of this assumption is that anthropology has to work with personalist categories, that is, categories exclusive to the human person, which adequately reflect the features which univocally characterize the person.
- (b) *Calling each person to transform the society.* Every human being is called, by means of his or her action, to influence and modify the world which surrounds them, and can achieve this with particular efficacy through those instruments he or she masters especially well. For the philosopher, those instruments are the theoretical constructions which he or she can evaluate, analyze, or create. Personalist thinkers have shared this way of understanding philosophy and, in general, have tried to transform society in accordance with the personalist way of thinking and avoid an exclusively academic philosophical approach.
- (c) *Turn from a “what” to a “who.”* Personalism maintains that every individual has something special that makes him or her unique, which means, in another words, that he or she is not a “what” but a “who” (Spaemann 2006). This intellectual process which has transformed the anonymous rationalist subject into a singular and unrepeatable person, and converted a “what” with a human nature into a personal



and irreducible “who,” has been described as the personalist turn of contemporary philosophy.

- (d) *The “three-dimensional” structure of the person.* Personalism distinguishes three levels in the person: the somatic, the psychological, and the spiritual. This approach achieves two very important objectives. It avoids any possible operative dualism (which could appear from dividing man into body and soul), and it opens up a more sophisticated anthropological structure which permits a more detailed and complete analysis of psychological, emotional, and experiential dimensions in the person.
- (e) *Endowment of affectivity and subjectivity.* Affectivity is understood by personalism as a basic anthropological category. Feeling is neither knowing nor wanting. It is an original anthropological dimension that extends to the threefold structure of the person: body, psyche, and spirit. There is a bodily affectivity – the way in which we feel the body; there is a psychological affectivity, the emotions, and there is a spiritual affectivity which, in addition, gives account of some of our most profound personal experiences, the relations of affection and of love with our loved ones.

Affectivity is framed in the context of subjectivity and consciousness. To experience oneself, to have a unique and unrepeatable personal world, is an essential feature of the human being which, in addition, is exactly what makes him or her a “who.” Attention to subjectivity is, therefore, wholly decisive in the construction of a personalist anthropology, since if there is no subjectivity there is no subject and thus no person.

- (f) *Interpersonality.* This refers to interactions between persons and the subsequent relationship established. The person is born of a relationship between two parents and, just after being born, establishes with them – especially with the mother, even in the womb – a very intense bond which decisively affects his or her future. Likewise, relations with friends, education, and culture

influence the construction of his or her identity. Personalism stresses the relevance of interpersonal in the construction of the personal identity.

- (g) *The primacy of action and praxis over the intellect.* Personalism emphasizes the relevance of will, action, and praxis trying to overcome the primacy of intellect in some philosophical currents linked to Aristotle. Will, taken to be self-determining freedom, is, from this perspective, ontologically superior to purely intellectual activity. In doing so, the practical aspect, praxis in its multiple dimensions, becomes decisive in as much as it is the medium in which the person expresses and transforms him- or herself. This orientation has made it possible to tackle many important anthropological aspects like work, economics, social philosophy, and politics in a correct way.
- (h) *Corporeality of the person and the distinction between male and female.* Corporeality appears in personalism as a personal reality, that is, as the overcoming of a merely biological vision of the body on which the spirit would exert influence. The body is the somatic dimension of the person, and, in this sense, it is inseparable from him or her. There is not a body without a person. Going further, sexuality can then be understood, as Marías and Wojtyła did, as a particular dimension of being a person, rooted in biology, but transcending it and affecting the very constitution of the subject. The person, in effect, not only has a masculine or feminine biology but is man or woman and is a masculine person or a feminine person, because having a sexual identity affects, configures, and modulates all human structures before birth, as neurology is currently demonstrating (Ruigrok et al. 2014).
- (i) *Communitarian dimension of the person.* Personalism anchors itself between the extremes of liberal individualism and the collectivism, with the objective of avoiding both the risk of making the individual a mere appendix of the social body (collectivism) and that of making him or her

an active and relevant being but lacking in solidarity and seeking only personal good, disinterested in his or her fellow citizens (individualism).

- (j) *Openness to transcendence.* The perfection of the person contrasts paradoxically with the prominence of his or her limits, with illness, finitude, and ignorance. The human mind is faced with questions which it cannot resolve by its own means: the ultimate meaning of life, the justification of the existence of suffering, the meaning of death and the mystery of the hereafter, and the identity of God. These ultimate questions, as well as the very structure of the person, which the person does not produce alone but finds in his or her own being, postulate for personalists the existence of a superior Being who gives reason to human nature and an answer of those ultimate questions of the human existence.
- (k) *Ethics focuses on the person.* This considers the dignity of the person, the primacy of the person over things, and the human development of each person.

## Personalistic Ethics

The starting point of personalistic ethics is a deep reflection on the intimate meaning of human existence, including the uniqueness of each person, and on the interpersonal relations, being conscious of the human dignity, going beyond any specific religious perspective, and invoking human reason. In spite of their diversity, personalistic ethics thinkers generally emphasize that the person internally experiences the reality of the wrong and the good as a kind of act that builds the persons or harms him or her.

In a broad sense, some classic thinkers can be considered as personalistic ethicists. Thus, Aquinas defined the person as a rational subject – and developed an ethical system around virtues, rooted in human nature, which improve the person as a human being. Kant held that no person should be treated merely as a means to an end, but only as an end.

In the twentieth century, personalistic ethics can be found, for instance, in dialogical philosophy and existentialism (Martin Buber, Gabriel Marcel, and others), who generally emphasize the role of one's own personal conscience in determining the moral rightness of an action. It can be found also in some way in phenomenological personalism, which focuses on phenomenological analyses of ethics and on a subjective axiology, which, nevertheless, depends on an objective ontology (Max Scheler and Dietrich von Hildebrand). An original proposal, which can also be included within personalist ethics, is that of Emmanuel Levinas, through what he termed *the ethics of the Other*. According to Levinas, the face of the Other comes toward me with an infinite sense of responsibility. Ontological personalism (Maritain) strongly defends a natural moral law ethics as the philosophical basis for human rights, personal virtues, and common good defined in terms of proper human ends. Modern ontological personalism seeks the foundations of ethics in the structure of human person, essentially equal for all human beings. The whole person, including his or her relational and social aspects, and what contributes to fulfilling human beings as persons, is the criterion for establishing the goodness of an action and vice-versa. This approach connects the centrality of the person with principles and virtues through the personalistic principle and the common good principle (Melé 2009) and can be applied to professional, economic, and business ethics.

According with the personalistic principle “No human being should ever be treated as mere means to an end. On the contrary, persons should be treated with respect and also with benevolence and care.” The common good principle has been formulated as: “In acting within a community, persons and social groups have to subordinate their own interests in all that is indispensable for the realization of the common good, and contribute in accordance with the needs of such a community and their respective capacities to the common good of the community.” (Melé 2009).

Ontological personalism, both classical and modern, has been suggested for bioethics

(Sgreccia 2012), business management (Alford 2010, Acevedo 2012; Melé 2009), and leadership, as theoretical support of “servant leadership” (Whetstone 2002).

Regarding the economic system, it has been argued that personalism can provide new directions to economics (Gronbacher 1998), overcoming the *homo oeconomicus* model, dominant in many economic and managerial theories (Melé and Canton 2014). The “civil economy,” which has now been rehabilitated (Bruni and Zamagni 2007; Zamagni 2012), can also be considered as personalist, since it is based on persons and their relationships – particularly the principle of reciprocity – values community, and pursues the common good. It also emphasizes the principle of exchange of equivalents and the principle of redistribution.

Personalistic ecologism (Ballesteros 1996) sees the human being as a personal body, dependent on the rest of nature and at the same time endowed with a particular dignity that makes it possible to take care of the rest of creation, as well as giving primacy to the problem of their living conditions, and obliges this. This contrasts with both dominative anthropocentrism and biocentrism and even more with eco-centrism.

In recent years, certain progress has been made on personalism and personalist ethics, principally in Europe and Latin America. Additionally, Catholic social thought incorporates some elements of this stream of thought, particularly that developed by John Paul II (Karol Wojtyła).

Although personalism is not mainstream in applied ethics, some of its key elements such as human dignity and the centrality of the person are shared by many around the world.

## Cross-References

- Catholic Social Thought
- Humanistic Management
- Levinasian Ethics in Business
- Notion of Personhood from a Spiritual Perspective

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## Person–Organization Fit

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### Synonyms

Person-organization value congruence; Value congruence

### Definition

PO fit is defined as “the compatibility between people and organizations that occurs when: (a) at least one entity provides what the other needs, or (b) they share similar fundamental characteristics,

or (c) both” (Kristof 1996, p. 4–5). The definition highlights two important conceptualizations of PO fit: supplementary fit and complementary fit. Supplementary fit refers to similarity of important characteristics of persons and organizations, whereas complementary fit occurs when persons and organizations complement each other or “when a person’s characteristics “make whole” the environment or add to it what is missing” (Kristof 1996, p. 3).

## Description of Person–Organization Fit

Although research on PO fit has a long history (Kristof-Brown et al. 2005), it has received growing attention since the 1980s. PO fit is seen as important as it is relevant in each phase of the employment relationship, from entry to long-term employment at a certain company. The attraction–selection–attrition (ASA) framework (Schneider 1987), an important model underlying the PO fit literature, underlines this. The ASA framework argues that organizational characteristics *attract* certain people which share these characteristics; people who share these characteristics are more likely to be *selected* by the organization and are more likely to stay with the organization (i.e., *attrition*). A consequence of this ASA cycle is that over time, organizations become more homogeneous as more people that share its characteristics enter and stay in the organization (Schneider 1987).

Over the years, the most common conceptualization of PO fit has been supplementary fit, with a focus on similarity of personal and organizational characteristics (Kristof-Brown et al. 2005). Although it is possible to achieve a supplementary fit on several characteristics, such as values, needs, goals, or personality, the most commonly used operationalization in empirical studies is value congruence (Kristof-Brown et al. 2005). Several meta-analyses have shown that PO fit conceptualized as value congruence is positively related to a range of attitudinal and behavioral outcomes, such as organizational commitment, satisfaction, task and contextual performance, and turnover (e.g., Kristof-Brown et al. 2005).

There are two different ways of measuring PO fit. First, you can examine “actual fit” of a commensurate set of personal and organizational values and calculate a score for value congruence (Kristof-Brown et al. 2005). For example, organizations may ask job applicants during the selection procedure to fill in a value questionnaire to assess their personal values, and a fit score can be calculated when comparing this value profile of the applicant with the value profile of the organization. Here, a set of values which is important to the organization can be selected. A second way of measuring PO fit is to measure “perceived fit” or subjective perceptions of value congruence (Kristof-Brown et al. 2005), for example, by directly asking people about their fit with the organization. Using this method, no specific values are focused upon; however, employees assess for themselves the extent to which they feel they fit with the values of the organization. The assessment of PO fit happens in the heads of the employees rather than through calculation. Both actual and perceived fit have been shown to be related to positive outcomes, albeit stronger relationships are found for subjective perceptions of fit (Kristof-Brown et al. 2005).

### Person–Organization Fit and Ethical Values

When studying organizational values, a choice needs to be made regarding which values to focus on. Many studies use a broad set of work-related values, and some focus on one specific value domain, such as ethical values. Ethical values can be considered as a subset of an organizational culture or set of values (Treviño 1986). They have an impact on individuals’ moral reasoning, as a guide to judging which behaviors are right or wrong (Ambrose et al. 2008). Ethical values are seen as an important value domain, as people tend to strongly feel about these values and they are likely to guide employees’ ethical and unethical behaviors (Treviño 1986). Therefore, in choosing an organization to work for, an organization’s ethical values are an important factor that people take into consideration. Indeed,

organizations with ethical cultures – in which managers behave ethically, and unethical behaviors are not being tolerated – attract and retain employees because they are perceived as responsible, fair, and just organizations that find it important to build relationships with employees (Ruiz-Palomino et al. 2012). In line with this, research has shown that employees who work in organizations with ethical values feel they fit better in the organization (i.e., they have higher perceptions of PO fit) (e.g., Andrews et al. 2011; Ruiz-Palomino et al. 2012). This suggests that when measuring subjective perceptions of PO fit, employees tend to include ethical values in their overall assessment of whether they feel they fit in the organization.

Besides the effects of ethical culture on general perceptions of PO fit (i.e., not specifically focused on ethical values), other studies have focused on “ethical PO fit.” Ethical fit is defined as the congruence between individual and organizational ethical values and can thus be regarded as a specific – ethics focused – form of PO fit. Most of the studies on ethical fit have conceptualized ethical fit as “actual fit”; they use the five types of ethical climate as distinguished by Victor and Cullen (1988) – instrumental, caring, law and code, rules, and independence – to calculate a match between employees’ ethical climate preferences and the ethical climate present in the organization. An instrumental climate is characterized by self-serving behavior of employees, and a caring climate reflects a concern for the welfare of both the employee and the organization. A law and code climate is characterized by compliance to a code of ethics, a rule-oriented climate is oriented toward compliance at the level of the firm, and the independence climate is focused on employees’ personal values and ethics (Victor and Cullen 1988). Studies have shown that employees who work in organizations with an ethical climate which matches their preferences, are more satisfied, more committed, and show lower turnover intentions (Ambrose et al. 2008). This positive effect of ethical PO fit is stronger for people who are more sensitive to ethical issues, as for them achieving an ethical PO fit is likely to be more important (Andrews et al. 2011).



Overall, this suggests that the ASA framework also holds for ethical values; people are attracted and selected into organizations with ethical values and employees who remain in the organization experience higher PO fit. Also, ethical PO fit is related to positive attitudes and to the intent to stay in the organization. Achieving an ethical PO fit is particularly important for people who find ethical issues important. Thus, for organizations with ethical values, selecting employees based on a combination of a fit with their ethical values and their sensitivity to ethical issues is an important way of enhancing employee satisfaction, commitment, and retention.

## Cross-References

- ▶ [Company Socialization and Ethical Fit](#)
- ▶ [Core Values](#)

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## Piketty and Wealth Taxes

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## Synonyms

Annual net taxes on financial and/or nonfinancial assets; Annual tax on net wealth; Progressive tax on personal wealth

## Introduction

This entry examines issues related to the definition, assessment and deployment of an annual progressive tax on corporate and individual financial (e.g., stocks, bonds, insurance, bank deposits) and nonfinancial (e.g., real estate, art, literature) assets or wealth.

## Description

Thanks to the brilliant treatise by Piketty (2014), wealth is beginning to get the attention it deserves as an important determinant of the quality of people's lives. Following Piketty, I use the terms “wealth” and “capital” “interchangeably, as if they were perfectly synonymous,” allowing that alternative views are also workable. For our purposes, the following sketch of certain aspects of his research will suffice. “National wealth” may be defined as “the total market value of everything owned by the residents and government of a given country at a given point in time, provided it can be traded on some market. It consists of the sum total of nonfinancial. . .and financial assets.” Within the class of national wealth, we may distinguish private from public assets and liabilities, i.e., private and public wealth. In all countries, public wealth is always very small compared to private wealth, e.g., “private wealth in 2010 accounts for. . .more than 99 percent in Britain and roughly 95 percent in France.” Within the class of private wealth,



there is again generally a huge difference between what is owned by the top 10% of wealth-holders and what is owned by everyone else, e.g., “in the early 2010s, the richest 10 percent own around 60 percent of the national wealth in most European countries. In the United States, . . . the top decile own 72 percent of America’s wealth, while the bottom half claim just 2 percent.” (Piketty 2014, pp. 48, 125, 257–8).

Piketty’s primary message is boldly stated. “The central thesis of this book is precisely that an apparently small gap between the return on capital and the rate of growth can in the long run have powerful and destabilizing effects on the structure and dynamics of social inequality” (Piketty 2014, p. 77). What’s more, as Boushey et al. (2017, p. 14) wrote: “An unequal economy is one that is lousy at turning productive potential into societal well-being.” Although the historical record is, to say the least, extremely rough, on Piketty’s reckoning, from 1000 to 2012 “the rate of return to capital (pretax) has always been higher than the world growth rate.” In fact, he claims that “the annual growth rate from antiquity to the seventeenth century never exceeded 0.1–0.2 percent for long” and the average per capita output growth rate from 1700 to 2012 was 0.8%, while “there appears never to have been a society in which the rate of return on capital fell naturally and persistently to less than 2–3 percent, and the mean return we generally see (averaging over all types of investments) is generally closer to 4–5 percent (before taxes)” (Piketty 2014, pp. 352–358). The result of these different historical rates of change is that “the distribution of capital ownership (and of income from capital) is always more concentrated than the distribution of income from labor. . . in all countries in all periods for which data are available, without exception. . . [and]. . . the upper 10 percent of the labor income distribution generally receives 25–30 percent of total labor income, whereas the top 10 percent of capital income distribution always owns more than 50 percent of all wealth (and in some societies as much as 90 percent)” (Piketty 2014, p. 244).

The persistent inequality just sketched partly explains the failure of the French revolution,

reminds us that in Irving Fisher’s 1919 presidential address to the American Economic Association he expressed the view that “the increasing concentration of wealth was the nation’s foremost economic problem,” and suggests that Emile Durkheim’s 1893 prediction that in time inheritance taxes would ensure “that ownership of property ended at death” is still unconfirmed (Piketty 2014, pp. 365, 422, 506). Piketty spends two chapters (of 16) making the case for a “progressive global tax on capital, coupled with a very high level of international financial transparency. . . [as]. . . a way to avoid an endless inegalitarian spiral and to control the worrisome dynamics of global capital concentration,” allowing that such a tax is for now, at least, “a utopian idea” (Piketty 2014, p. 515). He is not the only scholar to look beyond the immediately impossible to the maybe sometime possible (Michalos 1988; Atkinson 2015; Zucman 2015; Krugman 2017; Boushey 2017).

Michalos (1988) provides some historical background information on wealth taxation across the globe, including a review of 19 arguments used by proponents and 31 critiques of arguments used by opponents of such taxation. He did not have access to Piketty’s extensive historical trend data. Examples of proponents’ arguments include

1. Net wealth is the best measure of an individual’s ability to pay taxes. . . 5. The current unequal distribution of net wealth contributes to the unequal distribution in incomes. . . 6. The unequal distribution of net wealth prevents the equalization of opportunities for employment and other necessities of a good life. . . 10. Unlike significantly progressive income taxes which perpetuate current concentrations of wealth by preventing new accumulations, a progressive net wealth tax would reduce the size of and even eliminate some current concentrations. . . (Michalos 1988, pp. 12–13).

Examples of critiques of opponents’ arguments include

20. Insofar as equality of opportunity is an aim of a net wealth tax, that aim can be better served by improvements in the education system and by the elimination of social discrimination. . . Reply. (1) Several studies have shown that disparities in income and wealth cannot be accounted for by disparities in educational achievement. (2) Great disparities in wealth are at least as much and

probably more the cause than the effect of social discrimination. . . (3) All three problems of wealth disparities, inadequate education and social discrimination merit attention. . . (Michalos 1988, p. 22).

Although Piketty spends more time on issues related to global wealth taxation than on anything else as a direct means of arresting the growth of wealth and income inequalities, throughout his book he recognizes the multidimensional nature of wealth and income, and their variety of determinants offering additional opportunities for remedial intervention. A good summary of his views appears in Piketty (2017, pp. 545–547), partly drawn from Piketty (2014).

One should be wary of any economic determinism in regard to inequalities of wealth and income. The history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms. . . . The history of inequality is shaped by the way economic, social, and political actors view what is just and what is not, as well as by the relative powers of those actors and the collective choices that result. . . . A large number of other public and sociopolitical institutions also play an important role. These include: the development of the social state in the broad sense; monetary regimes, central banks, and inflation; labor legislation, the minimum wage, and collective bargaining; nationalization, expropriation, and privatization; slavery and forced labor; corporate governance and the rights of salaried workers; the regulation of rent and other forms of control over prices and usurious interest rates; financial deregulation and the flow of capital; commercial and migratory policies; inheritance regulations and property regimes; demographic and familial policies; and so on.

Other authors in the Boushey et al. (2017) volume provide more suggestions, especially more or less indirect strategies for decreasing inequalities. For example, Naidu (2017) recommends “robust anti-trust commitment, eliminating barriers to entry and mobility. . . public sources of investment (such as housing). . . [and] a financial transactions tax” (See also Michalos 1997); Solow (2017) suggests “a more steeply progressive income tax”; Nielsen (2017) suggests “Investing in the human capital of young children. . . early home environments, and even prenatal health and nutrition”; Tyson and Spence (2017) suggest “increasing the marginal income tax rate for top earners,” although

they are short on what to do about the inequality effects brought on by the computer/digital revolution, “imperfect competition, first-mover advantages, market power in networked systems, and the wages and livelihoods of workers who perform tasks and have jobs that can be better performed by machines at lower cost”; Milanovic (2017) suggests making greater use of Employee Stock Ownership; Lakner (2017) suggests raising tax rates on capital incomes up to those of labor incomes, raising relatively low property taxes, challenging tax havens, redistribution through cash transfers, improvements in educational opportunities, sharing benefits of automation with workers; Boushey (2017) suggests giving greater support for “women’s economic independence” by “ensuring equal access to and economic and political rights for men and women – and for those with and without caregiving responsibilities”; Steinbaum (2017) suggests that “the decline and fall of an ideology is what precipitated the egalitarian era of the mid-twentieth century”, rather than the wars and depression, and therefore remediation of current inequalities will require the election of a “working-class, left-wing coalition” with a suitably powerful ideology; Grewal (2017) suggests reforming judicial systems “that offer special protections to asset-holders; Derenoncourt (2017) suggests improvements in the collection and analysis of administrative statistics, and the provision of reparations for subjects of formally colonized countries; Jacobs (2017) suggests facilitating change through greater attention to and use of institutions like legal structures, informal rules, common knowledge, history and culture, and reminds us that “The aim is to build countervailing political power such that political equity in turn makes possible reforms to unravel the pernicious economic inequality detailed by Piketty in *Capital*.” (Adapted from Michalos (1988) and Michalos and Hatch (2019)).

## Cross-References

- [Financial Secrecy Index](#)
- [Global Corruption](#)
- [Tax Havens](#)

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## Plagiarism and Text Recycling (Self-Plagiarism)

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## Synonyms

Mosaic plagiarism; Patchwork plagiarism; Self-plagiarism; Verbatim plagiarism

## Definition

Plagiarism is defined as “taking, using, presenting others’ ideas, data, results, writings and inventions without giving due or appropriate credit

to the originator” (COPE Taxonomy 2013). The practice is commonly perceived as fraud. Plagiarism is derived from the Latin *plagiarius* and the Greek *plagion*, meaning kidnapping or kidnapper. Self-plagiarism or text recycling is defined as, “. . . sections of the same text appear (usually un-attributed) in more than one of an author’s own publications” (BioMed Central and COPE 2016). Whether presenting another’s ideas as one’s own, or presenting one’s own ideas as new material, publishers and editors of scholarly works consider both practices unethical. Plagiarism as ethical misconduct does not require a legal copyright violation; however, copyright violations can occur in conjunction with acts of plagiarism.

## What Are the Issues?

Plagiarism and text recycling in published articles and books can lead to legal issues and reputational risk for authors, journals, and publishers. In some situations, plagiarism can affect public understanding of the magnitude of a problem, particularly in biomedical research where publication of duplicate data distorts the outcomes of clinical trials of drugs and devices. Legal issues arise when copyrights are violated. Mastery of a field of knowledge, which is a requirement for higher educational degrees, cannot be demonstrated when students plagiarize the work of others or recycle their own work in their final educational products for a degree. Uncovering plagiarism is not always a simple task.

*Issues in scholarly publication.* Journal editors and publishers strive to present original and cutting-edge work to their readers. Authors are usually required to attest that the paper they submit to a journal is original, has not been previously published and is not under consideration by other journals. When a published paper is found to be plagiarized from another source or the data have been previously published, readers are cheated of new knowledge and the scholarly record is distorted. Editors correct the distortion by issuing a correction (corrigendum) to the article explaining the misconduct, or in some cases

retracting the article entirely if a correction is insufficient. Post-publication corrections are electronically attached to the article, but journals that appear in print will not have a printed correction in a timely manner. The need for corrections and retractions often take months or even years to be recognized and published.

Verbatim plagiarism is more easily detected with specialized computer programs designed to compare text from a submitted paper with text from other published sources. The comparison results in a similarity score (i.e., the percentage of identical text in the submitted paper with other sources). What is not included is any recognition of plagiarized ideas. In the pre-publication stage, editors rely on peer reviewers, experts in the field who know the evolution of the major ideas within the discipline, to detect missing or inadequate attribution of credit for ideas in a manuscript. Quotation marks around identical text along with an appropriate citation for the material attributes both the idea and the expression of the idea to the originator. Paraphrased ideas must also be properly cited to avoid the impression that the material is new, although quotation marks are not required if the expression of the idea is new. Post-publication, journal readers sometimes discover plagiarism of either ideas or text and report it to the editors. Translations of works from another language without any attribution to the original author are often discovered in this manner. Plagiarism detection software does not detect translation of previously published works from one language to another.

Editors alert readers to the misconduct based on the extent and location of overlap. Extensive overlap, bordering on duplicate publication, requires consideration of a retraction. If the plagiarism is discovered upon submission of a manuscript, it may be grounds for immediate rejection of the submission and notification of a research integrity officer or supervisor of the department of origin of the authors. It is the obligation of publishers to protect the copyrights of their authors, journals, and other intellectual property. Violation of a copyright may be grounds for legal action on the part of any aggrieved party. There are many cases on the COPE website

(<https://publicationethics.org/cases>) describing actions taken by editors and publishers to address plagiarism and text recycling. Key factors in the decision include the type of article (research vs. review), known copyright issues, and duplication of data.

*Impact on public health.* Public health decisions, including selection of appropriate treatment regimens for various conditions, are best made on the extant scientific evidence. Although scientific evidence is rarely conclusive, multiple studies on a single topic offer the best chance at determining the best evidence on which to base a clinical decision. When multiple studies have been done on a drug or device, it is common to aggregate the findings in a systematic review and meta-analysis of outcomes; to be of value, such a review is done with a rigid protocol to assure homogeneity of the studies. When data have been plagiarized and are counted in a systematic review as more than one study, the meta-analysis may be distorted. Meta-analysis is a statistical technique developed to quantitatively estimate the effect sizes of clinical interventions. This pooled analysis when done correctly can provide a more reliable estimate of true effect sizes for drugs, devices, or interventions. If the same subjects are counted multiple times in the pooled sample, the results will be inaccurate.

*Issues in education.* Plagiarism in the electronic age has become very easy – a function of cut and paste actions embedded in software programs to make writing easier. Cutting and pasting within a single document or cutting and pasting from other documents into a new document eliminates the tedium of retyping text. The functional ability to cut and paste easily, along with electronic plagiarism detection software has likely raised awareness of the problem of plagiarism in the classroom. Accidental plagiarism can easily occur when quotation marks are not appropriately included, or a longer quotation is formatted incorrectly; meticulous formatting and punctuation serve to differentiate the ideas of others from the ideas of the author.

The ability to easily access multiple publications electronically has facilitated mosaic or patchwork plagiarism, which refers to a practice

of using phrases or parts of paragraphs without attribution from one or more sources. Mosaic plagiarism is sometimes characterized by uneven or choppy writing. Intermingling sentences or phrases from multiple authors, all of whom have a distinctive writing style, can sound awkward. This awkwardness is compounded by the need to link the disparate voices together into an entire paragraph or argument in a thesis. Mosaic plagiarism is usually intentional but may result from a lack of understanding of the underlying material or a lack of facility with the language.

Universities have policies on plagiarism in student work; they also provide writing support to students to teach proper citation practices for course work, theses, and dissertations. Prior to entering university, students should have learned to use quotation marks when copying something verbatim from another source, but they may not have learned how to properly paraphrase or synthesize multiple reference sources. Courses and websites at universities devoted to academic writing include useful information on these issues. Poorly done paraphrasing simply replaces some words with synonyms while maintaining the same construction of the sentence or paragraph. Mosaic plagiarism can result from combining several sentences, poorly paraphrased, from multiple sources. A well-paraphrased idea, because it comes from another source, still requires citation to the original source but not quotation marks.

*Copyright issues.* Copyright is a legal right conferred upon the originator of a work. Usually, the copyright is held by the originator of the work, although that right can be transferred to a publisher, an institution, or another person. Copyright laws vary by country but all originate from the legal system of that country. Plagiarism can violate copyright in some instances, but it is not the same. In the publishing world, copyright to an article might be held by the author and signed over to the scholarly society that publishes the journal in which it is printed. In such a case, plagiarism of that article would infringe upon the society's rights (copyright holder) and result in loss of revenue, which could be adjudicated in a court of law. Copyright is often held by the author with an exclusive right to publish the

work granted to a publisher. Abuse of that copyright would infringe on the rights of both the author and the publisher even if there are no associated monetary benefits to the author. Although a Creative Commons license on a publication is less restrictive on sharing or distribution than traditional copyright allows (<https://creativecommons.org/licenses/>), the original creator retains credit for the work. Depending on the rights granted by the originator, an article may be reprinted as long as the original author is credited.

In academia, “fair use” policies for copyrighted words apply, and a student may include an extended quotation from another work that does not violate copyright. Fair use is not, however, a straightforward policy or law, but academic institutions retain legal counsel to interpret specific situations. If the student has properly attributed the quote to the originator and clearly differentiated the quoted ideas from his own ideas, this would not be considered plagiarism or a copyright violation. A Creative Commons license on a publication does not negate that requirement. Another common copyright issue in academics is the production of student performances using a copyrighted play. Permission is required to produce the play to avoid copyright violations but producing the play or speaking the lines in the dialogue are not considered plagiarism even if permission has not been obtained as required by copyright law.

## Cross-References

- [Duplicate Publication and Salami Slicing](#)
- [Publication Ethics](#)
- [Research Integrity and Research Misconduct](#)

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## Plato on Virtuous Leadership and Business Ethics

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## Synonyms

Justice in business; Leadership character; Moral managers

## Introduction

According to Plato’s dialogues, leaders become virtuous by diligently studying what virtue is, what justice, temperance, and courage require, and how to tell what is good from what is bad. A virtuous business leader with this knowledge then uses the virtue of wisdom to do the right thing, at the right time, and in the right way. The leader also subordinates desires for wealth and honor to what wisdom requires. After more than 2000 years, Plato’s insights into virtuous leadership and ethics in business are relevant today.

## Plato, Socrates, and Aristotle

Plato (428–348 BCE) is a central figure in ancient philosophical thought and ethics. He was a student of Socrates (470–399 BCE), wrote multiple dialogues recounting Socrates’ questioning of well-known Athenians, advised leaders and kings, founded the Academy in Athens, and taught and worked with Aristotle (384–322 BCE).

Two important distinctions need to be made about Plato’s writings before considering his virtuous leadership account. First, the account provided is designated as Plato’s and not Socrates’ account because Socrates never wrote a book and Plato’s voice is the one that presents the arguments. Second, it is assumed that Plato developed his views on virtue over time from his early, middle, and late dialogues. Unlike Aristotle who



gives a specific virtue account in the *Nicomachean Ethics*, constructing Plato's account of virtuous leadership requires gathering a variety of arguments from different dialogues. Note also that when people write about "virtue ethics" in the professions, they often mean Aristotle's account or a neo-Aristotelian account that excludes his outdated views on slavery and women. Plato's virtue ethics account is unique.

## Ethics, Virtue, and Knowledge

Many leadership and business ethics discussions revolve around ethical principles, codes, or standards that leaders should follow to make ethical decisions. For Plato, finding the perfect set of ethical principles was not his goal. He directed his attention to the more fundamental state of a person's character (*ethos*) which is the seat from which virtue arises. Plato tries to explain how to develop virtuous people and leaders. He does not ask "What is the just thing to do?" but instead asks "How does one become a just person?"

The word translated "virtue" is the Greek word *arête* which means "excellence" or a characteristic of something or someone which disposes it/them to do something well. For example, a good eye has the virtue (excellence) of seeing well and a good auditor has the virtue (excellence) of identifying accounting mistakes. Lacking these virtues indicates that they are not a good or well-functioning eye or auditor.

In the realm of moral excellences or virtues, Plato wrote dialogues in which his main character Socrates challenges people to give an account of specific virtues like justice or courage. In the *Meno*, Socrates takes on the broader task of finding an account of virtue itself. He invites the handsome, wealthy, and impatient young leader Meno to join him in constructing the account. Meno wants a quick answer, but Socrates knows that Meno will only learn if he struggles to find an answer. Meno argues that virtue itself is benefiting your friends, harming your enemies, ruling over people, and having power to get what you want like gold, silver, and honor. Socrates leads Meno to refute his own definitions one by one. Finally,

Meno agrees with Socrates that acquiring power and goods is not virtue, but *how* they are acquired is the virtuous part. Socrates says, "Then to provide these goods would not be virtue any more than not to provide them, but apparently whatever is done with justice will be virtue, and what is done without anything of the kind is wickedness" (*Meno* 79a) (Plato 1997).

Plato presents two central aspects of virtue and becoming virtuous in the *Meno* and similar dialogues. The first is that to become virtuous, one must *know* what virtue is and what it is not (*Meno* 100b) (Plato 1997). Plato says that Socrates did not know anything, and that is why Socrates invited self-professed "virtue experts" to let him question them. In these dialogues, Socrates usually leaves his partners frustrated because they cannot give an account of the virtues that they professed to know. Plato recounts what Socrates said before a jury in Athens: "I found that those who had the highest reputation were nearly the most deficient, while those who were thought to be most inferior were more knowledgeable" (*Apology* 21e) (Plato 1997).

Plato does contend that we can come close to knowing an account of virtue and that this knowledge guides us to act virtuously. Consider courage. When a senior manager *knows* that he/she should not fear those who want to cut the safety budget which will harm employees and the company, then he/she can courageously defend his/her budget. Similarly, if a CEO *knows* that telling the truth to investors is the just thing to do and lying to them is unjust, then he/she should tell the truth. The issue of what motivates virtuous action is addressed later.

In addition to pursuing the knowledge of virtue and specific virtues, a virtuous leader must also learn what is *good* and *evil*, and what is *noble* and *shameful*. The Greek phrase *to kalon* is translated as "noble" which expresses a fine, beautiful, and admirable goodness. Examples would be a well-trained athlete competing fairly or a leader giving team members the credit they are due. A leader searching for an account of a virtue will also be searching for what is good and noble. Plato states that pursuing an account of courage also results in pursuing an account of a "fine and good" person

(*Laches* 187d6-188c3; Plato 1997). Here is where ethical principles and theories can guide the leader in determining what is good and noble.

The second aspect of becoming a virtuous leader is *diligently and humbly* pursuing the knowledge of the virtues. In the *Meno*, Plato concludes that virtue can be *learned* even though it probably cannot be *taught*. The virtuous leader continually pursues the knowledge of virtue and does not wait to be taught. Plato compares the pursuit of virtue to the pursuit of wealth by a citizen named Anthemion. Socrates tells the impatient Meno that Anthemion “did not become rich automatically or as the result of a gift . . . but through his own wisdom and efforts. Further, he did not seem to be an arrogant or puffed up or offensive citizen in other ways, but he was a well-mannered and well-behaved man” (*Meno* 90a) (Plato 1997). Similarly, learning virtue requires diligent and humble effort.

A virtuous leader’s *ethos* is founded on the pursuit and acquisition of the knowledge of virtue, the virtues, and what is good and noble. Plato uses several models of virtuous leadership (e.g., doctors, ship captains, and teachers) to reinforce the importance of knowledge and expertise for leaders (Scott and Freeman 2021). Plato, however, warns about leaders who lack this knowledge and lead people astray.

### Warning: Leaders Who Are Ignorant of Virtue

Ancient Athens had its share of manipulative orators (public speakers) and sophists (private teachers) who persuaded people to believe things that may or may not be based on knowledge. In the *Gorgias*, Plato warns that a skilled and ignorant orator can use *rhetoric* (persuasive speech), to convince people about what is “just and unjust, what’s shameful and admirable, what’s good and bad. . .” (459d) (Plato 1997). The result is people following leaders to their own harm. These influencers may spread their own false views or merely reinforce the popular but mistaken views of the crowd.

In business clear examples can be seen of leaders who lack the knowledge of what is good and just and then lead many to invest in failed ventures. The investors in the company Theranos believed its leaders who said that they had developed a new blood-testing technology. The technology did not work and investors lost hundreds of millions of dollars (Carreyou 2018). Similarly, Jho Low was the leader of the 1MDB Malaysian wealth fund who persuaded Goldman Sachs’s bankers to organize a bond sale even though the financials supporting the bonds were inaccurate (Wright and Hope 2019). Goldman Sachs’s was fined over \$5 billion for its involvement in the 1MDB scam (Michaels et al. 2020).

In cases of corporate deception, Plato could argue that these leaders do not truly *know* what is noble and just. Instead, they follow their own subjective *opinions* and then use persuasive speech to convince others to follow. But what leaders are doing seems to be more dynamic than a lack of knowledge. Plato sees this gap and expands on his virtue = knowledge view with an account of motivation.

### The Moral Psychology of Virtuous Leaders

In the *Republic*, Plato describes three classes of people in a city (money-makers/producers, guardians/soldiers, and rulers/philosopher kings), three “parts” of the human soul (appetitive, spirited, and rational) that match them, and the three virtues that align with each. Plato uses this framework to explain the moral motivations that virtuous leaders must develop.

The money-lovers or producers make up the majority of society. They are merchants, bankers, farmers, doctors, architects, ship captains, and others who work regular jobs. Plato broadly generalizes that these people are attracted to gaining wealth to buy things that bring pleasure. The producers align with the *appetitive* part of the soul which seeks pleasure from food, drink, sex, and other things. The knowledge of which appetites to fulfill and which ones to ignore is the virtue of *temperance* or self-control. The knowledge found

in temperance is limited in scope, like deliberating about eating a cheeseburger or a salad given one's health goals. Plato argues that in a city and in one's soul, the virtue of temperance appears when the attraction to pleasure (e.g., cheeseburger) is subordinated to the best ruler and virtue, wisdom (*Republic* 432a) (Plato 1992).

The guardians or soldier class are those young men and women who are naturally attracted to honor. Following Plato's contention that virtue requires knowledge, these young people are trained on the knowledge of what is actually pleasurable and painful, fearful and harmless. For example, feeling pain in battle should be perceived as pleasure because it is for the purpose of defending the city (*Republic* 429d) (Plato 1992). Plato aligns this class with the *spirited* part of the soul which is naturally attracted to honor and victory. *Courage* is the virtue that the spirited part demonstrates when it is trained on the knowledge of what to fear and what not to fear (*Republic* 429b) (Plato 1992).

The final class is the rulers or philosopher kings, of whom there are few. The philosopher-kings love learning and are attracted to seeking knowledge of what is virtuous and good (*Republic* 428e) (Plato 1992). An attraction to learning, however, does not qualify someone to be a ruler. Plato outlines an extensive leadership training program. Candidates must first complete years of physical training, a decade of math and science studies, and then five years of practice in argumentation. Only the top students enter a 15-year apprenticeship where they will hold different jobs in the city. Plato states, "But in these [positions], too, they must be tested to see whether they'll remain steadfast when they're pulled this way and that or shift their ground" (540a) (Plato 1992). By having knowledge and training in virtue and what is good, these virtuous leaders will not be deceived or easily tempted away by false accounts of virtue. At the age of 50, these male and female leaders will be strongly encouraged to rule the city and prepare the next generation of philosopher-kings (Bauman 2018). A main task of the philosopher-kings (and queens) is building healthy relationships between the producer and guardian classes.

The *rational* part of the soul matches the rulers and is characterized by the wise oversight of the whole soul (*Republic* 428c) (Plato 1992). Just as the rulers harmonize the other classes, the rational part of the soul guides and harmonizes the appetitive part with the spirited part. The virtue aligned with the rational part is *phronesis* which is wisdom and prudence. Wisdom can be defined as the knowledge to assess a situation and doing the right action, at the right time, and in the right way.

Plato's virtuous leadership framework combines knowledge and motivation, and outlines three additional requirements for virtuous leaders and the corporate cultures that they create.

1. *Recognize and manage the attraction to wealth and pleasure.* The attraction to wealth and pleasure can overcome leaders who lack temperance because they do not submit to wisdom. The news contains many stories of leaders who ruin their companies and careers because they pursue wealth and pleasure and not wisdom. Accounting fraud, hiding safety issues, sexually harassing coworkers, and intentional discrimination are symptoms of a leader who lacks temperance. Plato warns that leaders and organizations dominated by a strong attraction to wealth will devalue virtuous people. He states, "So, when wealth and the wealthy are valued or honored in a city, virtue and good people are valued less" (*Republic* 550e) (Plato 1992).
2. *Recognize and manage the attraction to honor and fame.* Plato also warns that leaders who are attracted to "winning" at all costs and seeking fame destabilize themselves and their organizations. While wisdom ensures that each virtue is doing its job, an overemphasis on courage can motivate the leader to forget what should be feared. These leaders and their companies may launch expensive and risky ventures and then rationalize their actions when they fail. The culture may justify lying to regulators in order to dominate a market, like Volkswagen AG's engineers did with their emission-defeating software (Tabuchi and Ewing 2016) or deceiving large clients about a product like Theranos did to Walgreens (Carreyou 2018).

3. *Gain wisdom by asking questions and training.* The way to defeat the uncontrolled attraction to wealth, pleasure, and fame is to commit oneself to gaining wisdom. Virtuous leaders know enough about virtue and what is good so that they do the right thing, at the right time, in the right way. Leaders with wisdom are always learning and tend to consistently do two things. First, they ask a lot of questions because they *know what they do not know*. They question people intensely until they understand enough to make a decision, or delegate the decision to more experienced people (Collins 2001). Second, like the philosopher-kings, virtuous leaders spend time learning about operations, customers, investors, government regulators, and employees with the purpose of coordinating and harmonizing their resources to fulfill the organization's purpose.

Virtuous leaders pursue the knowledge and motivations to be temperate, courageous, and wise, but where is the central virtue of justice?

### The Just Leader

A common ancient definition of justice is “to give to each what is owed” and injustice is “outdoing” others (Gk. *pleonexian*) or taking more than what is owed (*Republic* 331e, 344a) (Plato 1992). The character Thrasymachus in the *Republic* disagrees. He states that, “A just man always gets less than an unjust man” because he cheats and takes as much as he can in business (*Republic* 343d) (Plato 1992). An example of injustice today could be the leaders of social media, search, and app companies which are gathering more and more user data without asking what users are owed.

Plato recognizes the temptation to act unjustly by acquiring more than what is owed, and he argues that a person who lacks temperance is on a path to poverty and ruin. No one trusts Thrasymachus' unjust person. The best employees and managers will not work for this leader, and banks will not agree to contracts unless they are paid more than usual (*Republic* 579e)

(Plato 1992). The unjust leader must pay more for everything in the long run.

Plato explains that justice *emerges* in the city and organization that is led by the wise and virtuous leader. Justice is “doing one's work and not meddling with what isn't one's own” (*Republic* 433b) (Plato 1992). Bauman (2018) states that Plato “explains that when wisdom (i.e. rulers who harmonize relationships), courage (i.e., preserving beliefs about what is truly pleasurable and fearful) and temperance (i.e., the harmony of all groups agreeing on what is best) exist in the city, that justice ‘is the power that makes it possible for them to grow in the city and that preserves them (433c). Justice emerges when citizens do their own work and it contributes more to the virtuous city than the other three virtues’ (14).

To become a just business leader only requires becoming a virtuous leader.

### Conclusion

Becoming a virtuous leader, making ethical business decisions, and creating a virtuous organization are lifelong pursuits. Any professional who wants to pursue these goals starts by learning what is actually virtuous and noble. While learning this specialized knowledge, the professional practices harmonizing the virtues of temperance, courage, and wisdom. The result, according to Plato, will be leaders who have well-ordered souls that create well-ordered and harmonious organizations which are characterized by justice. The noble organization gives employees, customers, investors, and communities what they are owed and those who shamefully take more than what is due are removed.

### Cross-References

- [Aristotelian Business Ethics](#)
- [History and Philosophical Foundations of Ethics](#)
- [Role of Philosophy in Business Ethics](#)
- [Virtue Ethics](#)

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## Polar Tourism: Ethical Issues

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## Synonyms

Antarctic tourism; Arctic tourism

## Introduction

Tourism activity in the polar regions has garnered considerable research and government interest (Stewart et al. 2017). Though tourism numbers are small compared to mainstream destinations, the stakes in polar tourism are high given the pressures exerted by industry growth in combination with environmental sensitivities and global

influences including climate change and resource development. The Arctic and the Antarctic share some similarities, but the differences are significant in respect of tourism development and potential. Nonetheless, the ethics of polar tourism for both regions fall under the broad concerns of sustainable tourism and ecotourism, reflecting ethical questions around behavior of the industry and tourists, impacts on the environment and people, and the extent of local involvement, with a view to developing tourism that is sustainable and appropriate.

## Toward Sustainable Tourism Through Ethics

The tourism industry worldwide has spent several decades considering major ethical issues around sustainability in regions where the activity has the potential to cause harm to the environment and to people (see Fennell and Malloy 2007; Grimwood and Fennell 2011). Both the Arctic and the Antarctic are regions where there is great potential for tourism to harm flora and fauna, physical and cultural landscapes, and affect individuals and their communities. Tourism operators must ask whether they should participate in polar tourism and, if the answer is yes, ask how they can minimize their negative impacts and optimize their positive impacts. Part of that answer will reflect the kind of tourism operators wish to pursue. Operators who follow an ecotourism approach will seek to have minimal impacts on the environment and on local communities while ensuring manageable impacts, including the pursuit of positive local outcomes.

In the Arctic, ethical questions include those related to ensuring local and Indigenous involvement that supports their participation as employees and owners of tourism businesses. A key starting place for operators from outside the Arctic is to establish effective consultation with communities and their governments to ensure that tourism activity is desired. In the Canadian Arctic, for example, several communities (e.g., Arctic Bay and Clyde River) have

requested a moratorium on tourism development at various points in order to develop local tourism development plans and guidelines that ensure local benefit and minimization of negative impacts. Ethical operators make a point of asking about desired tourism development rather than assuming that all tourism will be welcomed.

Related to this is the extent of local involvement and control. Arctic regions often provide destinations and opportunities for tourism activity without sufficient control over the products and economic benefit. True partnerships require that local operators have decision-making capacity and participate in and benefit from the profits. The economic leakage that has been the standard with head offices located far away does not provide local businesses with sufficient opportunities. Given that destination areas pay the costs of tourism, it is only fair that more benefits remain local.

Svalbard and the entire Antarctic have no Indigenous populations, but in both areas, science and conservation have become significant. Svalbard, managed by Norway, has clear expectations about behavior by the tourism industry and tourists. A strong local tourism industry has evolved, ensuring that there is a good degree of local control and economic benefit. Much of the European Arctic is fully integrated into national economies, but even in these areas, tourism businesses must ensure local involvement in both the control of the activity and in the benefits of the tourism economy.

In the Antarctic, concerns about industry development were at the heart of the creation of the International Association of Antarctica Tourism Operators (IAATO), an industry membership group that has been at the forefront of managing tourism. In this polar region, ethical questions revolve around ensuring tourist behavior and industry practices cause as little damage as possible to the fragile and largely pristine environment while ensuring the ongoing existence of a tourism industry. The nature of the tourism product requires considerable management of both tourists and operators so that all visitors have the opportunity to see a “pristine” polar wilderness.

In both polar regions, concerns about managing impacts in order to limit damage to the environment and local culture, or in the case of the Antarctic, valued historical artifacts, resulted in the creation of codes of conduct for the industry and visitors. Created by various groups and reflecting distinctions between the two polar regions and within the Arctic region itself, these codes are an attempt to respond to the largest ethical question of sustainable tourism: how can we have a tourism industry without destroying the integrity of the environment and culture upon which it is based? Codes are used to educate operators and tourists about their impacts, best practices, expected behavior, and in some cases legal obligations. As a form of self-regulation, codes largely require their audiences to buy-in to the position that following them is the right or ethical thing to do.

Education of visitors in many parts of the polar regions includes the concept of “ambassadorship” (Maher 2011), the idea that those who are privileged to visit these special areas often feel compelled to help protect them. Visitors are encouraged by operators to support conservation efforts and community projects, for example, through financial donations, continued education, and sharing new knowledge with others when they return home. For tourists who are themselves concerned about tourism ethics, the act of ambassadorship might be seen as a way to balance their negative impacts. Because visiting the polar regions is often viewed as a “once in a lifetime” experience, ambassadorship has, in some cases, been highly effective in helping to raise funds and awareness for conservation efforts (Frew 2012). A note of caution is raised in research by Powell et al. (2008), who found that there is no direct match between the intentions fostered through the idea of ambassadorship and actual behavioral change following the trip.

The contribution of air travel to greenhouse gases is well known, as is the disproportionate impacts of climate change on the polar regions, particularly the Arctic. A developing ethical issue for industry and tourists alike is reconciling the benefits of polar tourism that accrue to the wealthy few who can afford polar travel and the changes to



the Arctic environment that threaten residents and the ecosystem alike. Into this mix are added questions related to last chance tourism (travel to see places and people affected by climate change before they are “gone”), the desire of communities in these regions to engage in economic opportunities such as tourism, and the contribution of tourism to environmental and cultural changes already occurring through these other global forces (Dawson et al. 2011; Eijgelaar et al. 2010; Lemelin et al. 2010). The interaction of local and global forces in polar tourism requires careful consideration of ethics for operators, tourists, governments, and other stakeholders if the hope of sustainable tourism is to become reality.

## Cross-References

- [Economics, Ethics, and the Environment](#)
- [Environmental Change in the Arctic](#)

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## Political Philosophy and Business Ethics

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## Synonyms

Governance; Normative Ethics; Political Science; Political Theory; Professional Ethics

## Definition and Introduction

In this discussion, we consider political philosophy as a branch of philosophy studying the way human communities and societies create and maintain various forms of governance for the good of constituent individuals and groups. Governance as a system of conducting the affairs of the *polis*, i.e., the participating community of citizens, is the basis of society’s political life. Hence, political philosophy is the practice of thinking reflectively about the nature of governance, political institutions, and power, understood as a constitutive factor in the relationship between governing and being governed.

Ontologically, political philosophy is concerned with the nature of political systems and relations, and of the values and principles that may be governing them. Epistemologically, the focus of political philosophy is on the role of

knowledge and ideas in structuring people's understanding of political purpose, legitimacy, and authority. Allied with normative ethics, political philosophy engages in appraisals of past and existing governance arrangements and their impact on the wellbeing of societies, communities, and individuals – by reference to some ideal of the good. It also conceptualizes and evaluates proposals for the future of human communities and societies, using normative principles such as justice, rights, needs, equality, desert, responsibility, freedom, and life chances.

Topics of central interest in political philosophy include:

- The (tacit or explicit) social contract between citizens in a *polis*, as a fundamental principle that makes social and political order possible.
- Forms of government of the *polis*, in particular the sources and principles of governing citizens, and the use of power and statecraft in international relations.
- Private and public property, and the rights and responsibilities that governments have in relation to both.
- The rights and liberties, duties and obligations of citizens, as well as how citizenship is defined and articulated.
- Authority and legitimacy, i.e., their nature, forms and grounds, and their manifestation in various political orders, from democracy to totalitarianism.
- The role of public discourse and ideology in structuring political relationships and outcomes in a community.

As a key political influencer and decision maker, business plays an increasingly important role in shaping today's mainstream philosophical perspectives on how communities, local, national, and global, should be governed. It is therefore imperative that the ethics of business practices be informed, as much as possible, by the most advanced and enlightened thinking political philosophy has to offer.

## Description

The business ethics literature has sought to address and apply all the topics mentioned above in order to illuminate the mutually influencing relationship between business and the polis. For example, it has discussed: business as bound by social contracts; corporate governance as a political process mirroring those practiced in the wider society; interactions between private property and labor as sources of capital and issues of corporate ownership; corporations as citizens and the nature of corporate citizenship; corporate legitimacy and authority, and the scope and limits of democracy in organizations; and organizations as networks of power relations and loci of ideological control. The main arguments raised in each of these discussions are outlined below.

## Social Contracts, Hypernorms and Business Ethics

The social contract is a core concept in political philosophy, developed by a long series of prominent thinkers – from Hobbes (1651), Locke (1689), and Rousseau (1762) to Rawls (1971) and Gauthier (1986), among others. The notion of a social contract, understood as a nexus of implicitly agreed norms by which people (individuals and groups) live together in society, has for centuries provided a framework for explaining and justifying: (1) what private interests should be sacrificed in order to promote more fundamental liberties for all citizens; and (2) why more comprehensive forms of governing structures (such as governments) should be accepted, in order to oversee and enforce such norms. Inspired by this tradition, Donaldson and Dunfee (1994) established an integrative social contracts theory (ISCT) as a normative theory of ethics in and for business. The application of ISCT to business activity helps us identify and understand the “ties that bind” businesses – in other words, their social, political, and moral obligations to the wider community and its citizens. The theory is integrative because it articulates *microsocial contracts*, i.e., agreements on ethical behavior in business, as established between members of a particular economic community, with

*macrosocial contracts*, i.e., hypothetical agreements on how economic activities should be carried out using moral norms that belong to the wider community. Further, the norms that emerge through genuine agreement between businesses as economic agents in a particular context are bound by universal moral principles called *hypernorms*, which set the ethical criteria for evaluating all other norms.

ISCT has gained wide acceptance across business ethics. However, some commentators argue that ISCT, like other social contract approaches, places too much reliance on the assumption that moral reasoning can be free of the encumbrances of everyday life (Frederick 2000). A variety of alternatives has been proposed, including communitarian, discourse, and dialogic approaches contending that political reasoning cannot be abstracted from historically embedded cultural values and norms (Macklin and Mathison 2017).

### **Corporate Governance as Political Process**

Discussions of corporate governance go to the purposes of organizations and how they should be governed in pursuit of these purposes. Increasingly, relevant analogies are drawn between governing organizations and governing nation states, societies, and markets. Specific to corporations, of significant concern is the political role and status of shareholders. The orthodox position identifies the maximization of shareholder value as the primary principle of governance (Cragg and Matten 2011). Nevertheless, increasing numbers of authors are challenging any sole focus on shareholder supremacy, arguing that managers have ethical duties towards a range of other stakeholders, including employees, consumers, and the environment (Freeman et al. 2010). These discussions raise questions of principle about the responsibility that senior managers and boards have towards potentially vulnerable groups.

### **The Role of Property and Labor as Sources of Capital and Corporate Ownership**

Allied to discussions of corporate governance is a debate that involves business ethics in the relationship between labor and capital. The question of what governance role and rights employees

should have in an organization has been raised following observations about the dominance of capital owners, rather than labor owners, in governing the productive organization. Traditional conceptions of corporate governance support a share-ownership model for justifying governing power – to the extent that, if employees are to be involved in the governance of the firm, they should be shareholders (Jensen and Meckling 1979). Alternative arguments (see Boatright 2004) use the language of political rights to cast ownership as attaching to a right to the revenue produced by organizational activity. As labor power is an asset that employees invest in firms, it implies ownership and, as such, a right to some share of revenue. Primarily, employees exercise a governance role through their right to shape the terms and conditions of their employment.

Opposing the liberal tradition of political economy, Marxist labor process theory (LPT) reverts the capital-labor balance in the ownership debate almost entirely in favor of labor, emphasizing its central role in generating revenue and ultimately driving economies. According to Marx (1867), and later LPT, a logic of capital accumulation drives owners of capital to continually seek new ways to produce goods and services more effectively and efficiently. This urge to revolutionize the labor process is portrayed as driven by incessant competition between capitalists, as well as between capital and labor. Because of the indeterminacy of labor, employees can, however, resist efficiency drives and act autonomously. Consequently, owners of capital through the agency of managers will continually seek new ways to control the activities of labor (Thompson and Vincent 2010). Given employers' relative power vis-à-vis employees, this results not only in the exploitation of workers but also in ongoing structural antagonism between capital and labor. To understand and improve on current corporate governance arrangements in capitalism, it is therefore important to examine how the frontiers of capital's control of labor at the workplace are constructed and sustained (Edwards 2010). Ethical managers, therefore, not only have to make decisions that uphold workplace justice and mitigate the effects of exploitation but also have to face up to this

structural antagonism as an ongoing source of workplace conflict and ethical dilemmas.

### Corporate Citizenship: Political Theories of Corporate Social Responsibility

Applications of political philosophy to organizations, industries, and markets portray corporations as types of political communities requiring strategies and techniques aimed at internal governance. An emergent body of literature focuses on the outward-facing political role of corporations in global and societal governance. While organizations have often been regarded as political actors in societies, alongside other groups such as trade unions and community groups, they have usually been considered as primarily independent from the state. In western democracies, the state tends to be cast in the role of governing pluralist societies for the greater good, which requires that it should mediate the contending claims of different groups, including corporations.

However, the once-clear division between the economic role of business and the political role of the state is now blurred. It is argued that business firms, driven in part by globalization, are increasingly taking on governance tasks in and across societies. The erosion of the nation state's capacity to regulate economies, particularly given the influence of globalized financial markets, is creating a gulf that corporations are voluntarily seeking to fill. By doing so, they attempt to regulate their activities and pursue ends in ways that contribute to the common good. This development has been named political CSR (Scherer et al. 2014).

Political CSR cannot be seen in purely instrumental terms: in some cases, corporations are acting as social innovators for the public good, and not just pursuing private interests narrowly and simplistically conceived. However, the emerging role of corporations in the *polis* raises important questions about the risk posed by current corporate governance structures to democracy and democratic institutions (Scherer et al. 2014). With respect to this risk, both Friedman's warnings about the ability of corporations to competently pursue non-economic ends (1970) and Marxist-inspired arguments that fundamentally

question the genuine interest of multinational corporations in leading the way towards the public good become relevant.

### Corporate Legitimacy, Authority, and Democracy

In political philosophy, legitimacy is defined as adherence to voluntarily (albeit often tacitly) agreed norms of social, political, and moral behavior by those who are to live by these norms. Public authority, such as that of government over its citizens, is then justified on the basis of such norms (Rossi 2014). Legitimacy is the foundation of laws, which in turn combine with the free, voluntary support of the citizens to confer on the state the authority it requires in order to govern. One of the recurrent questions political philosophy has sought to answer is: what form of social-political order (and therefore government) is most appropriate for maintaining an optimal relationship between legitimacy and authority? In theory at least, democracy has been preferred to autocratic government (Keane 2009).

Applied to the ethics and social responsibility of business, the concepts of legitimacy and authority have been discussed in relation to principles of discourse ethics and deliberative democracy, as outlined through Habermas's (1987) theory of communicative action. Corporate legitimacy is thus analyzed as the outcome of deliberation processes whereby the purpose of achieving legitimacy should be moral (i.e., providing strong reasons for a foundational social good) rather than cognitive (i.e., satisfying public perceptions) or pragmatic (i.e., satisfying powerful stakeholders). In line with this purpose, corporations (multinationals in particular) are increasingly expected to engage in public justifications of their actions in a permanent dialogue with society and its stakeholders (Palazzo and Scherer 2006). Corporate executives are therefore drawn to reflect on ethical questions that are closer to political philosophy than to business management. A key skill of the executive resides in integrating the two and translating this hybrid perspective into coherent, legitimate, successful corporate action.

## Power Relations, Governmentality, and Corporate Ideology

The role of power in social and political relations has been a constant preoccupation in political philosophy. For contemporary theories of organizational management and control, Foucault's concepts of pastoral power (2000), disciplinary power (1975), and governmentality (1991) are seminal. His ideas have provided business ethics thought (as well as related empirical research) with a solid theoretical foundation for exploring the impact of institutionalized forms of power on individual autonomy, the construction of the subject in organizations (especially through ideology and discourse), and the diffusion of governing action through socially accepted forms of knowledge and self-correction. In this context, ethics is not about enforcing the organization's institutionalized norms of subject construction: on the contrary, it is the space where critical reflection on such constructions and norms, by managers and subordinates alike, becomes possible and, consequently, it is the source of emancipatory change in power relations and business practices (see Ibarra-Colado et al. 2006).

Foucault-inspired investigations of dominant ideologies in organizations, advanced by critical management studies, have also led to new developments in business ethics. For example, human resource management research has been found to adhere to unitarist assumptions that portray organizations as sites of consensus and common objectives, editing out possibilities of legitimate discord and conflict (Geare et al. 2006; Greenwood and Van Buren 2017). Unitarism is not only an all-encompassing ideological framework determining how employers and employees do, can, and should understand and conduct their relationship. It also prevents researchers from challenging the foundations of their own theoretical frameworks and distorts the scope and limits of business ethics in both theory and practice.

## Summary

Theories and arguments advanced in political philosophy have often shaped central ideas and

debates in business ethics. Furthermore, philosophical explorations of concepts such as autonomy, responsibility, power, ownership, justice, rights, and discourse in the context of organizations and workplaces embedded in local, national, and global communities are likely to continue, to the benefit of both domains. Discussions of ISCT and its alternatives provide nuanced approaches to grounding political and moral norms in organizations, offering a fertile context of application for political theories. Philosophical questions about governance and ownership continue to shape analytical and normative discussions of how organizations in capitalist economies are and should be regulated. The emergence of political CSR and a political role for business executives can be seen as highlighting the centrality of corporations to the governance of global concerns such as poverty and the environment. Despite a widespread application of philosophical notions of power, ideology, and discourse in the study of management and organizations, business ethics as a critical field of inquiry is yet to develop an appropriate space for engaging with more recent, alternative advances in political philosophy – in particular, those adopted and developed in the emancipatory programs of feminist and postcolonialist research.

## Cross-References

- [Corporate Governance](#)
- [Corporate Social Responsibility](#)
- [Marxism](#)
- [Property Rights](#)
- [Role of Philosophy in Business Ethics](#)

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## Ponzi Schemes

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## Synonyms

Fraud; Scam; Shell game

## Introduction

A Ponzi scheme is a variant of a confidence scam, in which returns paid to investors are drawn not from genuine profits, but from capital provided by new investors. Investors are deceived into thinking that the returns are in fact genuine profits and they consequently reinvest (or “rollover”) their investment and/or encourage others to commit new capital to the apparently lucrative investment opportunity. Ultimately, however, if investors decide to withdraw from the scheme, or if the supply of new entrants falters, the scheme collapses as there is insufficient capital to continue paying the promised returns. As long as there are new entrants, however, Ponzi schemes can continue undetected for years, and even decades.

## Key Characteristics

Although Ponzi schemes are presented in a variety of forms, they all rely upon the separation of the principal (who provides funds for investment) and the agent (who supposedly invests these funds) that is characteristic of modern investment



practices. Where all such investments accordingly rely on a degree of trust between the principal and the agent, Ponzi schemes exploit this trust. In order to ensure continued support, the schemes must nevertheless take on the appearance of legitimate investments, and so considerable effort is taken to falsify statements and provide misleading information to existing and potential investors. As they entail the deliberate use of deception to achieve personal financial gain, Ponzi schemes are all clear examples of financial fraud.

There are a number of other features that are common to some, but not all Ponzi schemes. In many cases, Ponzi scheme operators specifically target members of a single identifiable group, such as professional association, religion, or ethnic heritage (and thus provide an example of “affinity fraud”). The operators may either fall within such a group themselves or they may pose as a member of the group in order to gain trust. By doing so, they are then able to rely on the heightened trust that members of the group place in each other, and when some members extol the benefits of the investment to others, this can more easily draw in new investors.

In order to maintain credibility, schemers often appear to be wealthy themselves, with enviable business acumen and connections. They sometimes also maintain legitimate business operations alongside the Ponzi scheme. In some cases, the scheme may itself begin as a genuine investment, but become a Ponzi scheme when the anticipated returns do not materialize and the agent then uses new capital to pay fictitious returns. To appear genuine, schemes deliberately adopt language and conventions that investors may associate with stability and reliability, such as the name of the company, the location of the offices, and the technical details of the investment itself.

While the promised returns themselves may sometimes appear to be obviously unrealistic, in many instances the returns promised are attractive in terms of their regularity and their ability to consistently outperform comparative investments. Ultimately, to continue to attract new investors, they need to only offer a more appealing risk/return trade-off than alternatives. The victims of

Ponzi schemes are accordingly widely drawn, from retirees with little knowledge of investments to international financial corporations with sophisticated investment credentials.

## **Schemers and Their Victims**

Although there has been a wide variety of Ponzi schemes, at different times and across different locations, it is possible to identify some similarities in the psychology of those who perpetrate Ponzi schemes as well as those who fall victim to them. As confidence tricksters, Ponzi scheme operators necessarily have the personality traits and skills required to convince potential investors that the scheme is both genuine and better than alternative investments. Furthermore, as the investors need to be assured that they are indeed receiving the advertised returns, the operator must build a positive relationship with each investor to ensure that trust is maintained over a substantial period of time.

Ponzi scheme operators, like other fraudsters, are often motivated by personal greed, and the desire to acquire greater wealth. The appearance of financial success can then assist in enhancing their credibility as investment managers. However, the persistence of Ponzi schemes (and the operator’s decision not to simply abscond with the funds) suggests that Ponzi scheme operators may also have a misplaced self-confidence, believing that they can either turn the scheme around (and make legitimate profits), or continue evading regulators indefinitely. Furthermore, given that some Ponzi scheme operators (including Bernie Madoff, see below) had already achieved significant financial success, it has also been suggested that operators have narcissistic tendencies, using the perceived success of the scheme as a means of obtaining personal approval, while displaying no empathy for their victims.

Regarding the victims, there are clearly some instances in which they enter the scheme out of a desire to “get rich quick,” without real consideration of the merits of the investment and whether the advertised returns are probable. However, in

all but the simplest of schemes, potential investors are presented with investment opportunities that appear to be genuine and that offer returns that are not unreasonable, but merely present a more attractive risk/return trade-off. Given that genuine investments are often complex, with investors having little real understanding of the underlying technicalities, it may be more appropriate to characterize victims as overly trusting than simply gullible. Measures to avoid Ponzi schemes therefore focus on identifying potential warning signs or “red flags” that may raise suspicion about the credibility of any investment opportunity (see, for example, US Securities and Exchange Commission [2013](#)).

### Pyramid Schemes and Ponzi Finance

Ponzi schemes are sometimes compared to Pyramid schemes, and there are indeed similarities, where both schemes involve the absence of a genuine investment/product, and some reliance on new entrants to the scheme. However, a Pyramid scheme, as the name suggests, is hierarchical in nature, where each new entrant has no prospect of any return unless he/she recruits two (or more) further entrants. Each new entrant to the scheme then pays a fee/commission to someone higher in the hierarchy. As Pyramid schemes rely on an exponential increase in entrants, they do not typically last long. Although some Ponzi schemes have used intermediaries, and they do require new investors (who may be attracted to the scheme based on the testimony of existing investors), the need for new investors is not exponential, and accordingly they have the potential to last for a longer period.

Reference is sometimes also made to Ponzi finance. This, however, relates to a risky approach to debt servicing, where interest is not paid from operations (the funds not having generated sufficient revenue), but from taking on further debt. While new debt may be available as long as the underlying assets increase in value, the system collapses when asset values eventually decrease. Although this Ponzi financing is unsustainable in

the long run, the practice does not necessarily involve deception and accordingly should not be considered fraudulent.

### Ponzi's Scheme

The term “Ponzi scheme” itself is taken from the scheme operated by Charles Ponzi in 1919–1920, through a company he started called the “Securities Exchange Company.” Ponzi developed an attractive investment opportunity that involved the purchase and exchange of International Reply Coupons, a means of prepaying international postage. These coupons could theoretically be purchased in Italy and then exchanged in the USA for postage stamps at a significantly higher rate. Taking advantage of a genuine arbitrage opportunity, Ponzi's scheme thereby had some credibility and he offered investors in the scheme a 50% return after 90 days. Ponzi did not however make any genuine attempt to purchase and exchange International Reply Coupons and proceeded to pay investor returns from capital invested. The payment of such returns to the initial investors led to an influx of new capital, allowing him to perpetuate the scheme. By the time the scheme collapsed, which in this case was not due to a lack of new entrants, but from suspicion regarding Ponzi's profit-making and subsequent enquiries with the Post Office, Ponzi had received approximately \$15 million from 400,000 investors (see Lewis [2015](#)). Ponzi was jailed in August 1920.

### Bernie Madoff

Although there have been a multitude of Ponzi schemes, the most well-known (and perhaps more well-known than Charles Ponzi's own scheme) is the scheme operated by Bernie Madoff from as early as the 1980s to 2008. Madoff had operated a successful securities investment company through the 1980s that had contributed to the development of the NASDAQ. However, from the late 1980s or early 1990s, Madoff began accepting and managing investments in a sideline operation. He

claimed to be able to generate consistently good (but not outstanding) returns over time, during both good and poor economic conditions, using a “split-strike conversion strategy.” Madoff did not, however, succeed in generating the required returns and began to falsify returns to his investors. Together with his history of business success, his connections within wealthy Jewish society and his use of intermediary “feeder funds” to bring in more new entrants, Madoff attracted investors that included A-list celebrities, high net worth individual and multinational institutional investors. By refusing to accept all prospective investors, Madoff created a further perception of being among the trusted elite.

Ultimately, however, the financial crisis of 2008 led to investors needing to withdraw their funds, and the scheme’s collapse. US Prosecutors estimated that a total of \$64.8 billion was invested into the scheme, related to 4,800 client accounts (Graybow 2009).

## Cross-References

- [Corporate Crime](#)
- [Fraud Triangle: Cressey’s Fraud Triangle and Alternative Fraud Theories](#)

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## Pragmatism and Business Ethics

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## Definition

Pragmatism is the view that experience is the basis of our knowledge and that beliefs and theories prove themselves insofar as they work and make sense of the world, so our knowledge is ongoing and developing.

## Introduction

Pragmatism is a philosophical approach rooted in the American thinkers William James, Charles Saunders Pierce, and John Dewey among others, and has more recently found champions in thinkers such as Richard Rorty and Hilary Putnam. Classic pragmatists insisted that theory must arise from practice, not abstract principles. This is why pragmatism, which is rooted in empirical experiences and practical consequences of ideas and actions, is frequently contrasted with idealism, which tends to discount material experiences and focus on immaterial ideas and ideals.

For the pragmatist, all of our knowledge is rooted in our coherent accounts of our experiences, and all of our beliefs are refinable and must be examined, and are liable to change as we progress in our understanding of our experiences. Pragmatists have, one could say, an approach to discovering truth much like a scientist – it is through ongoing testing of hypotheses that we come to a clearer and clearer understanding of how the world is. Our theory about a particular concern today may change tomorrow – or need to be discarded entirely – due to new experiences (experiments). We tell coherent and believable stories about our experiences of the world, and through this we gain beliefs which help us to make sense of our experiences. As our experiences continue and our pool of experiences

grows, so too does our knowledge. None of us has a “God’s-eye viewpoint” from which to decide whether our beliefs are correct – we only have our combined and shared experiences (and history of others experiences) to turn to when deciding what is “true.”

Business seems to have at its core an essential pragmatic approach (in the common meaning of that word) to decision-making – namely: what works? Throughout business, we find problem solvers – managers, salespeople, suppliers, and frontline employees who are confronted with problems and try to find the best available situation given the circumstances in which they find themselves. Evaluating the customer, or the particular market segment, or the particular community needs of the consumers, and so on, is fundamental for the business to make decisions about what is the right decision. And business learns from experiences from the past – economists, marketers, and financial advisors forecast the future based on the experiences up to this point. Business theories and practice change and develop over time, not only due to new knowledge from the past, but new situations in the future – such as the current innovations of AI technology and data analytics. And the theory is directly connected to the experiences and practice. In this way, business is fundamentally pragmatic.

### Elements of a Pragmatic Business Ethic Approach

In light of the fast-changing technological changes in our contemporary world, it seems that the pragmatists attention to our progressing experiences and knowledge would possibly help us to make decisions in the business world; and in light of the globally diverse situations which businesses experience more and more in their decision-making, it seems that the pragmatists awareness of the contextual and cultural situatedness of perspective could assist as well (Pouryousefi and Freeman 2021).

A pragmatist approach to business ethics would not try to derive practices from transcendental mystical notions of truth, but rather would

derive concepts from experience itself so that concepts are linked to practice, and practices, rather than abstract norms, would serve as the source of social norms (Pouryousefi and Freeman 2021; Gustafson 2010). Charles Saunders Peirce, an early pragmatist, emphasized that our view of truth is limited, since we have a finite and fallible perspective, given that our experiences are limited, obviously, by our own experiences. He conceived of all scientists (and all inquirers) as part of a community attempting to bring the various pieces of the puzzle together in a long march towards a gradually improving understanding of, and gradually improved theories and hypotheses about, reality. We accept new beliefs as true, because they fit with our other beliefs. And occasionally we have to make significant alterations or “scientific revolutions” from one set of beliefs to another, such as the Copernican revolution (Kuhn 1962).

A pragmatist approach to business and business ethics will not try to discover the one sole principle or silver bullet or key to unlock the mysteries of management practices. Kant’s categorical imperative will not provide the single and complete principle by which to make all of one’s management decisions. Mill or Bentham’s greatest happiness principle (utilitarianism) will not finally help reveal the fullness of clear and precise decision-making for all circumstances. The pragmatist business ethicist expects that, since values are derived from our experiences, they will come from the bottom-up, rather than a top-down approach ala the abstract-principles-applied approach. Again, theoretical mind experiments about the original state of nature (Hobbes) or a veil of ignorance (Rawls) will not be the best source of values and concepts which can work – experience itself and examining the real consequences of particular actions will be the most useful basis for determining norms and values to direct management practices, according to the pragmatist. The pragmatist sees the attempts by utilitarians or Kantians or contractarians to apply their principles to real lived experiences as backwards, and an act of contortion, attempting to see how to make practice fit the principle, rather than deriving the principle from the experiences.

Stakeholder theorists Wicks and Freeman in particular have argued that a pragmatic approach fits well with a stakeholder approach, which attempts to hear out the various competing voices of stakeholders to contextually develop solutions which make sense for the parties involved. This localism of decision-making which in some real sense muddles through to a right answer in light of previous and recent experiences of a particular set of stakeholders seems to be what might attract stakeholder theorists to the pragmatic approach. In their *Stakeholder Theory: The State of the Art* (2010), Freeman et al. provided an overview of stakeholder theory and claim that at the center of their approach is what they describe as “pragmatic experimentation.” At the end of the book, they recommend that “if we adopt what we called in Chapter 3 pragmatic experimentalism, we can make our ideas about business more useful and hence worthy of being taught to managers and future managers.” Freeman and Wicks had developed this more fully in their previous work (1998) where they attempted to distinguish a pragmatic approach from an anti-positivist account. The anti-positivist, they say, claims the following:

1) There is no way of getting outside of human experience to describe reality; 2) facts and sentences are intertwined—meaning, that our language plays a role in how we view the world and what we consider to be true. In some sense, facts are in part artifacts; 3) Inquiry is always narrative and interpretive. We cannot observe experiences without some already set ideas and expectations of what to look at/look for/ see; and 4) Science is itself a language game, with pre-set rules and expectations. It is not in any pure sense ‘objective’.

Wicks and Freeman claim that this anti-positivism leads to relativism and an anything-goes approach, which is not helpful in progressing. They claim a pragmatic approach works better than traditional positivism or the anti-positivist approach, insofar as the pragmatic experimentation is purposeful – attempting to solve problems at hand, rather than settle meta-questions of metaphysics or epistemology. They suggest the acknowledging that there are multiple interpretations of phenomena is important, but that this need not lead to an “anything goes” approach. The pragmatist also will see

organizations as social and acknowledge that all the individuals of an organization share and create meaning out of their experiences. Again, the source of value is bottom-up – from the humans involved in the process, and as they work through new experiences and understanding as a community. Practically, Freeman et al. (2010) lay out five pragmatic principles which should affect the way business ethicists do their research:

1. Multiple interpretations: We need to consider the merits of multiple perspectives of phenomenon and evaluate them for their usefulness to solving problems.
2. Importance of conceptual framing: We should be very aware of how language can hide implicit assumptions and skew our perspectives as we draw our conclusions.
3. Strengthen the theory-practice link: Our theory needs to be well connected to real practice, and theory will become more valuable as a resource to practice, the more they are connected.
4. Multiple methods and forms of evidence: We should not assume any particular field or discipline has the corner on helpful insights and solutions. We should shop widely across perspectives and disciplines to seek answers to the problems at hand.
5. Direct linkage of ethics and mainstream management literature: We need to break down the imaginary separation between ethics and business practice, and management scholars must see the moral aspects of their theories, and ethics scholars need to better understand the business implications and applications of their theories more realistically and concretely.

More recently, Pouryousefi and Freeman (2021) claim that a pragmatist approach to business ethics (particularly one derived from Richard Rorty) has some distinctive imperatives. First, a pragmatist business ethicist would be willing to take on a public role with a focus on morally progressive action, rather than being an “armchair philosopher.” This would involve seeking solidarity with others, and seeking conversation partners to learn from outside of your typical circle of interlocutors. This emphasis on freedom and

openness of encounters is an essential foundation of the approach.

Rather than expecting radical transformations to overcome injustice and exploitation, the pragmatist would work towards piecemeal reforms which help gradually empower individuals more and more. The solutions to problems must arise from within the context of the problems, and the solutions need to arise from the problems, not from abstract principles, and somehow merge with our other beliefs.

Additionally, there will in a pragmatist approach be a focus on what is useful, rather than what is “true.” A pragmatist will typically call a belief true if it is useful to believe, has been acquired through inquiry and examination, and seems to make sense of shared experiences of the community. Abstract truths which do not seem to make sense of our world are to be left aside, since what the pragmatist wants are concrete solutions to real problems.

Interestingly, the notion of truth on a pragmatist account is intimately connected with the pragmatists view of agency. Our freedom to choose leaves us with responsibility and possibility – even the possibility to make statements true or false. William James, another classic pragmatist, was famous for his concept of truth. In some sense, we can help make things become true. The statement “I will lose 20 pounds by Christmas” may or may not be true – but the power to make it true or false rests in large part with me. A company logo that “We are the best place to work in Omaha” is only as true as that company decides to follow through with real practice to back up the logo. In this sense then, we help determine what comes to be true.

Finally, a pragmatist does not see ethical duties or obligations as a result of reasoning or logic, rather, our ethical obligations arise from moral intuitions. Obligations arise from moral sentiments, but those come almost spontaneously to us, not by reasoned judgement. We simply know certain things are wrong, and often it is our lived experience in a particular moment which helps us to “know” the reality of that truth. It is one thing to read about people being mistreated or violated or placed on a trolley track to be run over by a trolley –

it is quite another thing to witness such an event. Moral conviction in experience is rarely derived from arguments or abstraction.

## Potential Criticisms of Pragmatic Business Ethics

Although the pragmatist approach to business ethics is in its early stages of development, it has gotten significant criticism in the business ethics community.

Many ethicists feel that Rorty and other pragmatists frequently set up a “straw man” philosopher/business ethicist – as though philosophers and business ethicists go around with one abstract principle and forcing it onto the world, ignoring practical experience and knowing nothing about business practice, ignorant of the limits of their perspective. That is certainly not the case, and philosophers since Plato have been well aware of their limits and ignorance of the totality of things. Ethics has always been a practical and ongoing project. As Richard T. DeGeorge has put it, “[Ethics] is an attempt to make sense of our individual and collective moral experience. In the process those engaged in it clarify terms, analyze arguments and presuppositions, attempt to make the system of moral judgments more consistent than it usually is, try to fill voids in our intuitive reactions to new processes and social developments, and provide reasons for action such that people can engage in fruitful discussion or argument in pursuit of the common good” (DeGeorge 2006). In other words, ethics is and always has been a practical and engaged process, full of starts and stops, providing responses to new developments and aiming to bring about fruitful discussion in the community of inquirers.

Regarding the pragmatic intuitionism: One of the first criticisms of an intuitionist approach – be it pragmatic or otherwise – is that we all know that frequently people’s moral intuitions conflict. Ethics has traditionally been the practice of reflecting on one’s beliefs and intuitions, and sorting out the wheat from the chaff – through reasoning. That is not to say all of ethics is derived from reasoning, but reasoning plays an important



part nonetheless. But even Rorty accepts that rational argumentation plays a role, only he thinks it plays a subsidiary role to the imagination: “Rational argumentation about moral issues always lags behind. Reason can only follow paths that the imagination has broken” (Rorty 2006). Intuitions are certainly a place to start perhaps, although intuitions alone will not get one far.

Some argue that the abstract principles the pragmatist claims to reject are necessary for their own program to get off the ground. It seems difficult if not impossible to have a program of pursuing *better* understanding, or *better* ways of doing things, if you don’t have some understanding of better or worse – even a notion of the good itself – to help you make such judgements. A pragmatist could, presumably, admit that they do have a finite and fallible notion of what is better and worse in a given instance, and that general principles can be derived from previous experience (my own and that of the community of humanity throughout history), albeit a likely flawed and impermanent working notion for now, which will hopefully be improved upon over time. Anyway, one need not know the pure and unsullied truth and goodness of the universe to know that vanilla ice cream generally tastes better than dirt (and conversely, that tomatoes planted in dirt produce much better than those planted in ice cream) or that living unmolested in peace is preferable to being tortured. Intuitions and shared experiences can get us that far at least as we try to find useful solutions.

Another related criticism is that if the pragmatist’s (at least Rorty’s) goal is to persuade and convince others to see the world they do through persuasive rhetoric, but there is no particular convergent consensus oriented around an expectation that there is something we can all come together to find out, then it seems that education is not a leading to any truth, or enlightenment, but all education is just indoctrination – me trying to get you to think about things the way I do. If this is all there is to “teaching,” one might agree with Daryl Koehn’s assessment of such a view when she says “Teaching the liberal arts loses its

nobility and becomes just another politically instrumental game. If that is all that teaching is, I find it hard to conceive why one would bother to get up in the morning and prepare for class” (Koehn 2006). This criticism may not fully realize the deep rootedness of communal inquiry which pragmatists seek. Surely learning can take place in an environment of hearing multiple voices and attempting to understand various perspectives, and teaching can become a facilitating of that sort of learning environment.

A final criticism and concern is that perhaps pragmatism will not be able to provide the kind of basis to bring about clear change – the attempt to try to bring out values simply from the practical experiences of business might lead to a support of the status quo, and fail to criticize business and capitalism as necessary, or to the degree required. There is no doubt that a pragmatic approach, being piecemeal and gradual, will not typically be revolutionary, but it still may find much in common with more critical approaches to business (Visser 2019).

What pragmatism might have to say to business ethics and how it might aid management theory is still an open, if developing, question, but there has been some interesting work done in recent years suggesting some possibilities about how pragmatism might be useful to business ethics and it remains a very fruitful and interesting field of study in the literature.

## Cross-References

- [Business Ethics Without Metaphysics](#)
- [Political Philosophy and Business Ethics](#)
- [Role of Philosophy in Business Ethics](#)

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## Precautionary Principle and Resource Extraction

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### Introduction

The standard definition of the precautionary principle is stated as Principle #15 in the 1992 Declaration of the Rio Conference on Environment and Development: “In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”

The precautionary principle relates to the environmental risk assessment of resource extraction projects and the role of government in setting environmental performance standards through

regulation of oil, gas, and mining operations. The challenge is that the quality and reliability of environmental risk assessment is continuously evolving based on scientific advances and on experience gained from the occasional failures of regulations to prevent serious environmental damage. Additionally, the cost-effective measures to prevent environmental degradation continue to evolve with advances in technology. Notable examples of evolution in predicting and controlling the environmental impacts of resource extraction can be found in the ongoing regulatory advances related to acid rock drainage, tailings impoundments, and greenhouse gases. Thus, in practice, governments are always in the position of setting regulatory standards within the current constraints of full scientific certainty and the current state of cost-effective measures to prevent environmental degradation. Even with state-of-the-art (sometimes referred to as “world class”) environmental regulations, resource extraction always retains the risk that an unexpected and presumably low probability event could cause serious and possibly irreversible environmental damage.

Critics of resource extraction sometimes take the position that projects should proceed only when there is zero risk of negative environmental impacts. Their definition of the precautionary principle is: “When in doubt, don’t,” a position that clearly would have the effect not only of eliminating virtually all resource extraction projects but also of preventing the learning about environmental risks that occurs through progressive regulation based on scientific and technological advances. From an ethical perspective, the zero risk position prompts reflection on the distribution of resource extraction risks and benefits within the context of the overall common good of society: Are there societal benefits from resource extraction sufficient to justify some degree of environmental risk tolerance, and what would be the relevant criteria and norms for such a justification? Ethical questions also arise about the relative accountability and liability of resource extractors and government

regulators in the event that a low probability but high impact environmental disaster should actually occur in spite of an operation's full regulatory compliance.

Some resource extraction companies and industry associations, concerned about the consequences if a low probability but high impact event should occur even if their operations are fully compliant with government regulations, have developed and implemented voluntary precautionary approaches of self-regulation that expressly go "beyond regulatory compliance." One motivation for resource extraction companies to implement voluntary precautionary approaches of environmental self-regulation is the high level of concerns of local communities that stand to be the most adversely affected groups in the host jurisdiction in the event of an environmental disaster. Industry associations are motivated to mandate the implementation of precautionary approaches of environmental self-regulation out of a collective concern that an environmental disaster on the part of one company affects the reputation of all companies in the industry.

The Mining Association of Canada has taken a lead in developing and promoting the implementation by all of its members of a precautionary approach to environmental performance that goes beyond regulatory requirements. The "Towards Sustainable Mining (TSM)" protocols of the Mining Association relate to: greenhouse gas emissions, tailings management, biodiversity conservation, safety and health, and other subjects of concern. The TSM initiative is designed and updated collaboratively by members of the Mining Association together with representatives of the industry's "communities of interest" (which include aboriginal and non-native communities, nongovernmental organizations, governmental agencies, industry investors, suppliers to the industry, and other concerned constituencies). A common feature of industry-initiated precautionary approaches, including the TSM protocols, is the mandating of periodic independent external verification or

audits of the performance of individual resource extraction operations with respect to specific subjects of concern. In some cases, resource extraction operations have established permanent panels of technical experts, community representatives, and others, commonly referred to as oversight or surveillance committees, to maintain a high level of continuous vigilance over a subject of environmental risk of particular concern.

## Cross-References

- [Environmental Assessment and Resource Extraction](#)
- [Environmental Ethics and Sustainability](#)

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- Publications of the Mining Association of Canada, Towards Sustainable Mining. <https://mining.ca/towards-sustainable-mining/>
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## Press Freedom Index (PFI)

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## Synonyms

Freedom of the press; Index of press freedom; Measuring press freedom; Press freedom assessment; Press freedom measure; Press freedom scale; World Press Freedom Index

## Definition

The Press Freedom Index (PFI) is a standardized measure of “the level of freedom available to the media throughout the world” (Reporters Without Borders 2019a).

## Description

One of the world’s oldest moral maxims tells us that we must always speak the truth. While most people accept it as asserting a moral obligation, it is unclear as to whether or not most people accept its corollary that we must always actively pursue the truth before we speak. The active pursuit of the truth is normally a necessary condition of knowing what is true. Those who speak the truth without good reasons are lucky, but the institution of morality cannot reasonably be left to good luck, and the obligation of due diligence in the pursuit of truth cannot be neglected in favor of luck (Michalos 1995, 2017).

The Greek tragedian Aeschylus (c. 525–456 BCE) said that “In war, truth is the first casualty.” He assumed that peace normally thrives on truth, on people knowing what is true or false and why. In liberal democracies it is generally assumed that a free press in the broadest sense of news media makes an essential contribution to citizens’ knowledge of what is true or false. Additional contributions are made by institutions of formal and informal learning, scientific research, governments, NGOs, families, and so on. Reporters Without Borders (2019a) reminds us that:

There can be no freedom of thought without knowledge of reality. In 1948, the United Nations said in Article 19 of the Universal Declaration of Human Rights that ‘freedom of opinion and expression’ implies the right to ‘seek, receive and impart information and ideas through any media and regardless of frontiers’. . . . Whatever the political system, it cannot reflect divergent interests and internal contradictions without independent watchdogs capable of challenging established authority. . . . Independent journalism is therefore crucial for a ‘high intensity’ democracy.

The PFI was created by the NGO Reporters Without Borders in 2012 to provide citizens of all countries with some means of measuring the levels of freedom of one important source of truth, news media in all its modern forms. It combines qualitative and quantitative information into a single index ranging from the best score 0 to the worst score 100. In 2019 there were 180 countries assessed with this index. Online questionnaires with 87 items translated into 20 languages were sent to 1208 experts distributed across all the countries according to their population sizes, ranging from 2 to 22 experts per country. Generally speaking, the experts consist of media professionals, lawyers, and sociologists, mostly journalists, and each year about a third of the respondent group is new.

Items of the questionnaire are sorted into seven subindexes referred to as “criteria categories” or “indicators” as follows.

1. “Pluralism. . . measures the degree to which opinions are represented in the media.” For example, yes or no, “In your country, do any of the following exist?
  - (a) Privately owned print press.
  - (b) Privately owned television networks.
  - (c) Privately owned radio stations.”
2. “Media independence. . . measures the degree to which the media are able to function independently of sources of political, governmental, business and religious power and influence” e.g., on a ten point scale, “How easy is it for authorities to force the firing of a . . .
  - (a) public radio or TV journalist,
  - (b) public radio or TV executive,
  - (c) private media executive.”
3. “Environment and self-censorship. . . analyzes the environment in which news and information providers operate”, e.g., on an 11 point scale, “During the past 12 months, have you seen any of the following actions directed at journalists by government or religious authorities or major economic interests, or by interest groups linked to any of them?

- (a) Public discrediting,
  - (b) public insults,
  - (c) hate speech.”
4. “Legislative framework. . .measures the impact of the legislative framework governing news and information activities”, e.g., yes or no, “Does a legal mechanism exist to protect the confidentiality of journalists’ sources?”
  5. “Transparency. . .of the institutions and procedures that affect the production of news and information”, e.g., on a ten point scale, “Is the process for granting TV and radio licences transparent?”
  6. “Infrastructure. . .measures the quality of the infrastructure that supports the production of news and information”, e.g., Which of the following response categories best describes the situation in your country? “Do individuals who want to provide news online have access to high-speed Internet at a reasonable price?
    - (a) Access is widespread.
    - (b) Access is guaranteed in principle but not everyone enjoys it.
    - (c) Access is not guaranteed and many do not enjoy it.
    - (d) Access is limited to a very few.”
  7. “Abuses. . .measures the level of abuses and violence.” In what Reporters Without Borders (2019a) calls its “Annual Round-Up”, “country and regional level” data for this indicator are produced by its in-house research team using a scale of 0 = best to 100 = worst score.

The final PFI is constructed with two parts. For each country, the first part is the sum of unequally weighted scores on the first six indicators, and the second part is the score on the Abuses indicator. “A country’s final score is the greater of these two scores.” Because (like golf) low scores are preferable to high scores, this aggregation method prevents countries from obtaining good scores because “news and information is tightly controlled.”

The possible scores ranging from 0 to 100 are divided into five sets to make their meaning intuitively easier to understand. A “good situation” applies to a score of 0–15 points, “satisfactory” to

15.01–25, “problematic” to 25.01–35, “difficult” to 35.01–55, and “very serious” to 55.01–100. In 2019, there were 15 (8%) countries with Press Freedom Index scores indicating a “good situation,” i.e., Norway (7.82), Finland (7.90), Sweden (8.31), the Netherlands (8.63), Denmark (9.87), Switzerland (10.52), New Zealand (10.75), Jamaica (11.13), Belgium (12.07), Costa Rica (12.24), Estonia (12.27), Portugal (12.63), Germany (14.60), Iceland (14.71), and Ireland (15). Another 28 (15.5%) countries had “satisfactory” scores, 66 (36.7%) were “problematic,” 52 (28.9%) were “difficult,” and 19 (10.7%) were “very serious” (Reporters Without Borders 2019a, b). Reporters Without Borders (2019a) reports that “At the turn of the century, nearly half of the world population still lacks access to free information.” In fact, as we have just seen, three quarters of the world has “problematic,” “difficult,” or “very serious” access to free information.

(The author expresses his thanks to Prem Samy of Reporters Without Borders for his help in clarifying some aspects of the construction of the index.)

## Cross-References

- [Business, Law, and Codes of Ethics](#)
- [Ethical Climate and Ethical Culture](#)
- [Financial Secrecy Index](#)
- [Reporters Without Borders](#)

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## Professional Ethics in Healthcare

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### Synonyms

Ethical values; Health ethics; Healthcare ethics; Professional ethics; Virtue ethics

### Definition

Professional ethics in healthcare encompasses personal and corporate standards of behavior expected from healthcare professionals.

### Introduction

With a rapidly changing world and new advanced technologies come many ethical challenges in the healthcare sector that influence patients, their families, and healthcare professionals. In the past, there were many ethical discussions; however, none of them provided ranking classification of the most controversial ethical dilemmas that would result in their prioritizing and proper solving (Breslin et al. 2005). Nevertheless, ethics and its values, together with professional and responsible behavior of individuals, provide a basis for healthcare practice, and only recently, there have been efforts to define and categorize public health ethics as a public health research area (Slomka et al. 2008). Consequently, there is a need for the development of competencies for professionalism with the focus on the population as well as on the individual. Because healthcare professionals face ethical challenges on a daily basis in the course of their work, there is a need to reflect on, discuss, and give renewed attention to ethics and professionalism. In this way, all stakeholders of the

healthcare system can be appropriately prepared to solve ethical dilemmas in clinical practice and be able to perform ethical decision-making (Slomka et al. 2008).

### Healthcare Ethics

Ethics comprises knowledge about moral behavior and deals with issues of what is right and wrong, conflicts, ethical dilemmas, and their possible solutions on the basis of a legal justification. Health ethics is specifically focused on understanding clinical medical decisions and actions in healthcare settings, research and policy, and on providing action guidelines when ethical dilemmas or conflicts occur (World Health Organization 2015). Healthcare ethics can be further divided into medical ethics, nursing ethics, and bioethics. While medical ethics and nursing ethics are based on ethical conflicts that occur in clinical settings and are associated with the implementation of healthcare for a specific patient, bioethics is a much broader term and refers more to ethical implications and applications of health-related life sciences (Dawson 2010; World Health Organization 2015; Michigan State University, College of Human Medicine 2018). Moreover, healthcare ethics is focused on ethical dilemmas that concern healthcare professionals as well patients, their families, health policy makers, and communities in various situations related to health, i.e., clinical care, healthcare systems, health services, advanced information technologies, etc. (World Health Organization 2015).

### Healthcare Ethics in Practice

Patients and their families are facing many ethical dilemmas during healthcare treatment. Breslin et al. (2005) identified top ten ethical challenges that the healthcare system is faced with, namely: disagreement with medical treatment decisions, waiting lists, healthcare resources for the elderly, those with chronic and mental illnesses, shortage of doctors in rural and urban locations, medical errors, termination of life-sustaining treatment



of terminally or seriously ill patients, obtaining consent, ethical issues in conducting research, decision made by an appointed substitute, and ethical issues in surgical innovation and in applying new medical technologies. Breslin et al. (2005) also found that among all challenges listed, the least attention is given to the top ethical issue, i.e., disagreement with medical treatment decisions, and proposed a few solutions for this issue. The most important is an appropriate education of the healthcare professionals, with a special focus on communication skills and the ability to understand the patient's perspective. The second step would be a creation of healthcare institutional policies (i.e., establishing associations for their members, establishing codes of professional ethics and conduct, and establishing ethics committees) in a manner that would provide a mechanism for solving disagreements between patients and healthcare professionals. In spite of the fact that previously a research on patient-centered quality improvement strategy for severely ill patients with the focus on the patient's perspective was performed, there is still a need for a better understanding of the patient's perspective (Singer et al. 1999; Powis et al. 2004). Still, future research should focus on the patient's perspective regarding medical decisions in relation to healthcare treatment (Breslin et al. 2005). Lastly, it is of the utmost importance to keep the public informed, not only because of the information itself but because the public, if involved in the process itself, could be a part of the solution to the problem and could, in this way, importantly contribute to the creation of healthcare.

## Ethical Issues in Healthcare

In healthcare practice and policy, an enormous number of ethical dilemmas exist which not only cover confidentiality, truth-telling, informed consent, autonomy, and freedom to decide on the individual's medical treatment but also other important issues, such as beneficence, (social) justice, solidarity, equity, reciprocity, and trust. Irrespective of the number of approaches to healthcare ethics, there is a strong collective action to the commitment "primum non nocere,"

i.e., "first, do no harm." Non-maleficence as an ethical principle is protecting the individual from harm and needs to be the highest attainable standard of health (World Health Organization 2015). It is a fact that practically every healthcare decision made by the physician or other healthcare staff has, on the other hand, ethical implications either for patients, providers, or healthcare managers. Within those decisions, various issues appear, and there has been a discussion which most influentially impacts healthcare staff and patients. According to Larson (2013), these issues are connected with the following:

1. Balancing healthcare quality and efficiency.
2. Ensuring basic healthcare access to all people.
3. A next very important issue is associated with healthcare organization of chronically ill and increasingly aging population; therefore, it will be necessary to provide appropriately educated, competent, and compassionate healthcare personnel.
4. It will also be necessary to address end-of-life issues.
5. Allocation of medication and donor organ shortages.

Advanced technologies have a very substantial impact on medical processes and clinical practices of healthcare professionals and can significantly improve quality of life. With technological innovations, we can replace paper records with electronic healthcare records which can improve general public health, provide valuable healthcare data for healthcare professionals and researchers, impact medical knowledge advancements, bring healthcare to people living in remote locations, and much, much more (American Institute of Medical Sciences & Education 2018). Since the fact that telemedicine represents remote delivery of healthcare services (World Health Organization 2009), thus bringing many advantages, it is necessary to think about legal and ethical issues. The first and by far the most important one is establishing a good relationship between the patient and the physician in order to establish mutual trust required to implement quality healthcare. Healthcare workers must deepen a holistic study of patients in order to

understand their values and living situations and receive all the required information connected with their medical issues (Kaplan 2016). The fact is that telemedicine is changing the communication between patients and their caregivers or family members affecting diagnosis and treatment decisions. According to Kaplan (2016), it is important that policies include the roles of healthcare workers and their responsibilities related to telemedicine with the aim to ensure patient safety and ethical workplaces. Especially important is to address the issues such as privacy, patient safety, autonomy, and protection and, above all, to include patients in designing various telemedicine services. This is necessary in order to ensure ease of use of the applications that will be able to serve all patients.

## Ethical Decision-Making and Professional Roles

Ethical decision-making is based on ethical principles and methods. Some moral decision-making methods answer the question “What should I do?” and therefore focus on the rightness of the action, while others answer the question “What kind of person should I be?” and therefore focus on the (character/nature of) agents. In the field of healthcare, most commonly used methods are utilitarianism (Mill 1998), nowadays closely connected with economical rationalism and the concept of efficiency; deontology (Kant 1989), evaluating the agent’s action according to ethical obligations and duties; principlism (Beauchamp and Childress 2009), providing four ethical principles, rules, virtues, moral rights, and emotions of so-called “common morality”; and the virtue ethics (Aristotle 1985), the right path to moral behavior is the cultivation of certain virtues. By doing so, the attention of ethical reflection is shifted from action to human and to questioning what kind of person we must be and what qualities we must have in order to act morally as well as to evaluate the whole of the individual’s behavior, not individual actions (Spielthener 2017). The ethics of care (Gilligan 1982; Noddings 1982) focuses on (intimate) relationships, caring, love, empathy, and compassion. According to

Held (2006), for the rest of the methods, objectivity and justice are one of the main features in decision-making, excluding care and love. The ethics of care focuses on interpersonal relationships, where care (as a practice and as a value) and justice are included but have different priorities.

## Cross-References

- [Autonomy and Informed Consent](#)
- [Beneficence](#)
- [Bioethics](#)
- [Medical Ethics and the Land Ethic](#)

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## Professional Ethics in Social and Cultural Anthropology

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### Abbreviations

|     |                                                                     |
|-----|---------------------------------------------------------------------|
| AAA | American Anthropological Association                                |
| AAS | Australian Anthropological Society                                  |
| ABv | Anthropologen Beroepsvereniging (Dutch Anthropological Association) |

|         |                                                                                  |
|---------|----------------------------------------------------------------------------------|
| AIATSIS | Australian Institute of Aboriginal and Torres Strait Islander Studies            |
| ASA     | Association of Social Anthropologists                                            |
| ASAA/NZ | Association of Social Anthropologists of Aotearoa/New Zealand                    |
| ASAU&C  | Association of Social Anthropologists of the UK and the Commonwealth             |
| BAA     | Brazilian Association of Anthropology                                            |
| UGAT    | Ugnayang Pang-Aghamtao, INC., Organization of anthropologists in the Philippines |
| UN      | United Nations                                                                   |
| WCAA    | World Council of Anthropological Associations                                    |

### Synonyms

Anthropology of postsocialism; Cultural anthropology; Ethics in anthropology; Fieldwork; Observation with participation; Social anthropology

### Introduction

Social and cultural anthropology is a scientific discipline with elaborated professional ethics. Development of social and cultural anthropology in the twentieth century opened several important questions, connected with ethical standards in anthropological research and fieldwork, with methods used in anthropological fieldwork (especially with observation with participation), with use of field results in anthropological publications (in scientific journals, anthropological monographs, etc.), and with use of results of anthropological research in everyday practices (social practices, political practices, etc.), as well as questions connected with theoretical and epistemological dimensions of social and cultural anthropology. Most of these questions have been opened in the second half of the twentieth century.

In the last half of the twentieth century, standardization of ethical principles, connected with

anthropological fieldwork and with use of results of anthropological research in publications, everyday practice, etc., has become obligatory part of anthropological profession. This can be seen through the fact that almost every association of social and/or cultural anthropologists elaborated a professional ethical code which equips social and cultural anthropologists with explicit ethical standards and instructions how to practice their professional activities (AAA 2009, 2012; AAS 2012; AIATSI 2020; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). Some other organizations, for example, the European Union, also elaborated ethical codes for professional activities in anthropological research (Iphofen 2013). These ethical codes show not only problems which are of basic importance in social and cultural anthropology when professional ethics is in question, but also which solutions of these problems have become a kind of ethical professional standards in social and cultural anthropology.

### Short Historical Overview

The first who discussed questions connected with professional ethics in social and cultural anthropology was Franz Boas, who at the beginning of the twentieth century opened a question if cultural anthropology has been used to cloak espionage among native populations (Boas 1919).

From Boas' contribution till the 1970s discussion about ethics in social and cultural anthropology got several different directions: first, theoretical discussion how ethics could be understood in social and cultural anthropology (for example, Beals 1969); second, anthropological research of ethics in different native populations (for example, Brandt 1954); third, ethical implications of cultural relativism (for example, Herskovitz 1973); and fourth, ethical dilemmas about government-founded anthropological research. In the USA, pre-World War II generation of anthropologist regarded connections of anthropological research with military and intelligence services as ethical neutral and/or ethical

acceptable (Price 2004). This cooperation was understood as part of the fight against Nazism, communism, and totalitarianism (Price 2004). Post-World War II generations of anthropologists understood these connections as unacceptable prostitution of professional activities for monies and prestige, and as betrayal of the natives whose welfare anthropology had claimed to cherish (Fluehr-Lobban 2008).

In the 1960s and 1970s, questions of welfare and interests of researched peoples have become the most important topic of professional ethics in social and cultural anthropology. The critique of Vine Deloria, Jr., Sioux (1969) urges anthropologists to reflect the effects of their work and to assume a helpful hand in relation to problems of Indian people. Anthropological debate about relationships between anthropology, Western politics, and colonialism also addressed several important questions connected with professional ethics in social and cultural anthropology (Asad 1975).

Since 1980, "ethics in relation to informants" (Akeroyd 1984) has become the most important topic in discussion of professional ethics in social and cultural anthropology. In this period, anthropological organizations and associations adopted ethical codes to elaborate professional responsibilities of social and cultural anthropologists in relation to researched peoples (AAA 2009, 2012; AAS 2012; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012).

In the end of the twentieth century and at the beginning of the twenty-first century, several important questions connected with professional ethics in social and cultural anthropology have been (re)opened in postsocialist countries. Discussion was opened if introduction of professional standards of Western social and cultural anthropology into postsocialist social and cultural anthropology should be understood as a special type of Western colonialism (Kürti and Skalník 2009).

In 2007, UN adopted *United Nations Declaration on the Rights of Indigenous Peoples* (UN 2007). This declaration represents internationally valid standards for study and research of Indigenous peoples. As such, it has had important

impact on every study of Indigenous peoples, also on anthropological fieldwork and on professional ethics in social and cultural anthropology. Despite general principles of the declaration are in accordance with professional ethics in social and cultural anthropology, some principles require even more elaborated ethical standards than those earlier practiced in anthropology. Some anthropological ethical codes have already been adopted to declaration's ethical standards (AIATSIS 2020).

### **Ethical Standards in Contemporary Social and Cultural Anthropology**

In contemporary social and cultural anthropology, ethical aspects must be taken into account in all forms of anthropological activities, theoretical and practical. Different ethical codes introduced elaborated ethical standards for different aspects of anthropological professional activities (see AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASAUUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012).

#### **Ethical Standards Regarding Fieldwork**

Anthropological fieldwork as a basic anthropological research method has been connected with complex ethical dilemmas from Franz Boas (Boas 1919) till today. In past debates, fieldwork was connected not only with Western colonialism, but also with instrumentalization of studied peoples for anthropologists' professional career and for the development of Western social and cultural anthropology. Vine Deloria, Jr., Sioux stressed racist and colonial elements in anthropological fieldwork and stood for future cooperation between anthropologist and native Indians which should be "honest, sincere, equal" (Deloria Jr. 1969: 78). To enable such cooperation, debate was opened on how to guarantee appropriate relation with and responsibility to research participants (Akeroyd 1984).

In contemporary social and cultural anthropology, obligatory part of different professional anthropological codes are ethical principles which regulate relation with and responsibility to

research participants (see AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASAUUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). The most important ethical principle of this relations is: "Do no harm!" (AAA 2012). In this respect, anthropologists' ethical obligation is to avoid negative consequences of their research on researched participants: "In their work, anthropologists' paramount responsibility is to their research participants. When there is a conflict of interest, these individuals must come first. Anthropologists must do everything in their power to protect their physical, social, and psychological welfare and to honour their dignity and privacy" (ASAA/NZ 2016). In the year 2009, ethical code of AAA extended these obligations also on animals and natural surroundings of anthropologists' fieldwork (AAA 2009). "In all stages of the research, from design, through fieldwork and analysis to dissemination, anthropologists need to respect the well-being (safety, dignity, and privacy) of humans and other species. They need to avoid harm or wrong to the people, non-human species and materials they study or work with (or that are in any other way related to the research context)" (ABv 2018). AIATSIS (2020) pointed out that research projects "should be designed and conducted in a manner that respects Indigenous peoples' right to maintain their connection to Country and to control, protect and develop their lands and resources." When these ethical principles are "in conflict with the goal of generating databand seeking new knowledge ... anthropologists should consider to refrain from or discontinue a research project, or to exclude particular data from disclosure" (ABv 2018).

For realization of this ethical standard, anthropologists practice several activities: protect research participants, anticipate harms, honoring trust, avoid untrue intrusion, guarantee rights to confidentiality and anonymity, etc. (AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASAUUK&C 1999; ABv 2018; BAA 2005; Iphofen 2013: 41–45; Van der Geest 2011; WCAA 2012).

The second basic ethical principle of anthropological fieldwork is avoiding instrumentalization



of research participants for interest of Western anthropologists and Western social and cultural anthropology. Anthropologists' basic ethical obligation is to be "sincere to . . . host community and . . . to explain to them the objectives and implications of his research" (UGAT 1978). Researched participants "have the right to be fully engaged in any processes, projects and activities that may impact on them" (AIATSIS 2020). "As far as possible anthropologists should try and involve the people being studied in the planning and execution of research projects" (ASA 2020). Even more, anthropologists "should seek joint status for the researcher and researched participants in planning and executing the research as far as feasible" (Holcombe 2020: 2).

In this regard, anthropologists' ethics obligation is to negotiate and achieve informed consent before starting fieldwork (AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). This means that anthropologists have to achieve researched participants' informed agreement with purpose(s) of study, anticipated consequences of the research, identity of sponsors and funders, anticipated uses and sharing of the data, with possible benefits, harms, or discomfort that might affect participants, with data storage and security, with degree of anonymity and confidentiality which may be afforded to researched participants, and with other aspects of field research (AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; Iphofen 2013: 41–45; Van der Geest 2011; WCAA 2012). Part of anthropologists' professional duty is also to avoid any exploitation of research participants, so "fair return should be made for their help and services" (ASA 2020). Anthropologists must be aware that researched participants have the right "to refuse to participate in the research" (BAA 2005).

Anthropologists should also "recognize that their obligations to the participants or the host community may not end (indeed should not end, many would argue) with the completion of their fieldwork or research project" (ASA 2020).

### **Ethical Standards Regarding Application and Dissemination of Research Results**

When research results are in question, basic anthropologists' ethical obligation is to guarantee researched participants' "right to have access to research results" (BAA 2005). In application and dissemination of results of anthropologists' fieldwork, anthropologists "have an ethical obligation to consider the potential impact of both their research and the communication or dissemination of the results of their research on all directly or indirectly involved" (AAA 2009). Their ethical obligation is to organize such use of research results which will do no harm to researched participants, nonhuman species, and materials they studied. To realize this goal, anthropologists "must weigh the intended and potential uses of their work and the impact of its distribution in determining whether limited availability of results is warranted and ethical in any given instance" (AAA 2009).

To prevent the use of data that could be harmful to researched participants, "anthropologists should be the owners of their research data. Researchers should make every effort to avoid the transference of this ownership to other persons or institutes, or to open access data bases" (ABv 2018). Anthropologists should store their data securely (ABv 2018).

Some ethical codes open also a problem of researched participants' intellectual property rights (AAS 2012; AIATSIS 2020; ASA 2020; ASUK&C 1999; BAA 2005). In this regard, anthropologists' ethical obligation is to guarantee research participants' intellectual property rights over in fieldwork-collected data (AAS 2012; AIATSIS 2020; ASA 2020; ASUK&C 1999; BAA 2005).

### **Ethical Standards Regarding Responsibility to One's Own and to Host Government**

Doing fieldwork, anthropologists must know that "there may be numbers of national laws or administrative regulations which may affect the conduct of their research" (ASA 2020), i.e., which may regulate conditions of access, cross-national research, open research, and other aspects of their fieldwork (AAA 2009, 2012; AAS 2012;



AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASAU&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). Anthropologists' ethical obligation is to practice their fieldwork in accordance with host and their own national laws or/and administrative regulations (Akeroyd 1984). In relation to host and their own government, anthropologists' ethical obligation is to be "honest and candid ... Specifically, no secret research, secret reports, or secret debriefings of any kind should be agreed or given" (ASAA/NZ 2016). Anthropologists should "seek assurance that they will not be required to compromise their professional and scholarly responsibilities as a condition of being granted research access" (ASA 2020). They should be also aware that in principle "social research data are not privileged under law and may be subject to legal subpoena" (ASA 2020).

#### **Ethical Standards Regarding Relation with and Responsibility to Sponsors, Funding Agencies, and Employers**

Anthropological research is frequently connected with sponsors, founding agencies, and employers. In this regard, part of professional ethics in social and cultural anthropology are ethical standards connected with obligations to sponsors, funders, and employers, with clarifying roles, rights, and obligations, with negotiating "research space" and with relations with gatekeepers (AAA 2009, 2012; AAS 2012; AIATSIS 2020; ASA 2020; ASAA/NZ 2016; ASAU&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). In this regard, anthropologists' most important ethical obligation is not to "enter into agreements with sponsors which do not allow them to withdraw their services on ethical grounds" (AAS 2012). Among other ethical obligations toward sponsors and founders, anthropologists' ethical obligations are to "come to explicitly arrangements with sponsors before commencing work" (AAS 2012), not to "accept anthropological work which they are insufficiently qualified to do, whether by way of training or experience" (AAS 2012), and to "respect the confidence of sponsors" (AAS 2012).

#### **Ethical Standards Regarding Relations with and Responsibilities Toward the Discipline, Scholarship, Science, and Colleagues**

Anthropologists have also complex ethical obligations toward anthropological discipline, scholarship, science, and colleague. Professional ethical standards regulate, for example, individual responsibility, conflict of interests, consideration for colleagues, shearing research materials, collaborative and team research, responsibilities toward research student and field assistants, etc. (Akeroyd 1984; AAA 2009, 2012; AAS 2012; ASA 2020; ASAA/NZ 2016; ASAU&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). In accordance with professional ethics in social and cultural anthropology, anthropologists must be aware that "anthropological researchers are subject to the general moral rules of scientific and scholarly conduct: they should not deceive or knowingly misrepresent (i.e., fabricate evidence, falsify, and plagiarize), or attempt to prevent reporting of misconduct, or obstruct the scientific/scholarly research of others" (AAA 2009). Another basic ethical obligation is to share willingly their knowledge "as a means of improving the general standard of anthropological knowledge, theory and practice" (AAS 2012). Anthropologists have also "duty to be informed about ethical codes relating to their work" (AAS 2012) and not to "compete with other anthropologists for employment in a way which may be detrimental to professional standards" (AAS 2012).

#### **Ethical Standards Regarding Responsibility to the Wider Society**

Part of professional ethics in social and cultural anthropology are also anthropologists' responsibility to the wider society: "Anthropologists should use the possibilities open to them to extend the scope of social inquiry, and to communicate their findings, for the benefit of the widest possible community" (AAS 2012). In so doing, anthropological ethical obligation is to "consider the likely consequences of their research practice for the wider society, groups within it, and possible future research" (AAS 2012), and to "consider

carefully the social and political implications of the information they disseminate” (AAS 2012). In relation to wider society, anthropologists’ ethical responsibility is also responsibility to widen the scope of social research (AAA 2009; ASAA/NZ 2016; ASUK&C 1999) and maintaining professional and scholarly integrity (AAA 2009, 2012; AAS 2012; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; BAA 2005; UGAT 1978; WCAA 2012).

### Ethical Standards Regarding Teaching

Also anthropologists’ teaching activities are guided by elaborated ethical principles and standards (AAA 2009, 2012; AAS 2012; AIATIS 2020; ASA 2020; ASAA/NZ 2016; ASUK&C 1999; ABv 2018; BAA 2005; UGAT 1978; WCAA 2012). Because relations between anthropologists as teachers and mentors and students are complex, there exist also complex ethical principles which regulate different aspects of these relations. In teaching activities, anthropologists should, for example, “preclude discrimination on the basis of sex, marital status, ‘race’, social class, political convictions, disability, religion, ethnic background, national origins, sexual orientation, age, or other criteria irrelevant to academic performance” (ASUK&C 1999). Anthropologists as teachers/mentors should “strive to give students, trainees and interns or junior colleagues in joint projects an excellent anthropological education” (AAS 2012), “impress upon students/trainees the ethical challenges involved in every phase of anthropological work” (ASUK&C 1999), “should not engage in exploitative relationships with their students” (AAS 2012), “should not be involved in sexual liaisons with students, trainees or interns for whose education and professional training they are responsible” (AAS 2012), and “should be receptive and responsible to the needs, problems and aims of students in relation to their educational career in the field of anthropology” (AAS 2012). In their publishing activities, “teachers/mentors should publicly acknowledge student/trainee assistance in research and preparation of their work” (ASUK&C 1999).

### Open Problems

Despite elaborated professional ethics in social and cultural anthropology, several ethical problems and dilemmas remain open.

An important group of open problems relates to covert studies in anthropology (Iphofen 2013: 34–36; Venkatesh 2008). In situations, connected with danger, risk, and violation of law, anthropologists can conduct their research only in form of covert studies (Iphofen 2013; Venkatesh 2008). Part of covert studies are deception and lying which are from the perspective of described professional ethics in social and cultural anthropology unacceptable. However, in some situations this is a necessary precondition for realization of anthropological research (Iphofen 2013). For example, Venkatesh could not have conducted his research on hustlers, prostitutes, and drug dealers if they had been aware of the research (Venkatesh 2008). In such situations, the question “is not simply whether it does or does not use deception, but whether the amount and type of deception are justified by the significance of the study and unavailability of alternative (that is, deception-free) procedures” (Kelman 1967 in Bynner and Stribley 1979: 190).

Another group of open problems is connected with ethnocentrism of professional ethics in social and cultural anthropology (Ross 2020; Van der Geest 2011). Professional ethics in social and cultural anthropology includes ethical principles and standards, which are important and acceptable for Western societies and cultures. In many non-European societies and cultures, there exist very different ethics and ethical standards which cannot be combined with or which are in open opposition with professional ethical standards in social and cultural anthropology. In such situations, practicing professional ethics of social and cultural anthropology means violation of native ethics and ethical standards, what is in opposition with professional ethics in social and cultural anthropology (Van der Geest 2011). In such situations, anthropologists have ethical obligation to “ground the anthropological Principles in regionally meaningful values” (Ross 2020: 5).

Harmonization of Western professional ethics in social and cultural anthropology with native ethics of native peoples is complicated in demanding process. In some cases, this harmonization has already resulted in codes of ethics, which are acceptable for native peoples, as well as for Western social and cultural anthropology (AIATSIS 2020; UN 2007). However, also in this process some problems are still open, for example, how to guarantee coexistence of emic (i.e., native) and ethic (i.e., anthropologists') understanding of research problems in cases where natives do not agree with understanding and evaluation of researched problems and questions, given by social and cultural anthropologists.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Ethical Representation of Data](#)
- [Indigenous Environmental Justice](#)
- [Indigenous Land Management: Responsibility-Based Ethics](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)

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## Professionalism Versus Commercialism in Audit

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### Synonyms

Audit versus non-audit services; The business of accounting

### Introduction

Professional Accountants (PAs) acting in their professional capacity owe a duty of trust to their clients and users of their services.<sup>1</sup> At the same time, PAs run a business and strive to be financially successful, focusing on profit maximization. These dual objectives may come into conflict when the PA's financial incentives conflict with their fiduciary responsibilities, resulting in a professionalism versus commercialism conflict. Professionalism is particularly important for PAs in the auditing area because users of audit services place a high reliance on PAs to be objective and

provide an unbiased opinion on the company's financial statements. Stresses on the profitability of the audit can increase the pressure on PAs to keep costs down, which could result in short-cuts and reduced audit quality. PAs' focus on profit increases the potential for ethical breaches caused by possible conflicts between professionalism and commercialism.

This article highlights the importance and foundations of professionalism in accounting, focusing primarily on PAs who provide external audit services, that is, the audit of the financial statements of the corporation. Commercial pressures facing PAs and increases in these pressures are articulated to establish the existence of, and the conflict between, professionalism and commercialism. In order to maintain the value and credibility of the auditing profession, professional values must be safeguarded, and to this end, mechanisms are provided to swing the pendulum away from a focus on commercialism, towards a dominance of professionalism.

### The Need for Audit

Regulators in the major capital markets worldwide require a mandatory audit for publicly listed companies. For private companies, there is more variation across countries. For example, Canada and the United States do not require an audit of most private companies, whereas in the UK, many private companies over certain thresholds are required to have an audit. Other than for regulatory purposes, why do companies need an audit? Management, or those running the business, have detailed knowledge of the business operations and the financial results of the operations which are presented in the financial statements. Outside investors and creditors do not have the same knowledge or access to the internal financial records of the company. However, for these outsiders (third parties) to rely on the financial statement of the business, they need assurance that the numbers that management provides are credible and have been prepared in accordance with appropriate accounting standards. A solution to this problem is to use independent auditors to

<sup>1</sup> This responsibility is generally referred to as a fiduciary duty in common law jurisdictions. The fiduciary duty is one of the highest duties recognized for specific types of relationships. It imposes a legal obligation to act honestly, in good faith, and only in the best interests of the client while avoiding all conflicts of interest (Smyth et al. 2016).

provide assurance on the reported financial statements. These PAs are independent of the company and usually report directly to the shareholders of the company. Independent PAs are an important safeguard to ensure the financial statements are a “true and fair view” of what is happening inside the company (FRC 2014).

Investors and creditors rely on PAs for assurance on financial statements, yet they have no means of ascertaining if the PA has performed a quality audit. What is audit quality? Despite claims in the audit research that we know what audit quality is, very little is known about actual audit quality in practice. What we do know is that audit quality is difficult to measure. Regulators have expressed this concern, “There is no single agreed definition of audit quality that can be used as a standard against which actual performance can be assessed” (Financial Reporting Council (FRC) 2006, 16). Executives, even with their intimate knowledge of the company, cannot ascertain if they have been provided with a quality audit. It is virtually impossible for outside analysts, creditors, or the investing public to determine audit quality. Instead, regulators and users of the financial statements rely on professional standards and accounting professionals’ ethics to safeguard audit quality.

## Professionalism and Commercialism in Audit

Generally Accepted Auditing Standards (GAAS) are the “rules” that auditors must follow when performing an audit. These standards are broad, and there is significant professional judgment involved when conducting an audit. Just as there is “choice” when deciding how to account for a particular accounting issue, there is also choice in how to conduct an audit; that is, there is usually no single correct audit approach. There are many degrees of latitude given to accounting firms when planning, gathering, and interpreting audit evidence, to support the Audit Report.

Accounting firms offer a wide variety of services, only one of which is auditing. While auditing is conducted by professionals who owe a duty to the

users of the financial statements, PA firms tend to view all aspects of their portfolio through a profit lens. A focus on the commercial, or profit side, can have a very harmful effect on the professional role, particularly for auditing. It is important to look back at the history of the accounting profession and the evolution of auditing through the decades to identify factors that may have contributed to an increased shift from professionalism to commercialism in audit.

## The History of Auditing

The leading historian of the accounting profession, Dr. Steven Zeff, has analyzed the changes that have happened to the US profession throughout history. This section is drawn substantially from his analysis. Although Dr. Zeff’s analysis was based primarily on the US experience, the pressures facing the profession are global in nature.

In the early 1900s, PAs were seen as social trustees in positions with a public duty and derived their value sets from fiduciary logic. In the 1940s, accounting firms were relatively small entities. New hires in the firms graduated from accounting programs that had focused on professionalism and the accounting code of ethics. They were then immersed in professional behavior within the firms themselves (Wyatt 2004). Firms slowly began growing throughout the 1950s and 1960s through acquisition of and mergers with smaller firms. Firms prided themselves on taking tough positions on accounting standards, without regard to revenue or clients (Wyatt 2004). Partners demonstrated their commitment to professional values by speaking out on the issues of the day, often without consideration to their clients’ individual circumstances – it was about what they felt was “right.”

In the early to mid-1960s, a change of focus in the audit profession began. This shift in focus could not be blamed on one incident, but rather on a number of factors that caused a gradual shift in the profession over the next few decades. For example, the acceleration of corporate mergers and creation of international conglomerates, the commodification of auditing, and the explosion of consulting



services were all significant pressures that changed the face of accounting firms. Thus began the movement from a focus on professionalism to a focus on commercialism. Using this corporate logic, public accounting firms began negotiating accounting treatments with their clients rather than promulgating the most appropriate treatment (Zeff 2003b).

The corporate merger movement of the 1960s led to large multinational companies, with substantial pressures within these large conglomerates to show increasing profits (Zeff 2003a). Executives increasingly began to resent Generally Accepted Accounting Principles (GAAP) as they placed constraints on their choice of accounting methods. The standards might limit the profit the company could recognize, and in doing so also the executives' compensation which was often linked to the company's profitability. This caused an unprecedented public focus on accounting standards, which led to increased political lobbying and sometimes opinion shopping.<sup>2</sup> A former research and education partner of Price Waterhouse and the American Institute of Certified Public Accountants executive vice-president forcefully criticized the "opinion shopping" that was going on:

Competition to obtain a client for the lowest fee or to obtain or retain a client at the expense of technical standards is debilitating. It will weaken, and, if unchecked, destroy the profession. Competition for a client based on accounting principles must be stopped. (Savoie 1968, 112)

During the next few decades, audit firms also began to consolidate in order to grow and ensure they had the resources available to meet the demands of the new international companies. They increasingly became "full-service" firms, providing not only auditing services but a full range of accounting and management consulting services as well. The audit began to be viewed as a commodity service, with many large firms that could all produce the same standardized audit

report. Management had little concern for quality, as audit quality was difficult to measure. Here the audit could be considered simply a tax on doing business. These factors led to downward pressures on costs, with savings coming in the form of reduced salaries and time spent on the audit. More time was devoted to tasks such as analytical review techniques and less time spent on time-intensive substantive test of details, resulting in lower-quality audits (Imhoff 2003). The courts increasingly held auditors not liable to third party users (investors in particular) and so there were less and less reasons for auditors to be worried about audit quality. Commercialism began taking its toll on the audit.

As audit fees were falling sharply, consulting fees were rising (Zeff 2003a). Initially these management advisory services were viewed as auxiliary to the audit – add-on services that were not separate engagements on their own. The profession defended these services as integral to understanding the client better, in order to provide a better quality audit. As these services grew in scope and dollars, there was less and less promotion of the accounting and audit functions within the firms.

Concern grew from outside regulators, academics, and accounting professionals not in the "consulting" business that the independent audit professionals were becoming less independent (Zeff 2003a; SEC 1978; POB 1979; Olson 1982). Firms were conducting more advisory and non-audit services and becoming more economically dependent on these big clients for highly profitable consulting work, and were sometimes in the position of having to audit their own consulting work. As fees grew, consultants gradually took over the political power within the firms. As a result, there was an obvious conflict of interest for the auditors. Would they truly present a non-clean audit report and risk the firm losing an important consulting client? The corporate logic was vividly portrayed in the 1980 address given by Wm. R. Gregory, outgoing chairman of the American Institute of Certified Public Accountants' (AICPA) Public Oversight Board:

<sup>2</sup>Opinion shopping is when company executives desire a particular accounting outcome and solicit the opinion of additional accounting firms who agree with their opinion and then switch to these auditors to gain the accounting outcome they desire.



It seems that the effects of the phenomenal growth in the profession and competitive pressures have created in some CPAs attitudes that are intensely commercial and nearly devoid of the high-principled conduct that we have come to expect of a true professional. It is sad that we seem to have become a breed of highly skilled technicians and businessmen, but have subordinated courtesy, mutual respect, self-restraint, and fairness for a quest for firm growth and a preoccupation with the bottom line. (quoted in Zeff 2003b, 267).

Fees continued to grow, until a full-blown crisis emerged in early 2000. The ethical lapses that took place within accounting firms contributed to the events surrounding Enron, WorldCom, Sunbeam, and similar corporate scandals. The political response was regulations that hit the profession, and hit it hard. In the USA, there was the passage of the Sarbanes Oxley (SOX) Act of 2002 and the creation of the Public Company Accounting Oversight Board (PCAOB) to audit the auditors. The Canadian regulators and the accounting profession issued their own version of SOX through new independence standards and creation of the Canadian Public Accountability Board (CPAB). European standards for auditor independence were modified and recommendations to adopt international standards on auditing were hastened, as well as establishing minimum requirements for public oversight of the auditing profession. Arthur Andersen folded shortly after its notorious audit of Enron.<sup>3</sup> A critical eye turned to the audit profession, questioning the professionalism of accountants.

With the regulatory changes, there was a temporary chill in PA firms' relationships with their clients. Firms divested their prohibited consulting practices. The new regulations arguably led to better behavior within the firms; however, the pressures have not gone away. Consulting practices are still at the forefront of revenue growth at the firms, and this persistence of the "non-prohibited consulting practices," coupled with the other pressures discussed, suggest the

professionalism versus commercialism debate will not be silenced anytime soon.

## A Resurgence in Professionalism

The return to a strong focus on professionalism is not beyond reach for the accounting profession. The regulatory changes and policies in the firms help, but more effective changes are needed. There is ongoing research by accounting academics, the profession, and regulators studying ways to ensure history does not repeat itself. All point to changes that will likely not reverse the course of history on their own, but together can take a step towards restoring the "professional" values of the profession (Wyatt 2004; Moore et al. 2006; PCAOB 2013; Coram and Robinson 2016). Three of the most obvious areas where change could occur are: within compensation plans, firm quality control, and limits on non-audit work.

### Compensation Plans

Compensation plans within PA firms can contribute to the commercialism focus when they emphasize commercial values and exclude professional values. Carcello (2005) finds that during the phase of increasing commercialism within the profession, the compensation plans in Big Four audit firms emphasized revenue growth and client satisfaction more than professional skepticism and audit quality (Carcello 2005; Wyatt 2004). The literature has identified significant risks of performance-based compensation (vs. a fixed or lock-step approach) to professional behavior in auditing firms and to how this may alter the core values of PAs.<sup>4</sup>

Critics and regulators have argued that more adequate incentives should be provided to those who display professional values or who are effective in their technical and professional

<sup>3</sup> Arthur Andersen was initially found guilty of obstruction of justice which was later overturned by the United States Supreme Court.

<sup>4</sup> A Lock-step approach is not solely determined by concerns for organizational efficiency but also by the values and standards appropriate to the organization (Coram and Robinson 2016, 33). This concept of lock-step has been completely removed from compensation schemes at the Big 4 (Coram and Robinson 2016).

performance (Wyatt 2004; Moore et al. 2006; PCAOB 2013). Incentive plans must incorporate measurement of quality performance, and then these quality performance incentives need to be incorporated, or incorporated more, into incentive plans, at professional firms (PCAOB 2013). In order to provide incentives for increased professionalism, firms need to reconsider their compensation policies, with a focus on technical and professional performance.

### Quality Control and Professionalism

Greater emphasis on quality control in audit performance within the audit firms themselves is needed. Firms do have processes already, but regulators, academics, and many within the profession are asking for more (Wyatt 2004). More effort should be devoted to ensuring that the financial statements of the organizations they audit meet the intent of the standards versus solely the letter of standards (avoiding the intent).<sup>5</sup> One way to achieve this is to change the tone at the top of the accounting firms. Managements' philosophy and practice within the audit firms themselves are often overlooked. Emphasis should be put on restoring the paramount importance of professional behavior in the conduct of services rather than focusing primarily on promoting revenue growth. The change needs to start at the top.

### Limiting Non-audit Services

The audit report must be from auditors who are *independent* from the company they are auditing. The CPA Code of Professional Conduct Canada (2016) establishes base-line conditions for independence by stipulating several prohibitions against practices that would violate independence. These are a good start; however, audit firms should always be striving to ensure they meet not only all the rules but also avoid any situations where there could be the *appearance* of a breach of independence. PAs need to remember that if it *appears* that they are not independent, then the value of the services provided diminishes, perhaps

to nothing. Bernard Z. Lee, a member of the Special Committee, the Institute's 1983–1984 board chairman, CEO of the major accounting firm of Seidman & Seidman, and self-described “hawk” on the subject discussed self-imposed restrictions the profession should implement. His words are still just as relevant today. He was quoted as saying (prophetically):

The profession is changing and change is necessary, but we need to approach it with caution and there needs to be reasonable limitation on what services we should be providing as a profession. There's a perception by our critics, Congress for one, that we may be sacrificing our objectivity if not our independence. If we do not limit the scope of services, then someone will do it for us. (Weinstein 1987, 50)

### The Professional Accountant

Ultimately, PAs have a fundamental responsibility to act in the public interest. Instead of focusing on a list of rules that should not be transgressed, training within both the education system and firms must focus on the fundamental principles governing a PA's conduct, such as maintaining professional competence and confidentiality of client information. Services should be performed with integrity and due care. Finally, PAs should conduct themselves as professionals, serve the public interest, and be objective.

The professional accounting firms have faced numerous and complex pressures in the war on professionalism. These pressures include, but are not limited to, giving in to corporate and individual greed, cultivating relationships with clients that may impair independence, using creative accounting techniques designed to skirt accounting standards and performing services that impair independence (Wyatt 2004). Regulations have been imposed and resulting changes within the firm have been implemented. However, without a real focus on professionalism and how audit firm culture should be modified to reflect these fundamental principles, there will be little lasting impact of these regulations. The pressures have not gone away, consulting services are still being offered, and conflict of interest situations will

<sup>5</sup> The shift to international auditing standards was also aimed at addressing this concern.

always arise.<sup>6</sup> PAs need to reconsider what is necessary to restore the accounting profession to the level of credibility that it once enjoyed.

## Cross-References

- [Accounting Ethics \(Including the Profession's Code of Ethics and Commitment to the Public Interest\)](#)
- [Ethical Dilemmas](#)
- [Ethics Audit](#)
- [Leadership Integrity](#)

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## Property Rights

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## Synonyms

Legal rights; Ownership of the means of production; Personal property; Private property

## Definition

If something is the private property of someone, then that person has rights with respect to that thing which other people and entities do not have and which they ought to respect. Property rights assert both moral and legal claims.

All discussions of property rights must keep in view a fundamental distinction between personal property and private property in the sense of the ownership of the means of production. Personal property includes your toothbrush, clothes, house, and car – anything you use for personal purposes

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<sup>6</sup>The collapse of UK's Carillion in 2018 and calls for a break-up of the Big Four audit firms in the UK point to the continuance of these concerns.

and do not use to produce goods and services for sale. Private property includes the means of production such as land, natural resources, businesses, and financial assets like stocks, bonds, options, and so on. In this entry, private property generally refers to the private ownership of the means of production.

## Introduction

Property rights have the same *structure* as human rights, constitutional rights, or any other rights claims; that is, the rights-holder (who is usually referred to as the property owner in the case of property rights) has rights claims; other people and entities have a corresponding duty to respect these claims. The theory of rights is really a theory of the duties and obligations of others with respect to the rights-holders.

Clarifying property rights requires addressing several questions: What rights does the ownership of property confer on the owner? Who can own property? What sorts of things can be owned as private property? How are the nature and origins of property rights theorized? How are property rights distributed, and does it matter?

## What Rights Does the Ownership of Private Property Confer on the Owner?

This question is impossible to answer because an owner's property rights are whatever the law says they are. There are great many legal systems in the world including national legal systems, international treaty laws, state/provincial laws, municipal laws, and laws created by self-governing entities. Each legal system can consign different rights to property owners. Consider, for example, the simple concrete case of land which is often thought to include the right of the owner to exclude others and the right to determine use of the land. However, trespass laws vary greatly, and in many jurisdiction rights-of-way, public footpaths, ancient hunting or other rights, water rights, and

so on can affect people's rights of excluding others from the land they own. Or, to cite a modern instance, my neighbor's Wi-Fi and cell phone emanations enter my property all the time, and there is not much I can legally do to exclude them. Environmental regulations, building codes, zoning rules, agricultural restrictions, and a multitude of other laws can restrict owner's use of their own land.

There is no theory which explicates what rights property law ought to confer on property owners. This creates a major difference between property rights and human rights. In the case of human rights, ethical theory and declarations (especially the United Nations Universal Declaration of Human Rights) do specify what human rights people ought to have. If the laws of any jurisdiction do not respect those human rights, then we say that the law violates people's human rights. There is no corresponding theory or declaration of what property rights ought to be; there are no inherent property rights. The law defines what property rights are, and one can never argue that the law has defined property rights incorrectly or failed to respect inherent property rights. This does not mean that property laws cannot be unwise or cause social harm – rent controls are often accused of causing social harm, for example. Property laws can also be vague or out of date from a utilitarian point of view. If a person owns a piece of land, for example, do they own the airspace above it? Can they exclude camera-laden drones from flying over their property? How far up there they own? We need to find out current law or wait until new laws are passed to know. We cannot theorize such an issue.

## Who (and What) Can Own Property?

Historically, in many societies property was owned by families, clans, tribes, villages, communities, and other entities. All such group ownership requires cooperation and coordination; if those are not dominant, competition for the resources owned in common will lead to

overexploitation and destruction known as the “tragedy of the commons.”

A solution to this tragedy is needed in large modern societies and economies. The most common solution is to allow only individuals and individual entities to own property. Large-scale group ownership is accomplished by the simple legal expedient of creating a fictional legal entity, most commonly a corporation. The corporation, as a single entity, can own property, but such property is not the communal property of the corporation’s owners. The rights of the corporation’s owners are clearly defined in law.

There are some exceptions to this rule that all property is owned by single entities. Spousal law, partnerships, and contracts can create exceptions, but all of these have legal complexities. Corporate law, on the other hand, is highly developed and precise in most advanced economies.

A government (national, state/provincial, or municipal) can also own “private” property – private in the legal sense but not in the social and economic sense. Such property is not the common property of the people in the jurisdiction but is legally the property of the government entity that owns it. Very often such property is owned not by the government in general but by a legal entity which the government has established. A bridge, for example, might be owned by the Department of Highways, and a campus is often the private property of a university. The legal principle of ownership by a single entity is applied to government ownership of private property. However, even if government property is private property from a legal perspective, from a political, social, and economic perspective, private property often refers to the nongovernment ownership of the means of production. The debate over whether government should or should not own a particular sector of the means of production is usually considered under the terms “nationalization” and “privatization.” Whether nationalized or privatized, from the legal perspective, the assets remain the private property of either a government entity or a private corporation.

## **What Sorts of Things Can Be Owned as Private Property?**

There are so many things that can be owned that it is easiest to see the limits of property ownership by first noting the sorts of things that *cannot* be owned. Human beings cannot be owned; slavery is prohibited by international law and by commitments of the national governments of all member states of the United Nations. Illegal slavery still exists, and some legal practices such as confiscated passports can approximate some aspects of slavery, but these are issues of violated human rights, not property rights.

Many legal jurisdictions prohibit ownership of babies, human body parts, and genes, but there are exceptions, borderline cases, and legal disputes in this area. Animals, on the other hand, can be owned as pets or livestock, but the ownership of many species is banned because they are endangered, dangerous, migratory, or because captivity is cruel. There is currently a movement to end ownership by aquariums and zoos of highly intelligent social animals like whales and elephants.

Also generally un-ownable are the atmosphere, the weather, the sea, the water flow, the moon, Antarctica, and scenes of great natural beauty such as the Grand Canyon. Outer space cannot be private property, although geostationary orbits are assigned to national governments who can then lease them to corporations. Broadcast bandwidths are also generally considered the property of governments and are available to corporations only on a lease basis. In some jurisdictions mineral and petroleum rights are similarly available only by leasing from the government; in other jurisdictions, the owners of surface land also own the minerals and petroleum under their land.

Public infrastructure used to be mostly viewed as owned by the government, but the privatization trend has greatly changed that. There have always been private roads, schools, hospitals, and universities, but most such entities were considered as government owned until recently; and all such entities were always part of government-controlled transportation, education, and healthcare systems. Private roads, for example, are always connected to the public road system.

Some entire industries, railways in Great Britain, for example, were nationalized then sold back to private owners (although in the case of Britain's railways, there is now moment to renationalize them).

Considering things that can be owned, the simplest case concerns physical objects. This is my pen, my book, my computer, and so on. Usually, the rights conferred by ownership of an object are exclusive usage and freedom to dispose of the object by gift, sale, or destruction. An example of an exception would be a house with a historical preservation order that prevents the owner from destroying or renovating the building. Ownership of things can be either personal property (such as the objects listed so far in this paragraph) or private property in the sense of the private ownership of the means of production. Tools, trucks, machines, and whole factories can be privately owned. Some objects cannot be privately owned; for example, there are legal restrictions in most advanced countries on the private ownership of guns, explosives, and military equipment.

Land is often cited as the most obvious case of clearly defined property rights. Private ownership of land usually confers rights to exclusive usage and the right to determine usage. However, as noted above, trespass laws greatly vary, and property owners' rights are constrained by environmental, zoning, and many other regulations. It should be noted that the value of land to property owners is largely dependent on government's ability to maintain "peace, order and good government," on government-provided infrastructure (e.g., a new subway line can dramatically affect the value of nearby land) and on well-functioning complex social systems, most importantly, cities. Piketty (2014) points out that the dominant form of wealth in modern societies is urban land; wilderness land per acre, by comparison, has very little financial value to the owners.

In capitalist economies businesses can be privately owned. Except for micro businesses, most businesses are incorporated. Legally, the corporation is the owner of the property of the business which gives the corporation similar rights to human beings who own property. This includes the right of corporations to own other

corporations. Curiously, corporations are both owned property and the owners of property. This leads to the cascading ownership of corporations which own corporations which own corporations and so on for many levels. Many small corporations are owned by one or a few human beings, but many large corporations are often publicly owned in the sense that many people and corporations own their shares. The rights of the owners of businesses are generally a right to control the business and the right to any profits which the business may earn.

Financial instruments can be privately owned by human beings or corporations. Some of the most important financial instruments are debt, bonds, mortgages, treasury bills, options, and other instruments bought and sold on financial exchanges. The property rights of creditors who own debt instruments are generally a right to some part of future cash flows. For example, creditors who own consumer debt have a claim on the future wages, salaries, and other incomes of the debtor. Creditors who own treasury bills and other government debt instruments have a claim on the future tax and other incomes of the government. Corporate bond owners have a claim on the future income of a corporation. Most financial instruments can be bought and sold freely on financial markets.

Property rights have been extended from physical things and businesses to abstractions through what are often known as intellectual property rights. The form of such property is usually trademarks, copyrights, or patents, but courts also recognize value in and rights to other abstractions such as reputations or brand images. The law concerning intellectual property rights varies greatly, and enforcement is erratic or nonexistent in some countries. Multinational corporations, many of which have vast interests in intellectual property rights, have had considerable success in embedding such rights in trade treaties, with the law in most countries conforming to those treaties. Enforcement, however, remains problematic. China, for example, is notorious for "pirated" copies of movies and music: "pirated," that is, from the perspective of the corporations that own the rights to the movies and music. The



problem with intellectual property is that traditional property rights such as exclusive use and control are very difficult to apply to entities which can be reproduced at zero marginal cost and the use of which by one person does not exclude the use by many others. Millions of people, for example, can listen to a Justin Bieber song at the same time without interfering with each other. Perfect digital copies of his songs can be made at no cost, and many people do not think there is anything wrong with violating copyright.

There are two key arguments in favor of intellectual property rights. The first is that people have an inherent moral right to their creations. The second is that the incentive of owning and benefiting from intellectual property encourages creativity. The argument against intellectual property rights is that it hinders progress by creating costs, including very high transaction costs, in what would otherwise be a zero-cost area. Imagine, for example, what a symphony performance would be like if every musical instrument in the orchestra had accumulated numerous patents and the score was under copyright. Patents and copyrights expire, but in the meantime, progress can be delayed. This is especially true if scientific and medical developments can be patented; it makes further progress that is dependent on the patented knowledge or techniques expensive or impossible.

## Theories of Property Rights

Numerous philosophical theories have been offered both in defense of property rights and in criticism. One of the most common justifications of property (including the private ownership of the means of production) is John Locke's. Locke argued that all people have a fundamental moral right to the product of their labors; a person who, for example, cleared land had a right to own that land, to exclude others from it, and to enjoy the produce of that land. Locke added the proviso that there had to be as much and as good left for others, but that proviso was suspended with the invention

of money since people without property could now make a living working for those who owned resources. Once original acquisition of property had occurred, ownership could legitimately be transferred by consensual agreement or inheritance.

The other most common justification of property rights is a utilitarian one. Private ownership is a major incentive for people to work, be creative, study, and so on. Overall, it is argued, societies that allow the private ownership of the means of production (or at least most of it) tend to be much richer than societies that do not. There are also more detailed utilitarian arguments, such as Hayek's claim that the right to consensual exchanges of property allows the development of market pricing, which supplies vital information about people's needs not available in non-market economies (Hayek 1944).

Various libertarians use either or both of the Lockean and utilitarian justifications of property rights.

The most sustained critique of private property rights was that of Karl Marx (Marx and Engels 1959), but even he thought that the private ownership of the means of production was a necessary stage in human progress. His criticisms included the claim that original acquisition had been a brutal process of dispossession, that laborers were now alienated from what they produced, and that private ownership of resources led to exploitation of those without property.

Proudhon famously argued that "All property is theft" (Proudhon 1966 [1840]).

The nature of the rights conferred by ownership has also been questioned. For example, some North American aboriginal cultures view ownership of land and natural resources as imposing on the owner a duty of stewardship, not just the right to exploit for profit. The Catholic Church, although clear that it considers private property morally legitimate, also thinks that ownership imposes stewardship responsibilities on owners, especially owners of land and natural resources; Psalm 24 and other passages of the Bible are cited to support this view (Francis 2015).

## The Distribution of Property Rights

If we consider the ownership of the means of production (businesses, land, natural resources, and intellectual property) and set aside personal property for a moment, then one of the obvious features of property rights is that they are stunningly unequally distributed. Most people don't own nonpersonal private property; most of those that do are people with some savings for retirement. The vast majority of private property is owned by a tiny segment of society in the order of 1% or less, though the exact distribution varies from country to country. Property rights are mostly rights held by a small class of people. Some people think this is unjust or creates social problems; others think it is acceptable or even desirable.

A common moral objection to highly unequal distribution of property rights is that inequality is simply unfair; the pie ought to be divided equally. In response, defenders of inequality claim that this sentiment is not a fundamental moral principle but just the emotion of mere envy. A more serious objection is that economic inequality causes serious social harm, including increases in drug use, incarceration rates, infant mortality, mental illness, obesity, teenage birth rate, violent crime, and so on (see Wilkinson and Pickett 2010 for an overview of the data). Both the accuracy and significance of these data have been questioned. However, even if the data on the social harm of inequality are accepted, there is the issue of whether utilitarian considerations like harm should overrule rights such as property rights. Diminishing economic inequality would seem to involve redistribution of the wealth, which would necessarily involve taxing or confiscating the wealth of the rich in violation of their property rights. On the other hand, governments might change the mechanisms of distribution and thus change the distribution of the wealth to the rich before they obtain a property rights claim. For example, changing the right of corporations to merge with or buy other corporations (which would be a change of legal property rights, not moral property rights) would significantly change

the distribution of wealth without redistribution of existing property claims.

## Summary

The laws of the relevant jurisdiction determine what rights are conferred by property ownership. Property can be owned by individuals or by legal entities such as corporations and government departments. Some things cannot be owned in most jurisdictions, such as people or some kinds of guns. People and legal entities in many countries can own land, resources, businesses, financial instruments, and intellectual property. The most common justifications of property rights are Locke's and utilitarian theory. Critics of private property include Marx and Proudhon. Many aboriginal societies and the Catholic Church think that property ownership involves stewardship responsibilities. The distribution of property ownership, and hence of property rights, is a contentious issue.

## Cross-References

- Distributive Justice
- Hayek, Friedrich, *The Work of*
- Human Rights
- Libertarianism
- Locke, J.
- Marxism
- Resource Extraction and Indigenous Community Consent

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## Protestant Work Ethic

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### Definition

The protestant work ethic was defined and explained by Max Weber (1864–1920), a German sociologist. In Weber's early writings, *The Protestant Ethic and the Spirit of Capitalism* (PESC), he characterized the protestant work ethic as an inner sense that you ought to work in a particular profession for its own sake, not just for financial remuneration. In PESC, Weber sought to explain the emergence of capitalism as a result of specific moral and religious beliefs that emerged after the protestant reformation. His aim was to explain how changes in cultural beliefs led to changes in individual behavior, which eventually brought about social and political change at the level of the structural organization of society. In order to support his argument, Weber reviewed protestant doctrines, such as the works of Martin Luther (1483–1546). Luther was a German monk who disagreed with church authority, and in his 95 *Theses*, he declared an end to monasticism and other regulations that the church had on everyday life. In reviewing historical texts, Weber found that the notion of a "calling," which had been previously reserved in Catholic writings for the kind of inner sense that one was *called* by God to monastic life (e.g., joining the priesthood), came to be applied to one's professional life: "The concept of the calling is a product of the Reformation. ... Precisely this new notion of the moral worth of devoting oneself to a calling was

the unavoidable result of the idea of attaching religious significance to daily work" (Weber 2002: 39–40). From the German "rufen," meaning "to call," "beruf" meant working in both a vocation and a profession. Weber concluded that this appropriation of religious ideas to daily life came to replace church activity as the place to show one's devotion to God: Luther suggested that working in one's professional vocation was a way to generate community as it allows individuals to work together in "brotherly" labor (Weber 2002: 40). Fulfilling your professional duties, in other words, was the "only way to please God," and this fulfillment was "God's will" (Weber 2002: 41).

The notion of the calling had implications for a protestant style of life. An ethic is understood as a set of beliefs, values, and worldviews that form a coherent whole and are guiding principles for action in one's *lifestyle*. The protestant ethic was not a form of morality, stipulating what kinds of work were "good" or "bad," but it did lay out how a protestant "ought to live." This ethic was embodied through personal choices and motivations to work in one's vocation as a meaningful way to conduct one's life.

Weber argued that this set of practices came to *rationalize* professional work in modern society. For Weber, rationality here entails two different levels of analysis. First, at the individual level, rationality is one's reasons for doing things: what motivated individual choices? The protestant ethic was a belief, a reason for taking up a profession as a value in and of itself and a motivation to work in that profession. The second level concerns the institutionalization of a mindset that would later dominate the organization of professional work. Because protestant beliefs rejected the "magic" of the Catholic Church's ad hoc absolution of sin through indulgence, this meant that protestants had to structure their entire lives around Godly and ethical behavior. Only living this systematic lifestyle could reassure protestant believers that they would be saved beyond this world. It is through this rationalizing process that this ethic became systematized. Rationality in this sense means that individual actions come to be

guided by abstract, universal principles that regulate behavior. Life could become predictable, calculable, and subject to various measures of control.

Weber's argument that the protestant work ethic created the conditions for the emergence of capitalism hinges on the notion that this ethic of working hard and efficiently in one's profession ensured the success of protestant businesses. Working hard was a sign of God's favor in this life, and the protestant work ethic came to dominate the business world. Weber used a metaphor of the "steel hard-casing" to signify the rigid structures that trap us today in a system of rationalized work environments. The protestant work ethic originated in a set of chosen practices based on what one group believed, but this has now become an inescapable situation for anyone in today's society: "The Puritan *wanted* to be a person with a vocational calling: today we *are forced* to be" (Weber 2002: 123). Today there is no work ethic needed; workers *must* work hard and efficiently in their professions: "The idea of an 'obligation to search for and then accept a vocational calling' now wanders around in or lives as the ghost of beliefs no longer anchored in the substance of religion" (Weber 2002: 124).

One example of this sort of economic coercion, as Weber refers to it (2002: 124), is observed in the rationalized organization of professional work. Weber thought of *bureaucracy* as a heuristic for understanding the ideal type of rationalized work. Bureaucracy is the body of professional administrators, selected on the basis of merit and qualifications, which is organized rationally with assigned specialists assigned to tasks in particular areas. There are six characteristic of modern bureaucracy: fixed jurisdictional areas and authorities; a hierarchy of command with super- and subordinate offices; a reliance on paper documents and permanent files; specialization of task along with specialized training; the full working capacity of the person in office; and the use of general rules for decision-making (Weber 1978: 956–958). In a bureaucracy, office holding is a vocation as it requires the individual to uphold the duties of the office for an "impersonal and

functional purpose" (Weber 1978: 959). Officials usually undergo specific training, are expected to work in their positions for a long time, and the office stipulates certain duties and responsibilities that are not necessarily tied to an exchange of services for remuneration.

More recently, sociologist George Ritzer (1993) has revised Weber's arguments about the force of rationalization on professional life. He identified five characteristics of what he referred to as the "McDonaldization" of work: efficiency, calculability, predictability, control through non-human technology, and the irrationality of rationality. In these work environments, tasks are rationalized to use the optimal means to achieve the desired outcome. This process often involves the use of nonhuman technology, which also plays a role in determining what tasks workers perform in addition to monitoring and calculating the outputs. Control plays a major role in these environments, as everything *from* the scripts the employees are supposed to follow to relate to customers *to* routine work and tasks aims to create predictable experiences that also keep the costs low. Occasionally these systems also produce unintended or "irrational" consequences. For example, the fast-food chain McDonald's is designed to produce the same product across the world, but this has led to a public health dilemma of obesity in many of the nations where the chain operates.

Some of the consequences of this type of rationalization have been analyzed in social science literature. Bureaucracies rely on the use of general rules to assess particular cases. Weber later substantiated this claim through an analysis of the legal profession. The law is based upon a principle of "generalization," meaning that general laws can be applied to adjudicate an individual case. For bureaucratic professional work, rules become tyrannical in the sense that they must be followed for the proper execution of one's official duties, leaving little room to question the outcomes of the rules or the reasons for their creation in the first place. Bureaucratic officials often cannot reflect upon the rules that guide their professional activity, and the consequences of those rules are not

taken into consideration: “In contrast to the “notable” performing administrative tasks as a honorific duty or as a subsidiary occupation (a vocation), the professional bureaucrat is chained to his activity in his entire economic and ideological existence. In the great majority of cases he is only a small cog in a ceaselessly moving mechanism which prescribes to him an essentially fixed route of march. The official is entrusted with specialized tasks, and normally the mechanism cannot be put into motion or arrested by him, but only from the very top. The individual bureaucrat is, above all, forged to the common interest of all the functionaries in the perpetuation of the apparatus and the persistence of its rationally organized domination” (Weber 1978: 988).

This form of bureaucratic organization can produce ethical conflicts for professionals and administrators alike. According to political theorist, Hannah Arendt, “As we know from the most social forms of government, that is, from bureaucracy . . . the rule by nobody is not necessarily no-rule; it may indeed, under certain circumstances, even turn out to be one of its cruellest and most tyrannical versions” (1958: 40). The results of the rationalization of the protestant work ethic have been considered as both dehumanizing and alienating. Dehumanizing because it removes the opportunity for bureaucratic decision-makers to think about the outcomes or consequences of the rules they must follow. It is alienating because it separates individuals from their humanity, which is, at its essence, their ability to make decisions on the basis of their individual beliefs or ethical principles.

## Cross-References

- ▶ Capitalism
- ▶ Christianity and Business Ethics
- ▶ Marxism
- ▶ Religion, Spirituality, and Business Ethics
- ▶ Weber, Max
- ▶ Work Ethic

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## Pseudo-transformational Leadership

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## Synonyms

Personalized charisma; Pseudo-charismatic leadership; Unauthentic transformational leadership; Unethical charismatic leadership; Unethical component of transformational leadership

## Definition

The construct of pseudo-transformational leadership refers to leaders who abuse their influence, inspiration, and appeal to manipulate their followers in order to maximize their own gains (Christie et al. 2011). Like authentic transformational leadership (Bass 1985), also pseudo-transformational leadership consists of four leadership behaviors, the four I's: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Christie et al. 2011). Even though they draw on similar behaviors, pseudo-transformational leaders may be differentiated from authentic ones for lacking a moral foundation of legitimate values (Bass and Steidlmeier 1999). Pseudo-transformational leaders employ their highly inspirational leadership behaviors and idealized influence for the

pursuit of self-interests and for the attainment of personal goals. In so doing, they exploit, dominate, and control followers (Barling et al. 2008; House and Howell 1992). Quite contrary to authentic transformational leaders, pseudo-transformationals are reluctant to intellectually stimulate followers, show little consideration for them, and disregard their subordinates' personal needs and feelings (Christie et al. 2011).

As the leader's charisma accounts for a great deal of variance in transformational leadership (Bass and Stogdill 1990), the present contribution refers to theorizing and evidence on pseudo-transformational leadership (Bass and Steidlmeier 1999) as well as on the concept of personalized charisma (House and Howell 1992).

## Description

Transformational or charismatic leadership has originally been conceived of as ethical neutral (Barling et al. 2008; Howell and Avolio 1992). Conger and Kanungo (1988), though, already early reasoned that charismatic leaders may use their ability to influence and motivate others for the pursuit of self-serving interests and thus to exploit and deceive followers (Dasborough and Ashkanasy 2002). Accordingly, transformational leaders may deploy their appeal with followers either to aggrandize themselves or to contribute to the welfare of the collective. For transformational leadership to contribute to the welfare of the collective, it needs to rest upon some kind of moral foundation (Bass and Steidlmeier 1999). As such, it is the leader's intent and her or his moral, ethical, or philosophical background which differentiates authentic from pseudo-transformational leaders (Parry and Proctor-Thomson 2002). Pseudo-transformational leaders may not only use their vision, inspiration, and charisma to seduce followers to contribute to their own interests but also to work toward illegitimate goals (Parry and Proctor-Thomson 2002). As followers of transformational leaders seek to emulate their leaders and personally identify with them, an unquestionable willingness to obey these leaders results. It is this willingness

which allows pseudo-transformational leaders to use and exploit followers for their own goals (Conger 1990).

In the literature, different types of pseudo-transformational leaders have been distinguished. Price (2003) referred to a variety of leaders ranging from those who are concerned with purely self-serving goals and egoistic values to those who indeed have altruistic concerns, but who show behaviors deviating from these concerns (Price 2003). Pseudo-transformational leadership is viewed from different perspectives such as from a personality approach (e.g., House and Howell 1992), a behavioral approach (Barling et al. 2008; Christie et al. 2011), or an attributional approach (Dasborough and Ashkanasy 2002; Lin et al. 2017).

## The Personality Approach: Characteristics of Pseudo-transformational Leaders

Pseudo-transformational leaders center on their own gains and put their own needs first. Therefore, egoism – that is an exaggerated sense of self-importance, uniqueness, and greatness (House and Howell 1992) – is a predominant characteristic of such leaders (Kanungo and Mendonca 1996). These leaders have also been suggested to score high on narcissism given that narcissistic leaders commonly use their charisma to manipulate and coerce followers (House and Howell 1992). Pseudo-transformationals are further distinguished by high levels of Machiavellianism (Dasborough and Ashkanasy 2002; House and Howell 1992), a tendency to maximize one's gains at the expense of others by deceiving and manipulating them (Christie and Geis 1970). Leaders with such a disposition are particularly talented in influencing others (Christie and Geis 1970). As Machiavellianism helps them to hide their true intentions, transformational leaders high in this personality trait may be perceived as authentic transformational leaders even if they pursue self-serving goals (Dasborough and Ashkanasy 2002). Like leaders high in Machiavellianism, also those high in emotional intelligence are better able to conceal their true intentions for having higher abilities in regulating their emotions (Dasborough and Ashkanasy



2002). Therefore, emotionally intelligent leaders also are more likely to be evaluated as authentic transformational leaders regardless of whether they pursue legitimate or manipulative intentions. Although they are characterized by an excessive sense of self-importance, pseudo-transformational leaders have yet been suggested to show an external locus of control and a low self-esteem (House and Howell 1992). People with an external locus of control believe that surrounding forces such as other persons, fate, or luck rather than their own characteristics and behaviors determine certain outcomes and occurrences in their lives (Rotter 1966). Low levels of self-esteem lead people to negatively evaluate their own competencies (Rosenberg 1965) and to doubt their ability to succeed (Campbell 1990). Together, these characteristics decrease the leaders' confidence in being able to effectively exert an influence on others. If leaders question their ability to arouse their followers' compliance, they likely draw on exploitative and coercive behaviors in leading (House and Howell 1992). As these influence tactics illustrate, pseudo-transformational leaders are controlling, assertive, and aggressive personalities distinguished by an uninhibited implicit need for power (House and Howell 1992). Not least, pseudo-transformational leaders are characterized by their low sense of responsibility (Bass and Steidlmeier 1999) which probably is a bounding condition for leaders to engage in unethical conduct.

### **The Behavioral Approach: Behaviors of Pseudo-transformational Leaders**

Pseudo-transformational leaders draw on the same behaviors in leading as authentic transformational leaders. Followers therefore rarely recognize their manipulation. Given that they pursue different ends, pseudo-transformational leaders yet exhibit behaviors which authentic leaders do not show (Christie et al. 2011). In order to increase their own gains and attain their goals, pseudo-transformational leaders control and manipulate followers at the expense of the organization's benefit (Howell and Avolio 1992). They disregard followers' rights and concerns (House and Howell

1992) and use their influence to keep followers subservient (Barling et al. 2008). One way of maintaining control over them is to undermine followers' self-confidence (Barling et al. 2008). Pseudo-transformational leaders do not tolerate followers' feedback or any debates and foster one-way communication (Howell and Avolio, 1992).

The behaviors pseudo-transformational leaders show may be subsumed according to the four I's which constitute transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Christie et al. 2011). The way such leaders use the four I's, however, deviates from the way authentic transformational leaders employ these behaviors.

#### **Idealized Influence**

Transformational leaders articulate an attractive vision of a future goal state and provide a sense of mission to their followers (Bass 1985). That way, they stimulate followers to perform beyond expectations but also transform followers' values and align them to a shared mission (Bass 1985). Transformational leaders themselves act in accordance with the vision they draw and work toward its attainment. Therefore, they become role models followers admire and identify with. As followers further want to emulate their leaders, transformational leaders are able to ideally influence them.

Pseudo-transformational leaders are concerned with absolute power (Dasborough and Ashkanasy 2002) and success (Bass and Steidlmeier 1999). They therefore communicate a vision that contributes to their own self-interests and that is geared toward egoistic values (Howell and Avolio 1992) instead of highlighting higher-order goals aligned to the welfare of the collective. In fact, their vision often ignores the best of followers (Christie et al. 2011) even though these leaders pretend to use their power for the good of the organization (Bass and Steidlmeier 1999). Instead of turning into moral role models as authentic transformational leaders would do, pseudo-transformationals strive to become followers' personal idols (Bass and Steidlmeier 1999).

### Inspirational Motivation

Transformational leaders stand out by their ability to inspirationally motivate followers. By creating an appealing vision, they provide the work with meaning and challenge (Bass and Riggio 2006) and involve followers so that they also envision an attractive future goal state and work toward its attainment (Christie et al. 2011). As transformational leaders also demonstrate confidence in their followers' ability to attain the collective vision, they are able to motivate followers to achieve more than expected (Howell and Avolio 1992).

Inspirational motivation helps pseudo-transformational leaders to motivate subordinates to follow them and to contribute to the attainment of their self-serving vision. Just as their authentic counterparts, pseudo-transformational leaders are able to communicate a lively vision of an appealing goal state (Barling et al. 2008). They are rhetorically skilled, refer to images of uniqueness, and use a language full of metaphors in outlining their overall goals (Barling et al. 2008; Dasborough and Ashkanasy 2002). Thereby, pseudo-transformational leaders are able to manipulate their followers (Bass and Steidlmeier 1999). Furthermore, they articulate their vision in ways such that it appears more compelling and realistic as it actually is (Conger 1990). As such, they give false promises and deceive followers (Barling et al. 2008). Its liveliness and appeal, however, drive followers to align to this vision (Barling et al. 2008). Although pseudo-transformational leaders verbally seem to offer empowerment, they try to establish and maintain their followers' dependence (Bass and Steidlmeier 1999). Their extraordinary inspirational talent and their appeal help pseudo-transformational leaders to motivate followers to maximize the leaders' personal gains (Christie et al. 2011).

### Intellectual Stimulation

Transformational leaders stimulate their followers' innovativeness and creativity. They encourage followers to approach old problems in new ways and reframe them, to question the status quo and challenge current assumptions, to find

new or creative solutions, and to think critically (Bass and Riggio 2006; Christie et al. 2011).

Pseudo-transformational leaders refrain from such intellectual stimulation in order to keep control over their followers. Followers who think for themselves pose a danger for the leaders' agenda (Barling et al. 2008) as their thoughts and ideas may interfere with the leaders' self-interests (Christie et al. 2011). Therefore, pseudo-transformational leaders restrain information and resources (Barling et al. 2008; Bass and Steidlmeier 1999); censure critical, doubting, or opposing views and perspectives (Howell and Avolio 1992); and discourage followers from debating their vision (Christie et al. 2011). By spreading uncertainty, they prevent followers from challenging their opinion and make sure that their decisions are accepted (Howell and Avolio 1992). They do not tolerate followers' input (Barling et al. 2008), but yet take credit for others' ideas if these ideas are recognized (Bass and Steidlmeier 1999). If they for once refer to their followers' opinion, it is for impression management purposes (House and Howell 1992). Pseudo-transformational leaders do thus not only refrain from intellectually stimulating others but rather actively prevent followers' independent thoughts and try to suppress their intellectual abilities (Christie et al. 2011).

### Individualized Consideration

Not least, transformational leaders act as coaches or mentors and try to develop their followers by creating learning opportunities and delegating tasks. They frequently communicate with followers and encourage personal exchanges (Bass and Riggio 2006). Based on these interactions, transformational leaders are aware of their followers' individual needs, which they consider in leading.

Whereas authentic transformational leaders are characterized by their concern and respect for followers, pseudo-transformational leaders do neither care about their subordinates' individual needs for self-actualization and development (Howell and Avolio 1992) nor about their dignity (Bass and Steidlmeier 1999). Rather, they exploit their followers' feelings to keep them distant and

dependent (Bass and Steidlmeier 1999). They are lacking consideration toward their followers (Bass and Steidlmeier 1999) and value them just for the contribution they make to progressing toward their own personal goals (Christie et al. 2011).

In sum, pseudo-transformational leaders use these behaviors to arouse followers' unconditional loyalty and to exploit them for their own aggrandizement. In that, inspirational motivation (high) and idealized influence (low) have variously been ascribed a dominant role (Barling et al. 2008). But also the leaders' orientation toward self-serving values and their active attempt to suppress followers' independent thought and taking on of new perspectives have been highlighted in this regard (Christie et al. 2011).

### **The Attributional Approach: The Ascription of Pseudo-transformational Leadership**

The attributional approach posits that the ascription of pseudo-transformational leadership results from the interaction between leaders and followers and substantively depends on the way followers perceive and evaluate their leaders' intentions (Dasborough and Ashkanasy 2002). As authentic and pseudo-transformational leaders draw on the same sets of behaviors in leading, the leader's intentions are vital in distinguishing them. If followers perceive their leaders to have self-serving, manipulative intentions, they are more likely to describe their behaviors as pseudo-transformational (Dasborough and Ashkanasy 2002; Lin et al. 2017). Apart from the leaders' characteristics and behaviors (see the sections on the personality and behavioral approach to pseudo-transformational leadership), Dasborough and Ashkanasy (2002) emphasize characteristics on the part of followers that are related to the attribution of manipulative intent. As such, followers have been assumed to more likely ascribe their leaders manipulative and self-serving intentions, and thus pseudo-transformational leadership behaviors, if they are in a negative compared to a positive mood as such a mood negatively biases thought processes like the evaluation of one's leader. Moreover, higher ascriptions of pseudo-transformational leadership

behaviors result if followers observe the leader's behavior instead of being its target. Under this condition, they are emotionally less involved and thus more critical about the leader's intentions. Not least, if followers have a higher work experience, they are less naïve and less susceptible to the leader's impression management yielding higher attributions of self-serving or manipulative intentions. Besides these behaviors and characteristics on the part of followers, the attributional approach assumes prior interactions between leaders and followers to affect followers' perception of pseudo-transformational leadership. Accordingly, followers are more likely to label their leaders' behaviors as pseudo-transformational, if prior interactions have led to negative feelings toward the leader, if leaders show inconsistent and non-consensual behavior or behavior that deviates from situational norms, or if a leader's actions entail negative consequences for that follower or result in a negative emotional response (Dasborough and Ashkanasy 2002). How accurate these ascriptions actually are seems to depend on the followers' emotional intelligence: The more emotionally intelligent the followers, the better able they are to accurately perceive and interpret emotional cues (Dasborough and Ashkanasy 2002).

### **Outcomes of Pseudo-transformational Leadership**

Pseudo-transformational leaders articulate an appealing vision of a better future state. Followers are therefore initially attracted to such leaders (Barling et al. 2008). As soon as they become aware of the leaders' selfish and antisocial motives, though, followers' devotion decreases, and the admiration of immediate followers turns into fear and suspicion (House and Howell 1992). Remote followers, by contrast, stay committed to these leaders and their vision over a longer period of time for having less direct contact with them (House and Howell 1992). In order to not endanger their self-interested agendas, pseudo-transformational leaders suppress their followers' development and taking on of new perspectives (Barling et al. 2008). As a consequence, followers become obedient, compliant, and dependent

(Howell and Avolio 1992) and show unconditional loyalty to their leaders (Lin et al. 2017). Barling and colleagues (2008) reasoned that the followers' dependence may be transmitted by the personalized identification followers develop due to the leaders' abilities to ideally influence and inspire these followers. Idealizing their leaders, followers tend to ignore the negative aspects of pseudo-transformational leadership (Conger 1990). Just like those of authentic transformational leaders, also followers of pseudo-transformational leaders emulate their leaders' behavior. As these leaders act self-servingly, followers engage in less contextual performance directed at the good of the organization (Lin et al. 2017). Research found this effect to be transmitted by lower levels of organizational identification (Lin et al. 2017). Besides its detrimental impact on extra-role performance, pseudo-transformational leadership has also been found to undermine followers' in-role performance (Schuh et al. 2013). Lending support to the assumption that pseudo-transformational leaders suppress followers' independent and creative thinking results of an experiment revealed that this leadership style indeed led to significantly less idea generation than authentic transformational leadership (Christie et al. 2011). Empirical evidence further revealed pseudo-transformational leadership to positively relate to followers' fear of leaders' exploitative and assertive behavior, their perceptions of job insecurity and abusive supervision, as well as to followers' obedience and dependence (Barling et al. 2008; Christie et al. 2011).

## In Conclusion

Drawing on the same kinds of behaviors, followers may not easily distinguish authentic from pseudo-transformational leaders (Dasborough and Ashkanasy 2002). Whereas the means they employ are similar, the intentions they have and the goals they pursue differentiate these leaders. Based on their ability to articulate an attractive vision and inspire them, followers are initially as attracted to pseudo- as to authentic

transformational leaders. Those working under leaders to whom they ascribe manipulative and self-serving intentions, however, soon become disenchanted with their leaders (House and Howell 1992). As these leaders are able to motivate followers at the expense of the collective while keeping them dependent, pseudo-transformational leaders are threatening the performance and welfare of followers and entire organizations (Christie et al. 2011; House and Howell 1992).

## Cross-References

- Authenticity
- Charismatic Leadership
- Destructive Leadership
- Egoism and Libertarian Ethics
- Ethical Leadership
- Impression Management and Business Ethics
- Leadership Integrity
- Leadership Motives or Intentions
- Machiavellianism
- Narcissistic Leadership
- Transformational Leadership

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### Additional Readings

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## Public Goods

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### Synonyms

Collective consumption goods; Government products and services; Public sector goods; Social goods

### Introduction

In current economic thought public goods are those that have the following two characteristics:

Non-rivalrous – a good that once produced can be consumed by anyone and still is available for consumption by others [without diminishment].

Non-excludable – there is no reasonable way to prevent anyone from consuming it, whether they have contributed to its production or not.

### Historical Context

“Public goods” have been an important part of the social fabric since humans, as social animals, began to form collectives, groups, and communities in the Paleolithic era, about 75,000 years ago. Through the ages these collectives have grown in size and complexity to the point where we now have seven billion people on the planet organized in myriad formal and informal groupings.

One common element of any societal group is the give-and-take between and among groups and



their members. As a privilege of being a member of a group, each person is supposed to contribute something to the welfare of the group. The pooled resources of the group are supposed to be used for a variety of activities that safeguard, sustain, and grow the group.

Enlightenment philosophers such as Hobbes, Locke, Rousseau, and others opined on the role of government and the governed. Dougherty (2003) neatly encapsulates the differing views of public goods by various more recent thinkers such as Hamilton, Madison, Mill, and others. But Adam Smith (2014 [1776]) was perhaps the first to address the topic in explicitly economic terms. And, it was Paul Samuelson (1954) who gave public goods a mathematical economic definition that pervades current economic literature.

## Social Issues

There is a widespread belief, though unfounded, that public goods are to be provided solely by the government (Holcombe 1997; Anomaly 2015). The argument rests on the fact that in a free market economic system, private enterprise will not be able to charge a reasonable price to make a profit if anyone can use the goods once they are made available.

Regardless of who provides the public goods, there are two other related issues: how much to charge for the good, and how to deal with “free riders.” If a community park is built by contributions from local residents but is open to the general public, then there may be “outsiders” who get the benefit of the park without having contributed. Of course, mechanisms can be devised to exclude non-contributors, but that would only increase the costs to the community!

## Examples of Public Goods

Most commonly cited examples of public goods are national defense, law enforcement, and public education. Other items that may be classified as public goods: public infrastructure such as non-

toll roads and bridges, unpatented inventions, government reports and statistics, over-the-air radio and TV, clean air and water, the internet, many websites, the Gutenberg Project, etc (The Linux Information Project 2006).

## Changing Nature of Public Goods

The twentieth century saw rapidly increasing globalization and massive diffusion of technology. Both of these forces together and separately have created transnational impacts on environmental quality, climate change, global security, trade, employment, health, and migration, to name just a few areas, necessitating the concept of global public goods. Though these global goods are non-rivalrous and non-excludable, their management is more complicated because of the sheer scope and size of the actors involved—governments, multinational corporations, nongovernmental organizations, supranational organizations, etc. (Kaul et al. 1999).

## Cross-References

- ▶ [Adam Smith's \*Theory of Moral Sentiments\*](#)
- ▶ [Capitalism](#)
- ▶ [Communism Versus Capitalism](#)
- ▶ [Economic Man](#)
- ▶ [Economics, Ethics, and the Environment](#)
- ▶ [Environmental Accounting](#)
- ▶ [Property Rights](#)

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## Publication Ethics

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## Introduction

Publication ethics encompasses the principles, policies, and practices that exist to ensure that published work can be trusted as a reliable source of evidence. Primarily, this discipline is applied to academic work, where it is of most importance, though it is of relevance to anything that is published. For the vast majority of academic disciplines, academics are judged on what they publish, whether within journal articles, books, or monographs. An industry has grown up, most notably since the middle of the last century, to support this publishing need. The academic publishing industry is dominated by a small number of large commercial publishers, but also includes publishers from universities and academic-led journals. Most publishing is supported by subscriptions, although open access, funded in other ways, is increasing in importance.

Publication ethics is best developed in relation to journals. Ethical issues may arise at any stage of the publication lifecycle and may involve anyone who undertakes any of the activities of publishing, from author to publisher.

Articles are written by authors, submitted to a journal, undergo a basic quality control check by

journal staff, and are then sent to journal editors. Editors make initial decisions on appropriateness for the journal and if that stage is passed will send papers for in-depth review by expert peer reviewers. After reviews, editors then decide on publication or not. Final responsibility for publishing usually rests with an Editor-in-Chief. Editorial responsibilities are distinct from those of a publisher, who is responsible for the financial and business aspects of the journal. Usually editorial and publisher roles are performed by different individuals.

The reputation of published research as a reliable source of information for other academics, policymakers, and the wider public relies on the integrity of the publication process; policies and practices associated with publication ethics, therefore, have an important role to play in supporting this integrity. Publication ethics issues should not be considered in isolation from research ethics, though in practice matters are handled as publication ethics either when they occur specifically during the publication process, or are identified during or after that process. Furthermore, there is increasing acceptance that even issues that appear to lie purely in the ambit of publication ethics (e.g., plagiarism) will have their origin at some other time of the academic lifecycle, or may be influenced by or related to other academic activities. On investigation, there will generally be other factors contributing to the ethical breach, which may include undue pressure to publish, lack of awareness or training in appropriate practices, or different cultural norms.

Hence, when an issue arises, it is often necessary to investigate and take action both at the level of the journal and the institution where the relevant individual is employed or enrolled as a student.

A taxonomy of publication ethics issues has been developed by the Committee on Publication Ethics (COPE) and definitions used here are taken from that taxonomy (COPE 2013). Some of these issues are inherent to a particular role in the process, such as plagiarism. Others, such as conflicts of interest, may occur at a number of stages in the process or come from a variety of participants.

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The author, Virginia Barbour, was the Chair of COPE from 2012–2017.

## Authors

### Plagiarism

Plagiarism is defined “as taking, using or presenting others’ ideas, data or results, writings and inventions without giving due or appropriate credit to the originator” (COPE 2013). Plagiarism is not new. However, use of online writing tools has greatly accelerated the ease by which large amounts of text can be copied, and even subtly changed (in an attempt to avoid detection), and then inserted into academic work. Plagiarism can be detected by online programs and these are routinely employed by both academic institutions and journals.

### Fabrication and Falsification of Research

Fabrication or falsification of research findings may often come to light during the review process. Indications of fabrication or falsification may be obviously manipulated figures, or data that is “too good to be true.” Fabrication or falsification may also only come to light after publication, often following online scrutiny, or following action by whistleblowers.

### Authorship

Authorship issues are very common. Issues include authorship disputes (over author order, or who should not be an author); the addition of guest authors (authors added solely in an attempt to increase the chance of acceptance by a journal); gift authors (authors added as a favor to a colleague), and ghost authors (authors who are left off an authorship list in order to hide their conflict of interests).

## Reviewers

Reviewers are selected for their expertise by journal editors to assess submitted work in a timely and impartial manner. Examples of ethical breaches by reviewers include not declaring an association with the author of a manuscript and then providing a biased review; holding up a review process unduly in order to gain an advantage over authors they regard as competitors

or against whom they have a bias; appropriating authors’ work; and attempting to publish it themselves.

## Editors

Editors are expected to be impartial in their handling of publications and to declare any relevant conflicts of interest, and recuse themselves from handling papers as appropriate. Editorial ethical breaches include publishing their own, their colleagues’, or even their relatives’ work without having in place a process to ensure that no undue favor occurs; failing to provide an appropriate review or editorial process; failing to have a mechanism in place to correct papers post publication; failing to manage conflicts of interest.

## Journals and Publishers

Journals and publishers may also be unethical in their overall functioning. Examples of such ethical breaches include journals that have been set up to favor the publishing of research from specific organizations such as pharmaceutical companies; journals or publishers who misrepresent the services they provide to authors, such as claiming to have an independent peer review process, when they do not; or taking money for publication under false pretenses. These latter journals or publishers are often called “predatory.” Journals may also be affected by conflicts that arise in the publishing of papers such as clinical trials, for which sponsoring companies may be willing to pay large sums for reprints of papers that favor their product.

## Issues Not Limited to One Group

### Conflict of Interest

Conflicts of interest (COI), also sometimes called competing interests, can occur at any point of the publishing or research lifecycle. They may be defined as “the existence of factors, situations or relationships that might inappropriately influence (bias), positively or negatively, a person’s

actions.” (COPE 2013) They are often underestimated as a cause of problems, especially non-financial COIs such as personal or professional relationships, which may be very common in academia. There is an increasing expectation that journals will have processes in place to identify and manage COIs from authors, reviewers, and editors. Processes may include refusing to publish papers where a COI is deemed to exist; excluding reviewers or editors from handling papers where they have a COI; and having a clear declaration of relevant COIs on a published work. Standard COI forms exist, such as that developed by the International Committee of Medical Journal Editors.

## Strategies for Addressing Publication Ethics

### Screening

Some types of publication ethics issues can be screened for; the most well-developed example of this is screening for plagiarism. At journals, this may be done at the time of initial submission, during the review process, or at any point up to the time of acceptance. The process for plagiarism screening involves processing text through a program that scans for similarities for text contained within online databases of journals, books, theses, and other published work. The software produces a numerical similarity score and a visual comparison of the similarities. Although useful and important as a screening tool, these programs require human scrutiny to determine the relevance of the result and action required.

Manipulation of figures within papers can be assessed by scrutinizing figures in standard software programs, e.g., by changing the contrast setting of the program and viewing the figure to determine whether there are any obvious inconsistencies. Screening for figure manipulation is not ubiquitous but practices in this area have been developed by the *Journal of Cell Biology* and many other journals have now instituted similar processes.

A sophisticated type of screening involves the use of statistical programs to examine datasets to look for unusual patterns in the data. This type of

screening can determine inconsistencies such as whether data have been fabricated. This type of screening requires specific programs and a high level of expertise to interpret the results. It is likely to become more important as papers that analyze large datasets become more common.

## Management of Publication Ethics

Publication ethics are connected to the wider issue of research ethics and any given issue may be symptomatic of a broader issue at the level of the individual, their institution, or more globally a culture in which there is an expectation of academics that they need to publish regularly to advance in their career – the “publish or perish culture.” Ethical issues occur on a spectrum. At one end are poor research practices such as a failure to record work properly or store data generated in a systematic secure way which leads to unreliable published work. At the other extreme is fabrication of research results and performing unethical work such as unapproved experimentation on humans or animals. What brings all these issues into the realm of publication ethics is that the issues may be first identified at the time of publishing or, following publication, in the published work. However, even if an issue is identified and investigation is undertaken initially by a journal, there may often need to be a further referral to the relevant institution.

In any issue of publication ethics, there are, therefore, two distinct issues to be addressed. The first is correction of the published work, to ensure that there is a current version that reflects any changes. Management of this process is primarily the responsibility of the journal and its publisher. The second is the investigation of the circumstances under which the issue arose.

### Processes for Correcting Published Work

Journals must have mechanisms in place to correct the record when publication ethics issues are identified post publication, or even if “honest” errors have been identified that undermine the integrity of the published work. With the advent of online publishing, it might be expected that

issuing corrections would be simple; however, there is still no general agreement for how to handle changes to papers post publication. Furthermore, because published articles may appear in many different places, online as well as in print, it is not possible to remove or correct them everywhere. Managing versions of such articles is challenging and relies heavily on accurate identification of articles through permanent identifiers such as Digital Object Identifiers (DOIs).

For simple issues, journals usually issue a correction notice that is linked to the original article at the primary place of publication, and which explains the correction. The original article will not be changed. Online tools can alert readers to changes post publication. The most important mechanism is through the CrossMark scheme run by CrossRef which certifies both the definitive published version of record and whether any changes are associated with that version. For more serious issues, such as where a whole article is deemed to be unreliable, the journal may retract the paper, which is a way of indicating that the journal and/or its authors no longer stand by the published article. The journal will issue a retraction notice, which is displayed and linked in the same way as a correction notice. However, the article itself will usually not actually be removed from the journal. Some journals are experimenting with new models, such as “retract and replace” whereby an original article is retracted and replaced with a new version. This mechanism is used where the cause of the retraction has been identified as being due to honest error, not misconduct.

### Investigation of Publication Ethics Issues

Investigation of any underlying issues and the application of sanctions to the individual(s) responsible is the responsibility of the university or other relevant institution with which the individual is associated and may be subject to national guidelines such as in the United States, Canada, or Australia. It is increasingly common for universities to have offices that are responsible for handling allegations in relation to breaches of publication or research ethics. Universities may specify training in research and publication ethics

that academics or students need to undertake in order for them to be employed or enrolled at that institution.

### Setting the Culture for Publication Ethics

There is also an important role for universities, funders, scholarly societies, and other professional organizations in defining expectations and norms for publication and research ethics. In the United Kingdom, a national survey in 2014 (Nuffield 2014) found the publish or perish culture was leading many academics to consider how cut corners in order to maximize their chances of publication. A systematic review found that around 33% of research scientists admitted themselves to some form of questionable research or publication practices and 72% believed their colleagues had been responsible for such practices (Fanelli 2009). Increasingly, expectations of best practice are being made explicit through national and institutional policy statements. Funders have a unique role in setting expectations of the researchers they fund and may, as a result of this funding, or the threat of its withdrawal, be able to mandate specific requirements, e.g., on the investigation of issues that arise in published work.

Several professional bodies contribute to the development of norms in publication ethics. The largest of these is COPE, an international membership organization of journals and publishers set up in 1997. COPE publishes guidelines for editors and publishers on how to triage and manage publication ethics issues. Other professional bodies who provide relevant advice are the Council of Science Editors, World Association of Medical Editors, and International Committee of Medical Journal Editors. Publication ethics is also discussed at global conferences including the World Congress on Research Integrity, the Peer Review Congress, and the meetings of the Council of Science Editors. Specific scholarly societies also have their own guidelines and conferences which are especially important as they ensure that general ethical principles are made relevant to specific disciplines.

Journalists have also had an important role in the scrutiny and commentary on publication ethics issues. The most well-known of these sites

is Retraction Watch. Publication of stories in the mainstream media has brought publication ethics issues to the attention of global audiences.

## **Evolving Issues in Publication Ethics**

### **Publication of Clinical Trials**

Clinical trials are an important type of evidence for the assessment of new treatments, and publication of trial results can affect the profits of companies whose products are being tested, which leads to inherent conflicts of interest in the publishing of these papers. Trials are often run by the companies who have a stake in the results and the same companies may also be heavily involved in the write up of these trials, either directly or via third-party companies. As a result, negative trials may be suppressed, positive results overestimated, or trial reports biased. In order to address these biases, trial registries were set up which specify a minimum requirement for reporting and in 2005 the International Committee of Medical Editors indicated they would not accept for publication papers that had not been registered at the inception of the trial. Industry professionals have also set out guidelines for responsible reporting of clinical trials and other industry research.

### **New Models of Publishing and Peer Review Post Publication**

Publishing is in the midst of a period of disruption as a result of new technologies that are available for the dissemination of results. The easy availability of tools to cut and paste text and images has probably led to image manipulation and plagiarism becoming more prevalent. Another reason for the increasing identification of these issues may be that more research (if not most) is now available online and an increasing proportion is free to read, which has led to increased scrutiny of published work. There are now several online forums where challenges to and comments on published work are made public (“post-publication peer review”) allowing a culture of increased scrutiny of published work. Comment and intense scrutiny on social media is also very

common, especially for high profile work and may lead to refutation of findings, as was the case for a paper that claimed to have identified arsenic as a possible chemical basis for extraterrestrial life.

Other innovations are emerging such as pre-print publishing (work posted online before formal publication) and novel models of peer review. As publishing evolves, so will the ethical challenges facing it.

### **Increasing Global Participation**

In the past decade, emerging economies such as China have been responsible for an increasing number of publications. The volume and type of publications have produced new challenges for journals. One of the most notable has been outsourcing by authors of the submission and on occasion preparation of research articles to third-party companies. Although there is a legitimate role for companies to assist in the preparation of articles, especially for language editing where authors are not native English speakers, there have been instances of abuse of process, e.g., some companies who have attempted to subvert the peer review process by suggesting fake reviewers for papers, who then recommended acceptance. Because of lax processes in place at several journals, a number of these reviews were used unquestioningly and led to papers being erroneously accepted. After the issue came to light, many of these papers had been retracted. These cases highlighted fundamental flaws both in the production of research and its publication and the need for vigilance as publishing evolves.

### **Reproducibility and the Future of Publication Ethics**

There is a need to ensure that published work in many fields should be fully reproducible. This requirement goes beyond the expectation that published work is not fabricated or falsified, but takes a holistic approach to the integrity of academic work that begins when work is planned, and encompasses good management of data generated during research, sound research practices, and publication practices that not only ensure there are no ethical breaches but also includes

the full and transparent reporting of work as championed by the EQUATOR 2017 network, and the availability of data underlying published work. Publication ethics increasingly has to consider this wider landscape and will need to evolve in order to meet new challenges.

## Cross-References

- [Criteria for Ethical Authorship and Contributorship](#)
- [Ethical Representation of Data](#)
- [Plagiarism and Text Recycling \(Self-plagiarism\)](#)
- [Research Integrity and Research Misconduct](#)

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# R

## Racial and Ethnic Diversity in Business

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### Synonyms

Affirmative action; American Indians; Diversity; Ethnic identity; Ethnicity; Public policy administration; Racism; Rectificatory diversity; Sexism; U.S. blacks

This entry discusses a core issue with regard to racial and ethnic diversity in the context of business with special attention to business enterprises in the United States of America. It assumes that certain policies such as affirmative action are morally justified, and sets out to address one particular concern about affirmative action policies as they currently function. In particular, it seeks to answer a particular concern about how members of targeted groups might be plausibly identified in order to reduce the risk of fraudulent or mistaken identification. A new understanding of diversity is provided, one which is backward-looking and forms the basis of a plausible approach to racial and ethnic diversity in business.

## Introduction

On the assumption that affirmative action<sup>1</sup> for the sake of racial and ethnic diversity is a morally legitimate core value of businesses throughout the United States of America and assuming also that US-based businesses ought to strive for racial and ethnic diversity, it is vital that there exist a plausible account of how to properly categorize persons into racial and/or ethnic groups for purposes of creating and sustaining racial and ethnic diversity in businesses.<sup>2</sup> As we shall see, there are confirmed attempts – and somewhat successful ones at that – of various people self-identifying as, say, a US black<sup>3</sup> or as an American Indian<sup>4</sup> whose evidence for such a claim is lacking, genealogically speaking. As a result, the core moral value of workplace diversity is undermined – even by many of those who speak both often and loudly in terms of said diversity. Perhaps even more importantly, valuable and scarce resources are squandered on either fraudulent or mistaken racial

<sup>1</sup>The issue of affirmative action is addressed in Boxill (1984); Corlett (2003, 2010); McGary (1999).

<sup>2</sup>The analysis of ethnicity for purposes of positive public policy administration is found in Corlett (2003: Chapters 1–3). This article is an attempt to apply that analysis to the particular context of business.

<sup>3</sup>By “U.S. black(s),” I mean those of sub-Saharan African genealogy whose ancestry also traces through the institution of race-based slavery in the U.S.

<sup>4</sup>By “American Indian(s),” I mean those peoples indigenous to the Americas, especially to North America.

or ethnic self-identifications which means that such resources are not reaching those who need it most and who genuinely qualify as, say, an American Indian or a US black. Assumed here is the truth of the claim that it is as important to accurately identify ourselves into racial or ethnic groups as it is to have diversity in business.

### The Problem of Racial and Ethnic Identity

One of the most controversial claims made by some in academia is the notion that self-identification is a sufficient condition of racial and ethnic identity. The position is not so sophisticated as to be phrased in such a manner, however. This view might be characterized by the claim that “I am what I say I am.” In other words, many believe that one is what one says one is insofar as one is sincere when one says what they are in either racial or ethnic terms. This is intended to constitute racial or ethnic self-identification, it is held. Indeed, this position is actually raised as an objection to the idea that when it comes to positive public policy administration (affirmative action), the most reliable (though not unproblematic) manner by which to determine ethnicity is genealogical. This concern is allayed, however, because it is argued that self-identification can be fraudulent or simply mistaken, as the case may be (Corlett 2003). Rather than rehearse the specifics of such concerns here, I shall instead point to two recently discussed cases in the popular news media.

During his 2016 US presidential campaign and since then, Donald Trump has often referred to Senator Elizabeth Warren as “Pocahontas” in reference to the famed American Indian woman who often stands as a symbol of American Indian pride. Trump, in referring to Warren in such a manner, is not intentionally denigrating American Indians or their rich and proud heritage. Rather, he is mocking Warren’s attempt to pose as an American Indian when in fact she is not an American Indian. It turns out that most who heard or read Trump’s words about Warren were unaware of Warren’s claims to American Indian heritage. Warren is from Oklahoma and claims to be of

Cherokee heritage, stating that it was family lore that led her to her conclusion about her supposed Cherokee status. She has claimed such heritage since she was young. Setting aside the fact that Trump’s mockery of Warren’s claim to Cherokee heritage constitutes an attempt on Trump’s part to deflect attention away from issues Warren and others raise about Trump and also does so in an *ad hominem* manner, it is important to consider the matter of racial or ethnic self-identification in order to weigh the philosophical and moral value of the somewhat popular idea among an increasing number of academics that self-identification is a sufficient condition of racial or ethnic identity, a view that finds much support in academic discussions of race and ethnicity. (Cf., for example, Alcoff 2006; DesAutels and Waugh 2001)

Again, the position in question can be stated tersely as “I am what I say I am” whenever I communicate sincerely about my own race or ethnicity. To be sure, there is only one human race, and so our primary consideration here ought to focus on the extent to which the self-identification theory of ethnicity holds water, or whether it crumbles under refined philosophical scrutiny.

Remaining with Warren as our example, it turns out that she has not yet produced credible evidence of her Cherokee or even (more broadly) American Indian ancestry, which seems to raise severe difficulties for her self-identification *in terms of positive public policy administration*. There is a lengthy history of many US whites self-identifying as American Indians in order to capitalize on some of the meager benefits that American Indians receive. It is a history of racist exploitation, whether or not it is intentional (Corlett 2003). Indeed, the Dawes List which includes those Cherokees who can be traced to the Cherokees of the “Long Walk,” the infamous “Trail of Tears,” does not include anyone in Warren’s family tree (<http://www.cnn.com/2016/06/29/politics/elizabeth-warren-native-american-pocahontas/>; <https://www.theatlantic.com/politics/archive/2012/05/is-elizabeth-warren-native-american-or-what/257415/>), and it would appear that if one is not listed on the official rolls of the American Indian nation to which one says she/he belongs, she/he had better be able to produce substantiated evidence that one belongs to said

group. Otherwise, one ought not to claim membership in said group as that would, for positive public policy purposes, be incorrect. Furthermore, if it is done without substantiated evidence and repeatedly and with intent, it constitutes fraud and perhaps even racist fraud.

It is clear that one has the right to claim whatever one desires to claim about himself or herself in the privacy of their own lives, quite aside from public policy considerations. One might claim to be a monkey, or a dog, or a cat, or a mouse, or even an automobile of some sort or another. But when it comes to public policy issues, self-identification can and does lead to serious fraudulent consequences even if constitutes an “innocent error.” It is plausible to think that had Warren not indicated on her application to Harvard University that she was an American Indian that she might well not have been admitted to Harvard University. Yet her not being admitted to Harvard University might well have had a significantly lesser impact on her ability to eventually become a US Senator, etc. So it is no wonder that many believe that Warren’s self-identification as an American Indian was as self-serving as it was fraudulent and even racist in that it exploited for her own career benefit the most oppressed and exploited peoples of the Americas and perhaps in world history. This is an illustration of why it is correct to expose the implausibility of the view that self-identification is a sufficient condition of racial or ethnic identity (Corlett 2003). It would appear to be false, then, to state that *for purposes of public policy administration*, “I am what I say I am,” either racially or ethnically speaking.

Another case of affirmative action fraud by a white woman for self-serving career purposes is that of the Rachel Dolezal. Dolezal, who headed the Spokane, Washington, chapter of the NAACP, recently changed her name to Nkechi Amare Diallo and has in at least one interview expressed contempt for those who challenge the ethics of her self-identification of US blackness. Photographs of her demonstrate that she grew up with morphologically white features and subsequently altered her morphological features by way of make-up, hair texture appearance, etc., to make herself appear to be black. Indeed, that her parents debunked her claim to blackness, saying

that Dolezal and they are white, leads many to question her motives for her continued self-identification. In any case, it is an illustration of business fraud in the form of self-identification of blackness by a nonblack person for personal career enhancement. Many US blacks consider her action to be a form of racism (<http://www.mercurynews.com/2017/03/02/rachel-dolezal-who-famously-impersonated-a-black-woman-takes-african-name/>: accessed on 23 March 2017; <https://www.yahoo.com/news/rachel-dolezal-struggles-racial-identity-scandal-071759431.html>: accessed on 25 March 2017) This is another instance wherein a white woman deliberately attempted to pass as being a member of another ethnic group in a fraudulent manner and for personal career gain.

If not for the increasing pervasiveness of the notion that “I am what I say I am,” especially among some leftists, such fraudulent behavior could not persist or succeed as often and as much as it does. Moreover, it is particularly problematic in the present context wherein self-identification is the sole means of racial and ethnic identification. And what is morally astounding is that Warren and Dolezal continue to insist that they are members of the ethnic groups to which they claimed memberships even though the problematic nature of their self-identifications has been exposed to the public. Perhaps they have convinced themselves so deeply and for so long a time that they are members of such groups that, coupled with the “I am is what I say I am” presumption, their resolve is strengthened to claim American Indian and US black heritage, respectively. But is it really true that *for purposes of positive public policy administration*, I am what I say I am? *For purposes of positive public policy administration*, are Warren and Dolezal really what they say they are, racially or ethnically speaking?

One of the deep flaws with the current system of affirmative action in business is that it fails to set a standard of ethnicity beyond that of simple self-identification. It is not just a matter of self-identification that is often prone to fraud and mistaken identity, but the system fails to provide some standard of the degree or amount of ethnicity one must satisfy in order to be properly classified as a member of this and that group. This is

because the system is confused about which general standard of ethnicity to adopt. Indeed, most people still believe in the theory of human races, a theory so primitive and yet so resilient – and yet so terribly philosophical problematic (Corlett 2003: Chapter 1). Moreover, the Human Genome Project has refuted the very idea that there is more than one human race. The fact is that there is only one human race, but several ethnicities. So it is really ethnicities which ought to be the issue here, and our membership in them. And with the outdated notion of purity of race or ethnicity set aside, it is really a matter of which ethnicities to which we belong and what evidence might be adduced to substantiate such claims to ethnic identification.

One suggestion is that public and business policy ought to follow the lead of American Indian nations in identifying persons ethnically speaking (Corlett 2003). It is not that such a view of how American Indian nations is somehow flawless, as it is morally arbitrary as to which percentage of, say, Chumash genealogy one must have to genuinely be considered a Chumash Indian. Yet if the US Government continues to allow American Indian nations to decide for themselves which percentage of genealogy one must have to be considered a member of their respective groups, then this at least preserves the sovereignty of such groups in some meaningful measure. Given the bleak history of American Indians since the European invasion of the Americas, this is a good thing in order to respect American Indian sovereignty and autonomy.

Generally speaking, *one ought to for positive purposes of public policy administration select that ethnic group to which one belongs predominantly, genealogically speaking* (Corlett 2003, 2010). This approach to ethnic identity has the benefit of not being abused as in the cases of Warren and Dolezal, among many others. But it must also comport with the standard that there is a minimal genealogical percentage one must satisfy to be a meaningful member of a particular group, *for purposes of public policy administration*. This genealogical analysis of ethnicity requires that there be solid genealogical evidence (DNA, for example, or historical documents, etc.) that would

confirm to a reasonable person weighing such evidence that X belongs to a certain ethnic group, predominantly. By “predominantly” is mean that a person belongs to a particular ethnic group as much or more than any other ethnic group to which she belongs. This view rules out self-identification as being either a necessary or sufficient condition of ethnic identity, and for the same reason, because self-identification of ethnicity can be the result of self-deception, fraud, etc.

While accurate ethnic identification is important in business for the sake of diversity, it is also vital to understand what diversity is and why diversity is crucial in business. There are different notions of diversity in business, whether it is the business of a private corporate enterprise, or the business of a college or university. For many, diversity means whatever the business leaders or administrators say it means, which is often a matter of what they believe will placate public opinion in case their business is accused of racism or sexism, for instance. After all, few businesses these days wish to be accused of racism or sexism, as that would be bad for business. This is especially true of US private and public colleges and universities. So such businesses go to some lengths to make it appear as though they are not racist or sexist by hiring “persons of color” and mostly white woman in publicly viewable positions so that if the business is accused of racism or sexism, there is at least the *prima facie* public relations reply in hand that the business is not racist or sexist. In increasing numbers of cases, businesses hire such persons in order to create and sustain the public image of the business as one that fights racism and sexism, whether or not this is true.

So it is important to analyze the concept of diversity in order to separate ideas of diversity which come latent in them hidden agendas regarding public relations from those which have fundamental moral content regardless of public relations considerations. Diversity in business might be construed in a rectificatory manner. *Rectificatory diversity* is itself a diverse or complex concept. First, there is racial or ethnic diversity according to which a business hires a certain range of employees from a variety of ethnic groups and for a variety of reasons. Unlike the

above purely public-relations driven motive for diversity, this one chooses to hire employees from a variety of ethnic groups because it seeks to provide some form of rectification for the past evils against those groups in the history of the country in which the business functions and is registered as a legal entity. This makes this notion of diversity fundamentally backward-looking. But this backward-looking concept of diversity also respects the particular histories of such peoples, thereby seeking to hire employees from each group in albeit approximate proportion to that group's kind and level of experienced harmful wrongdoing. In the USA, this would imply that American Indians and US blacks would be atop of the hiring lists in businesses in that they have by far experienced the severest levels and kinds of oppression in and by the USA. Such a history includes the fact that each such group most highly targeted for affirmative action benefits has a lengthy history of high under-employment. Thus, the public policy in question seeks to address this problem.

Secondly, sexism has been experienced and continues to be experienced by women in the USA, and businesses which take seriously the task of rectifying sexism ought to concentrate their hiring efforts on women from the most oppressed ethnic groups (American Indians and US blacks) and then other women also. To the extent that businesses are serious about such rectificatory diversity, they will set aside scholarships for members of such groups to attend college and university degrees that will train them appropriately for their businesses. There could be scarcely a better recruitment tool for businesses wanting to engage in rectificatory diversity. Of course, diversity in promotion of deserving employees is crucial especially in terms of retention of such persons.

Of course, not hiring or treating women abusively in business is not the only manner in which a business might be sexist. It might be anti-homosexual, in which case it is important that businesses combat such pervasive problems by hiring qualified homosexual employees and by treating them with dignity and respect as with employees from every ethnic category. It has long been proven that even many persons who

function with stereotypes about those whom they do not know can be "taught" to respect them insofar as they are placed in positive cooperative contexts with them. While this is true, one ought not to be overly optimistic about the prevalence of racism and sexism as they are deeply seated realities in society. People's moralities are not easily changed, especially in adulthood. And the leftist addiction to sentencing certain employees to "sensitivity training" often has counter-productive results because of the perceived moral hypocrisy and moral arrogance that many exhibit who think that they are above racism and sexism and have the moral authority to sentence others, but never themselves, to such training. One difficulty with addressing racism and sexism in business is that no one seems to want to understand that everyone to some degree or another is racist and sexist. But the "diversity police," and they are many in the USA, seek to brand others, but never themselves, as racists or sexists, or both, not grasping that racism and sexism are, practically speaking, universal problems among adult in society (Corlett 2003: Chapter 4). *Rectificatory diversity*, humbled by the genuine understanding that each adult is to some degree or another a racist and a sexist, coupled with the hope that each of us would consistently engage in cognitive self-monitoring in order to combat our racist and sexist tendencies, would constitute a significant first step toward addressing and reducing racism and sexism in business where they are seemingly ubiquitous.<sup>5</sup>

## Conclusion

Racial and ethnic diversity in business is vital. It seeks to respect the differences that make for unified human excellence in the workplace and all that that might imply that is positive. But we must be cautious to not endorse overly permissive attitudes toward racial and ethnic identity which can eventuate in self-serving fraudulent actions, harming the members of the most vulnerable

<sup>5</sup> For an account of the cognitive universality of racism and how it might be addressed, see Corlett (2003: Chapter 4).

groups in society. Insofar as racial and ethnic diversity in business is important in business, self-identification is neither necessary nor sufficient as it can and does lead to incorrect or fraudulent identifications. A more promising standard is genealogical, substantiated by DNA and historical evidence. Rectificatory diversity in business would go a long way toward combating racism and sexism in business. Since business is such an important aspect in society, diversity in business would assist society in general in addressing fundamental concerns of racism and sexism.

## Cross-References

- ▶ [Aboriginal Ethics: Traditional and Contemporary](#)
- ▶ [Affirmative Action in Business](#)
- ▶ [Compensatory Justice to Groups](#)

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## Racism in the Workplace

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## Synonyms

Discrimination in the workplace or prejudice in the workplace based on beliefs about the existence

and superiority or inferiority of different human races.

## Introduction

There is only one human race. Thus, it is a bit of a misnomer to refer to something as “racist” or “racism” insofar as it pertains to negativity concerning humans because of their perceived tie to a particular racial group. But humans belong to a mixture of ethnic groups which are socially constructed, and it is the perception that they do so that often leads others to treat them in what we refer to as racist ways. Rather than invent a new term, “ethnicism” to capture what we commonly refer to as racism, I will retain “racism” and its cognates in order to avoid confusion and the needless proliferation of novel academic terms.

## What Is Racism?

*Racialism* is the recognition that there are a plethora of ethnic groups some of which each of us humans belongs. Whether or not such groups are in part or in whole socially constructed is not the point of this article. Rather, it is to articulate a clear understanding of racism in the workplace. Racialism is not racism, though racism entails racialism because racism implicitly or explicitly involves the recognition that there are different races or ethnic groups. Recognizing that there are different ethnic groups and one human race, for example, is racialist; it is not racist.

*For purposes of public policy administration, racism* is the negative treatment of someone because of their perceived ethnicity. It is not just a matter of having a racist attitude toward another (ethnic prejudice); it is a matter of action (ethnic discrimination). It is the putting into practice ethnic prejudice, which is the having of a negative attitude or belief toward someone because of their perceived ethnicity (Corlett 2003: Chapter 4). The perception of another’s ethnicity may be correct or incorrect, and one might be racist against members of their own ethnic group as in instances of, say, racist self-hatred. Racism is a matter of



degree, as we are more or less racist contingent on the extent to which we engage in racist behavior (Corlett 2003: Chapter 4). Furthermore, racism is a matter of degree in that the racist's perception of another's ethnicity might play a primary or secondary role in her motivation to treat someone in a racist manner.

What makes racism even more complicated is that people are often mistaken, for whatever reasons, about their own or another's ethnicity. But the perception of another's ethnicity being correct is not necessary for whether or not racism is present in a social context. X might be incorrect that Y is a Mexican. But insofar as X treats Y poorly because of X's own perception of Y as a Mexican, X treats Y in a racist manner. Indeed, someone, perhaps even Y herself, informed X that she was a Mexican when she was not a Mexican, just to see how X would treat her. But if X, acting on that (false) information from Y about her own ethnicity, treats Y poorly because he believes that Y is a Mexican, then X treats Y in a racist manner. Thus, racism can be based on fact or falsehood concerning the nature of one's own or another's ethnicities (we are of mixed ethnicity; pure races and pure ethnicities are myths). But it can be racist nonetheless.

## Kinds of Racism

There are at least four kinds of racism in the business workplace: individual-to-individual racism, individual-to-group racism, group-to-individual racism, and group-to-group racism.<sup>1</sup> *Individual-to-individual racism* might occur when one employer or employee treats another poorly because of her perceived ethnicity. Perhaps she terminates her, or harasses her, or retaliates against her in some way or another. Or, conversely, the employee might treat her supervisor in a racist manner, spreading false rumors about her or speaking to her in a racist tone. *Individual-to-group racism* occurs when, say, an employer

treats a group of employees poorly because she perceives them as being members of a particular ethnic group. A white employer who treats her black employees poorly because they are black is surely racist against them. She might speak to them with negative tones, refuse to pay them what they are owed, write them undeserved performance reviews, etc., in retaliation against them due to their blackness. *Group-to-individual racism* occurs when the employer, say, a white management team, exhibits racism against a particular employee because she is, say, a Latina. They might harass her, or retaliate against her, or write or speak falsely and poorly about her because she is a Latina. But it is a group effort; collusion is involved by the team members against the individual employee. *Group-to-group racism* occurs in the workplace to the extent that an employment team colludes against a group of employees because of their perceived ethnicity or ethnicities. Indeed, it need not be the case that the employees in a particular case are from the same ethnic group. They might be from various ethnic groups. The key is that the employment management team singles out the employees because they belong to a certain ethnic group or more than one group. But what motivates racism?

## Motivations of Racism

It is popular among an increasing number of leftist feminist academicians these days to think that racism is motivated by power alone.<sup>2</sup> According to this view, only white males can be and are racists because they on average and as a class possess the power, and it is not possible for anyone else in society to be a racist because they lack power. On this view, power is a necessary motivational condition of racism (Alcoff 2005; Bailly and Cuomo 2008).

However, the power conception of racism is out of touch with what the science of cognitive psychology reveals about racism (Corlett 2003:

<sup>1</sup> This section is an adaptation of a section of Corlett (2003: Chapter 4).

<sup>2</sup> This section is an adaptation and significant elaboration of a section of Corlett (2003: Chapter 4).

Chapter 4) Racism does not begin and end with society and social structures as if structural racism tells us the entire story of racism. Socially structured racism, even in the workplace, is a symptom of the deeper cognitive origins and development of racism within individual humans in social contexts. Racist stereotypes are a good example here. They are spread among individuals within society and even within social contexts such as the workplace. However, they are rejected or accepted and developed within persons' cognitive architecture. And since all humans receive and process information in the same general manner, the likelihood of anyone not being a racist at least to some meaningful degree at some point of their lives is improbable to say the least. Thus, what motivates racism is of importance for the workplace, to be sure. And mere musings of a nonscientific nature by an enclave of dogmatic academics do not count for much in a scientific context. They often obscure the role that white feminism, in particular, has played in the racist oppression of those whom they themselves refer to as "persons of color" (Corlett 2010: Chapter 10).

However, to the science of cognitive psychology might be added a counterexample to the idea that power is either necessary or sufficient for racism. Indeed, one need only look to the aftermath of the infamous 1992 Rodney King verdict wherein live television displayed some angry blacks beating to near death an innocent white person, Reginald Denny. Denny's only "crime" was that he was white and was in the wrong place at the wrong time during the riots that resulted from the King verdict. The fact is that the blacks who almost killed Denny for no other reason than he was perceived to be white by those beating him had no power in any interesting sense of the word "power." Yet what they did to Denny was racist if anything is racist. It was an act of racist violence no more justified than the lynching of a black person was under the blind-eyed protection of Jim Crow. The fact is that anyone who really knows about us "people of color," as many white academics insist on calling us, we are no less prone to be racists than anyone else. And this is because we receive and process information no differently than anyone else, cognitively

speaking. No white leftist academic dogmas of male dominance (as true as that is) and solely power-motivated white male racism is sufficient to explain how power, white male power, is necessary for racism. It might assist in explaining the phenomena of white male racism, sociologically speaking. But power alone is neither necessary nor sufficient for racism, as the case of Denny demonstrates. To believe that racism is motivationally all about power or that it always originates from a position of power is as simplistic as saying, which is even more popular among many of today's leftists about whom they disagree over various political matters, that hatred is at the root of all racism. With implausible, simplistically extreme, and unscientific views such as these, it is no wonder that not much progress has been made on the front lines of combating racism – especially in the workplace. No one seems to think that they themselves can be a racist, and this despite the fact of experimental cognitive psychology informing us otherwise (Corlett 2003: Chapter 4; Dovidio et al. 1986; Eberhardt and Fiske 1998; Fiske 1998; Tajfel 1978).

The fact is that racism is far more complex than the notions that either power or hatred is a necessary condition of racism would have us think. Racism can be motivated by any disjunction or conjunction of at least the following: power, ignorance, fear, superiority, and hatred (Corlett 2003: Chapter 4). To this list might be added racism motivated by jealousy and envy.

Racism is often, but not always, motivated by an attempt to retain or gain power over others because of considerations of perceived ethnicity. In the workplace, power-motivated racism might take the form of writing unjustified and harsh performance reviews of employees out of jealousy, envy, hatred, perceived superiority over them as persons, etc. Indeed, it is precisely such racist power which can and often does form the social structure of racism in organizations and institutions wherein there exists a workplace.

However, racism can be motivated by ignorance in that the employer or employee exhibiting the racism does not even understand the true nature of those against she is performing the racist actions, inactions or attempted actions, as the case

may be. For instance, an employer might write a performance review or even terminate a Latina because she believes she, as a Latina, is lazy and unfit for managerial positions, a stereotype which as a generalization is plainly false.<sup>3</sup> But such ignorance about Latinas persists among many people, posing problems for the eradication of racism in the workplace.

Racism in the workplace can also be motivated by fear of the other wherein knowledge of the other is overshadowed by fear of them as a person who is perceived to belong to a particular ethnic group who might better compete with her for promotions and better performance reviews, etc. In such cases, it is often found that racists find ways to keep down the promotions and salaries of those whom they fear will outperform them, making them “look bad.” Fundamentally, this sort of fear-based racism can be intertwined with jealousy and envy, and even a sense of low self-esteem or, ironically, slothfulness on behalf of the racist who thinks that she is entitled to not be made to “look bad” even when she performs poorly. In such cases, there is a double-standard in operation which holds those of other ethnic groups to a higher performance standard than oneself.

Racism which is motivated by a perceived superiority of one's own ethnic group over others is often coupled with motivations of fear, ignorance, and power (coupled with jealousy and envy) in the desire to keep others down, refusing to promote or even hire those from what they perceive as competing ethnic groups in the business workplace. In such contexts, racism can often become institutionalized. Most people have stereotypes and prejudices against various peoples because of the ethnic groups to which they belong.

<sup>3</sup> It turns out that racism which is grounded in racial stereotypes quite often commits a logical fallacy of hasty generalization of the following form: “X is lazy, X is a Y, therefore, Y's are lazy.” The fallacy is in inferring that just because X is lazy and that X is a Y, that all Y's are lazy. If Y is a numerically large group, then it is hardly justified to infer that all Y's are lazy simply on the basis of X's being lazy. A sample size of one is hardly a sound scientific method by which to determine the sloth-status of Y as a whole.

Many fear blacks because they are black. The mere color of black skin sets off stereotypes of dangerous persons who are likely to do harm to others. This longstanding stereotype in US society is even prevalent among many blacks themselves! This stereotype often leads to the racist treatment of blacks as those whom one ought not to hire. Even worst, in the business of law enforcement, it can and does often lead to the over-reaction of law enforcement officers to black citizens, often leading to the use of lethal force when no such force is justified. One's superiority over blacks is so deep that it actually forms the belief in them that, say, whites are superior to blacks such that blacks are justifiably treated more harshly than whites given relevantly similar circumstances. But “relevantly similar circumstances” rarely become actualized when you are addressing longstanding racial difficulties between US whites and US blacks.

Jealousy is the resentful feeling one has toward another in wishing that one had what the other has. In the workplace, this might take the form of retaliation against an employee because the employee is highly successful while the retaliator is unsuccessful, comparatively speaking. Jealousy-based racism is the adverse resentful feeling someone has toward a member of another ethnic group wishing one has what the other has in terms of professional success, and doing what one can to set back that success of the other person one way or another. Envy entails jealousy. But it not only desires what another has achieved, it also involves making sure that if one cannot have the achievement for themselves, then neither will a particular someone else. When the target of envy is a member of another ethnic group, and if the reason for the adverse treatment against that other person is because of her ethnicity, then she has committed an envy-based racist act against her in the workplace. Jealousy-based racism and envy-based racism might be exemplified by way of workplace harassment, sexual or otherwise, workplace retaliation, or the like.

The results of these and other motivations of racism in the workplace have had devastating effects on US blacks in particular, and it appears that relatively few recognize the pivotal role that racism plays in US black underemployment. One

would expect, if one is fair-minded, that not only the often crippling effects of black slavery in the USA, followed by almost a century of often government-sponsored Jim Crow, followed still by the racism in the workplace throughout businesses in the USA, that blacks on average and as a group would continue to suffer unemployment and underemployment in significant numbers. There is little doubt that the effects of historic and contemporary racism against U.S. blacks goes a significant way toward explaining why so many such blacks struggle today to find gainful employment, and then struggle just as much to retain it without racist harassment or retaliation, etc. With the many motivations of racism in the workplace, it is a wonder how as many blacks do as well as they do. What ought not to go unnoted are the psychic costs of being black in the U.-S. workplace. Being the victim of racism in its many forms comes with a cost—no matter how successful someone becomes.

### **Racism and Intentionality**

In general, racism is a matter of intent. Racism does not usually happen accidentally. For one to be a racist, one must generally act with intent to harm another person because of their perceived ethnicity. It is stated “generally” in that there is at least one exception to this rule, namely, when one is ignorant about the racist results of their own action or its implications and treats another person poorly, but unintentionally. For example, the permissive treatment of harsh criminals “of color” is often a public policy with racist implications but without racist intent. It lacks racist intent because the very reason why many progressives are against harsh punishment of and in favor of early releases of harsh criminals of color is because such criminals originate from poor socioeconomic conditions wherein they did not receive a fair chance to succeed, thereby choosing a life of crime instead. However, given the statistical fact that most such criminals, when they are released, go back into recidivistic criminal behavior in the

same neighborhoods of color from which they came, the policies in question are racist because they adversely affect people of color in those neighborhoods, stifling their chances to succeed. Thus, while the intent of said policies is to assist criminals of color, the reality is that those people of color whom against whom they commit most of their crimes are less likely to succeed in life largely because of the policies in question. The policies have racist consequences, though unintended ones.

This same point needs to be considered in the workplace. A business ought to make sure that its policies are not racist, even unintentionally. One example of an unintentionally racist policy would be in the case of the business of universities wherein increasingly university administrations violate federal and state laws and even their own policies on academic freedom when they over-regulate student and faculty expressions that have a particular ethnic “minority” tone to it: “ghetto talk,” “barrio lingo,” etc. While in the name of “political correctness” the administrations often state that they are attempting to protect the feelings of those in their respective higher-educational communities, they nonetheless do so by violating the academic freedom rights of the ethnic “minorities” they seek to protect, which is racist, though unintentionally. Private business enterprises may set certain standards of basic conduct in the workplace. But they must steer clear, in the U.S. at any rate, of violating employees’ rights to freedom of expression, especially in the light of recently passed whistleblower protection legislation.

### **Conclusion**

Various kinds and degrees and motivations of racism persist in the workplace. And there is much confusion about what constitutes racism. This article has sought to clarify some of what racism is about in the workplace. Racism is far more complicated than the simplistic idea that it is necessary for racism that it be demonstrated only

by those in power. Unfortunately, it is more than mere white males who are racists. The cognitive psychology of racism explains that racism is many-faceted and runs rather deep into society as it is the result of how we often receive and process information. It is what we do with that information that is crucial. Do we evaluate it critically so as not to accept racist information and then allow it into our belief systems wherein it can fester and become a basis of action? Or do we critically evaluate such ideas and disallow them entry into our belief systems, thereby disallowing them influence of our actions? The bad news is that to some meaningful extent, everyone is a racist in the sense that each of us has engaged in racist behavior at some point of our adult lives. The good news is that we are not born racists because racism is a learned behavior. But whatever can be learned can be unlearned.

## Cross-References

- [Affirmative Action in Business](#)
- [Apartheid and Ethics](#)
- [Harassment in the Workplace](#)
- [Racial and Ethnic Diversity in Business](#)

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## Rawls' Theory of Justice

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## Synonyms

Egalitarianism; Justice as fairness; Political liberalism

## Introduction

John Bordley Rawls (1921–2002) was born in Baltimore, Maryland, and was one of the most influential American political philosophers of the twentieth century. Rawls is responsible for putting egalitarian justice at the core of political theories since his *A Theory of Justice*, published in 1971. His theory of justice, called justice as fairness, advocates a democratic society of free and equal citizens with social and economic institutions capable of guaranteeing equal basic rights and fair conditions of social cooperation. Rawls also belongs to the liberal tradition of political thought, assessing problems of political legitimacy and public reason within pluralistic democratic societies in his work *Political Liberalism*. Beginners should consider reading first *Justice as fairness: a restatement*, which contains an abridged and corrected version of his *magnus opus*.

## The Fundamental Ideas of Justice as Fairness

Rawls's theory of justice begins with six basic ideas, all drawn from the public political culture of democratic societies. Rawls assumes that ordinary citizens have an implicit understanding of these ideas, using them in everyday political debate. Political philosophy aims to systematize

these ideas into a coherent and unified political conception, guiding the discovery of common political principles to justify social cooperation among citizens. Since we live in pluralistic democracies, Rawls's theory of justice is restricted to society's political dimension, leaving free space for different philosophical, moral, or religious worldviews (Rawls 2001).

The six fundamental ideas are: society as a scheme for social cooperation, free and equal persons, well-ordered society, basic structure of society, public justification, and original position (Rawls 2001, Part 1).

According to Rawls, democratic societies are systems of social cooperation between equal and free persons. At its most general level, social cooperation is an activity guided by fair and reciprocal rules and procedures recognized by all its participants. It also presupposes that acting together produces more benefits than living solely by one's own efforts. Thus, everyone has a rational advantage of living in a just society. Even if social cooperation may occur in different levels of generality (from private and local to anonymous and global), Rawls considers only interactions within social institutions.

Citizens are considered free and equal persons who cooperate with each other. As a political idea, Rawls assesses only the aspects that allow persons to be fully capable of engaging in social cooperation throughout their lives. Rawls considers two specific moral powers: the capacity to have a sense of justice and the capacity to develop and pursue a particular worldview, with certain final ends and values. In a just and democratic society, persons are free because their worldviews (their moral identity) are independent of political values. In other words, they do not have their political status as citizens or the legitimacy of their political claims determined by their beliefs and creeds. Persons are also equal, as they are considered to have the minimum moral requirements for social cooperation.

With these two basic ideas, the complete realization of a just society is articulated through the idea of a well-ordered society. In this highly idealized society, Rawls wants to stress what a

society effectively regulated by a political conception of justice would look like. Each citizen acts fairly, that is, in accordance with the principles of justice and knows that other citizens and political authorities also act in that way. The political conception of justice becomes a common and public point of view accepted by all its citizens, and this is mutually recognized.

With these initial ideas, we can see that Rawls is not precisely describing reality. He intends to develop an ideal theory, assuming favorable social conditions and strict compliance by citizens with the principles of justice. Only from the point of view of an ideal theory of justice do we better understand the main political and social problems we face. Thus, we can offer a criterion for judging whether or not we are advancing in nonideal conditions of justice. At the same time, Rawls wants to offer a conception of justice that is feasible given the conditions of the human world. That is why he calls his theory a realistic utopia.

The idea of the basic structure of society denotes the main political, social, and economic institutions of a democratic society and how they are articulated to fairly distribute rights, duties, opportunities, and wealth. The constitution, the separation of political powers, the economic system, and the family are institutions that belong to the basic structure as the background social framework for cooperation. The basic structure of society is the unity of analysis of justice as fairness. Hence, the principles of justice apply directly only to it, not to individuals, neither to civil associations.

Rawls understands the idea of public justification as a form of justification for conflicting political judgments through a shared and public basis of political justice. When citizens clash over solutions to political problems, they must appeal to beliefs, reasons, and values that all other citizens can reasonably recognize or adhere to, regardless of their worldviews. Through public reason, justice as fairness seeks to delimit moral disagreements only to constitutional essentials. It does not expect us to have a complete agreement on all political, moral, religious, and philosophical issues.



## Original Position and the Principles of Justice

The idea of the original position aims to provide a political justification for choosing the principles of justice that will regulate the basic structure of society. Its intuitive idea is to establish, through a thought experiment, fair initial conditions of agreement between free and equal citizens. The original position plays the same role as the state of nature for the social contract tradition. Nonetheless, in a democratic society, this choice cannot be made based on power relations, neither on some particular philosophical or religious worldview. For this reason, the original position is modeled with democratic and reasonable restrictions that we use in everyday situations (such as impartiality and equality).

The most notable feature of the original position is the veil of ignorance to which the parties are subjected. Rawls (1999, 2001, §25) is skeptical about the possibility of choosing principles based on private and contingent information because it distorts and influences our choices. Therefore, the veil drastically restricts what we know about ourselves by deliberating on principles of justice. Under the veil of ignorance, we do not know our social position, economic class, race or ethnicity, gender and sexual orientation, our conception of the good and lifestyle, and our natural gifts and intelligence. We do not even know about the situation of our society and the advantages (or disadvantages) resulting from historical processes of inequality. Thus, all parties are in symmetrical positions, having only their minimum moral faculties of rational decision and the knowledge of very general facts about human society.

Another essential feature of the original position is how the parties deliberate. As artificial constructs, they are purely rational and mutually disinterested. The parties have a preference for the principles of justice that guarantee greater sharing of what Rawls (2001, §17) calls primary goods. Thus, they seek to achieve the best social conditions and the social goods necessary to develop their lives and worldviews (whatever it may be). It

is worth noting that the parties are not purely selfish or altruistic since the original position prevents this type of reasoning.

To illustrate the importance of this hypothetical experiment, let us take the example of slavery. Under the veil of ignorance, the parties in the original position will not choose a social system that admits slavery. Since they have no way of knowing which social position they will hold, it is rational to exclude this possibility. The same could be thought of principles that would admit discriminations toward specific social positions or exclude reasonable forms of life. Would it be rational to choose unfair principles for women or persons of a particular sexual orientation? Would it be rational to choose to live in a society where economic and political inequalities are irrelevant and persons in extreme poverty are completely disregarded? In other words, this thought experiment forces us to ask the following question: what principles of justice would we choose for the basic structure of society if we established a social contract to choose the economic and social conditions necessary to live a decent life, ignoring everyone's personal characteristics?

The original position is essentially a device of selection by comparison that aims at equality. As a "deliberative machine," it receives inputs (principles of justice from different political conceptions) and, as an output, it establishes a ranking of preferences among them, according to the rationality of the parties in guaranteeing primary goods.

So, what principles are competing in the original position? Rawls was essentially concerned with only two specific political conceptions: justice as fairness and utilitarianism. In short, utilitarianism argues that a society is fair when the basic structure maximizes the total aggregate level of utility (the most plausible version maximizes the average level of utility *per capita*). According to Rawls, utilitarianism fails to consider the independence of each person and does not establish fixed liberties and rights for all citizens. As a result, we do not have sufficient guarantees that we will have a social position with adequate minimum conditions. The distribution of rights,

opportunities, and welfare will constantly fluctuate according to the calculus of utility (Rawls 1999, §5–6).

Justice as fairness is a political conception formed by a set of two principles of justice:

- (a) Each person has the same inalienable claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all.
- (b) Social and economic inequalities are to satisfy two conditions: first, they are to be attached to offices and positions open to all under conditions of fair equality of opportunity; and second, they are to be to the greatest benefit of the least-advantaged members of society (the difference principle). (2001, p. 42–43)

The first principle establishes that basic liberties must be distributed equally to all, such as individual liberties (freedom of thought and liberty of conscience), political liberties (the right to vote and to participate in politics), freedom of association, freedom from psychological oppression and integrity of the person, and finally, liberties related to the rule of law. This principle receives priority for Rawls (2001, §30), which means that it will be part of the essential constitutional elements and cannot be exchanged for other types of rights, opportunities, or income and wealth.

The second principle has two parts. The first one requires an institutional arrangement that guarantees fair opportunities for all. Rawls (2001, §16) wants to eliminate the advantages that individuals could have from exclusively contingent facts of life (such as native endowments, good and bad fortune, and social class of origin) and to disregard opportunities based on merit. Rawls stipulates fundamental institutional conditions that allow everyone to have expectations of social success regardless of their social position. Public services such as universal health, education, and training are part of the social institutions listed by Rawls. The second part expresses the controversial principle of difference, whose function is, succinctly, to admit inequalities of income and wealth between individuals. But these inequalities are only legitimate as long as the least-advantaged benefits from them. With this

principle, Rawls (2001, §18) maintains concerns with economic efficiency coupled with moral issues about inequality.

Now, we can understand the argument from the original position. Rawls argues that we must choose a political conception that guarantees minimum social and economic conditions for a decent life after removing the veil. Thus, we would choose the principle whose worst result is superior to the worst result allowed by other principles. It is part of the veil of ignorance logic that we do not know whether we will be part of the more or the less advantaged group. So, we choose from the point of view of the least-advantaged. Rawls (2001, Part 3) claims that his conception has advantages over utilitarianism, because justice as fairness guarantees a constitutional scheme of basic liberties. Liberties and rights become constitutionally fixed and do not depend on calculations of social utility. Also, fair equality of opportunities and the principle of difference express a reciprocal relationship between citizens, downsizing the role of empathy and altruism.

The choice of the principles of justice does not end the argument of the original position. After this stage, Rawls (1999, Part 2) develops, albeit somewhat abstractly, the different stages of application of the principles. In this moment of the theory, Rawls shows how justice as fairness will establish and guarantee its principles through the arrangement of political, social, and economic institutions (the basic structure of society). To a large extent, Rawls defends a democratic constitutional regime with liberal content. This means that society is organized in such a way that it does not take any worldview as privileged.

## The Problem of Stability and Moral Psychology

The problem of stability has received considerable attention in recent years. It is crucial to keep in mind that this problem is the second argument of justice as fairness. In the first argument, the parties (under the veil of ignorance) are confronted with the choice of the principles of justice that will guarantee their fundamental interests. Now, they

wonder whether this political conception, established in a well-ordered society, will engender its own support from its citizens. In other words, while the first argument faces a problem of collective rationality, the second argument deals with a possible conflict between collective rationality (the common good) and individual rationality (the individual good).

The solution to the problem of stability is based on two arguments. The first one employs a moral psychology to investigate how citizens who grow up in a fair society will acquire a sense of justice strong enough to contain destructive psychological tendencies (such as anger, envy, resentment) and adapt their worldviews and expectations to mutually agreed terms. Rawls' moral psychology is normative and seeks to describe the main moments of political life through the capacities of moral powers (Rawls 2005, §8).

This first argument is, to some extent, circular. It assumes that persons with a sense of justice based on justice as fairness will desire to be fair in a society effectively regulated by justice as fairness. Here, Rawls wants to show that proper institutional functioning will encourage political virtues to promote cooperation. This means that citizens will not only be able to resist the temptations of injustice; they will also have the desire and the capacity to be fair. Rawls argues that a democratic society is more than a mere *modus vivendi*, that is, an accommodation of tolerant citizens who obey the laws by fear of punishment. In a well-ordered society, citizens will develop their moral faculties through the influence of public debate and the values of trust and respect.

The second argument deals with the relationship between the political conception of justice and citizens' worldviews. Rawls's central concern here, especially since the 1980s onwards, is to specify how a liberal democratic society could deal with the pluralism of different worldviews. Rawls wonders if, disregarding the motivation from the sense of justice, would citizens still have motivations to join and engage in fair actions.

Rawls (2005) defends the normative ideal of an overlapping consensus, in which persons with

different worldviews could adhere to the same political conception, establishing a public and shared point of view. This public justification procedure will provide the political legitimacy and stability necessary for a political conception to last over time. The theory of justice thus understands the fact of pluralism as a permanent feature of democratic societies, which are incompatible with the attempt to impose, in an oppressive way, a single worldview on its citizens. For this reason, as previously mentioned, a political conception of justice is restricted to the basic structure of society, remaining neutral in relation to the different worldviews and conceptions of the good of its citizens.

One last word on Rawls's methodology. In ordinary day-to-day political discussions, we make a lot of judgments at all levels of generality. We discuss the impact of government economic decisions in our city or neighborhood, particular social policies, such as affirmative actions or gender quotas in universities, or the foreign policy of our country. The collection of our most important political judgments is the expression of our sense of justice. Nonetheless, sometimes these judgments may be inconsistent with each other or obscure, without a clear vision of their political and practical consequences. Here, Rawls (1999, §9; 2001, §10) urges us to consider a process where we can go back and forth between our intuitions and our sense of justice to achieve a coherent and consistent conception of justice. This process of adjustments between both ends is the method of reflective equilibrium. In justice as fairness, this method functions as a process of moral justification. Citizens' political convictions must match with their vision of a fair society.

## Cross-References

- ▶ [Contract Theory](#)
- ▶ [Distributive Justice](#)
- ▶ [Equality of Opportunity](#)
- ▶ [Liberalism](#)
- ▶ [Utilitarianism](#)

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## Religion

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## Synonyms

Faith; Religious humanism; Spirituality; Transcendence

## Definition

Even though there is no general agreement on a precise definition of its nature, religion is a universal and permanent phenomenon found in all human cultures. (Antes 2012). Religion entails the belief in the existence of God or at least of a sacred or transcendent reality that we can encounter and that requires some responsive action by the subject of religious experience. Religion also includes some kind of organization, a system of teachings, moral guidelines for life, rituals, and rites. An element of organization and visible identity distinguishes the notion of religion from that of merely interior faith and spirituality. Religion thus denotes a socially

perceptible group, and there is a plurality of religions worldwide (Feil 2012).

## Religion in Contemporary Society

According to the Pew-Templeton Global Religious Futures Project, 83.6% of the global population professes an affiliation to a religion. Among them are Buddhists (7.1%), Christians (31.4%), Hindus (15.0%), Jews (0.2%), Muslims (23.2%), Folk Religions (5.9%), and other religions (0.8%). People who are unaffiliated to any religion (but not necessarily atheistic or agnostic) make up 16.4%. (<http://www.globalreligiousfutures.org/>. Data of 2010).

Globalization has increased interreligious contacts in the working place. This might be one of the reasons why interest in religion, philosophy of religion, and related topics has grown strongly over the last years (Meister and Copan 2007, pp. 1–2; Wainwright 2005, pp. 1–11).

There are nations in which religion and political power are not separated, and religion dominates over the power structure of the State. Currently, this is the case of Islamic States, which are based on Islam and Islamic law (Shari'a), and religious freedom and other freedoms are extremely limited. In modern Western societies, in contrast to medieval ones, religion is separated from public life in varying degrees. Religion is generally considered a private affair, and the civic right to religious freedom protects individual religious convictions. The public sphere, in contrast, is, again generally speaking, secularized. This means that religion has no direct control over political, economic, military, and other public decisions. On the other hand, civil political authorities refrain from interfering in the internal affairs of religious organizations as long as they act within the limits of the public order. Such a relationship between religion and society is called "secularity." It is positive because it allows for a mutually advantageous and enriching dialogue between faith and reason, and between religion and society. Without the voice of reason religion can become fanatic or fundamentalist. On the other hand, without openness for transcendence reason can easily shut itself off against religious wisdom (See Benedict XVI

2010). People who think they know all answers to all questions inevitably fall into the trap of not realizing that they do not know the unknown. Religion and revelation can help us to remain receptive for truth and wisdom. Unfortunately, the struggle over the past centuries against the political privileges of the clergy has led not only to secularization (the confiscation of church property) but also to secularism. This means the exclusion of religion from the public sphere and the imposition of nonreligiosity as only possible public and official stance. Such exclusion negates religious freedom.

Post-modernity and contemporary society, in contrast, are experiencing a revival of religion also in the public sphere, and are questioning the modern consensus on the exclusion of religion (Pfeifer 2015, p. 368; Fort 1997, p. 267; Casanova 1994, p. 5). This admittedly contains risks: People rightly resent indoctrination by others who think they are God's mouthpiece in politics and business (Enderle 2003). Nevertheless, some have presented sound reasons for including religious arguments in the public square:

- Religious affiliation creates identity and community beyond mere citizenship. Without it the awareness of social belonging would be seriously weakened (Williams 2013). We create out identity in the groups that are closer to our upbringing and development in childhood: our family and friends, neighborhood, our cultural communities, and religious groups. We are attached emotionally to those closer to us. The more a nation or a political community is aligned with such primary sources of identity the more it can count on the support of its citizens, and the stronger will obedience to law be. On the other hand, the law of the land is the same for all. Human rights, the equality of man and woman, and the dignity of the human person must not be conditioned by religious affiliation (Menea 2016).
- Conflicts over what is good are sometimes motivated by religious beliefs, and such moral conflicts are central to leadership. If they were permanently excluded, organizations would

lack depth and suffer from "moral muteness" (Roels 2002, p. 34). Beliefs shape behavior. We are all brought up hearing stories of what the society we grow up in considers to be success. These narratives form our moral and cultural code, which in turn, influence the way we do business. There are thus different modes and mentalities in business shaped also by religion. In a globalized world, businesspeople increasingly are confronted with these differences that are not solved by ignoring them. Leadership requires knowledge of and respect for religious convictions.

- The narrow rationalism of modernity needs to open up to a horizon of meaning and sense for which religion is constitutive. (Rossouw 1994, p. 561). Understanding means integrating facts and new situations "into meaningful wholes through a personal commitment to some kind of vision of how things ought to be." (Zimmermann 2015, p. 69) Science can explain the causes of facts but not their significance, meaning, and relevance for the narratives that make up the moral sense and purpose of actions in general and of business in particular.

Religions that do not sufficiently reflect on their teachings in a rational and critical way certainly also have a "dark side." They can be dangerous to society and business. Among these dangers are intolerance, even violence and terrorism, indoctrination, and fundamentalism. Unfortunately these negative sides of religion are a daily reality. They highlight the responsibility of religious leaders and of believers to work for peace and tolerance. Despite this "dark side of religion" we can note the following positive effects of religion as stated in business ethics literature.

- Religions provide ethical standards and a source of motivation which can be more effective for many people than philosophical moral theories. Motivation can include willingness to follow the will of God, belief in an afterlife, and eternal retribution for conduct. Furthermore, religions go beyond normativity by providing narratives of meaning and personal



identification. Thus religions instill aspirations to moral greatness and to virtues beyond norms. Religious morality not only prescribes conformity with codes of conduct but strives to fulfill an ideal vision of what it means to be human being. Religions help to maintain the balance between justice and mercy, spirituality and materialism. Without this balance business would become soulless and unjust (Meir Tamari 1997, p. 46; Williams 1986).

- Religions have a common ethical heritage and share a common concern for the poor and those in need (Enderle 1997, p. 2). In Catholic social teaching, for instance, this has been formulated as the logic of gift in business dealings and as the need of an economy of inclusion (Benedict XVI 2009; Francis 2015).
- Religions thus play an important role in business ethics by raising a critical or prophetic voice denouncing social and economic injustice. This stimulates reflection by bringing topics to attention that usually escape a businessperson in his or her normal everyday dealings, and provokes action (Calkins 2000).
- Some religions prescribe specific ethical behavior in economic contexts that are not generally shared by Western business ethics. Islam, similarly to the medieval Christian tradition, for instance, forbids certain forms of interest as *riba*. This has given rise to Islamic finance (Mews and Abraham 2007). Such religious distinctions can provoke thoughts on how to reform the existing economic and financial system.

## Cross-References

- [Buddhism](#)
- [Catholic Social Thought](#)
- [Christianity and Business Ethics](#)
- [Confucianism and LGBTQ+ Rights](#)
- [Islam and Business Ethics](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Religiosity](#)
- [Taoism](#)

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## Religion, Spirituality, and Business Ethics

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### Synonyms

Transcendence and business ethics

### Introduction

Religions entail beliefs, rituals, practices, institutions, morality, and spirituality. They contain moral values and precepts, and these can be applied to business; indeed, such norms sometimes explicitly refer to business conduct.

Spirituality focuses on the individuals' drive to experience transcendence, or a deeper meaning to life, through the way in which they live and work (Giacalone and Jurkiewicz 2003). It can be seen as "the experience of consciously striving to integrate one's life in terms not of isolation and self-absorption but of self-transcendence toward the ultimate value one perceives. If the ultimate value is the Transcendent itself, the Deity, the spirituality is explicitly religious" (Schneiders 1986, 266–7).

Although spirituality has traditionally been associated with religions, it is nowadays presented as something independent of them. Spirituality is, however, an essential element of religion, one which gives it life and animation based on a certain view of God or divinity, the human being, and the world.

Whether or not spirituality is associated with a religion, it entails a certain sense of morality, including values, and, therefore, an understanding of good and what constitutes right or virtuous behavior. The rational structure of such morality is at the base of ethics, and therefore of business ethics.

## Spirituality at the Core of Any Authentic Religion

Spirituality is fundamental to any authentic religion, thus for all of the principal religions. Judaism emphasizes the law (Torah), but in a spiritual context based on faith in the one God and the conscience of the covenant between God and his chosen people. Biblical prophets preached spiritual disposition and leading a virtuous life with reference to God. They encouraged virtues such as justice, compassion for the suffering, an attitude of repentance with a truly humble and contrite spirit, and a peace-loving disposition. Christianity includes the Ten Commandments and the other moral precepts of Hebrews (Old Testament of the Christian Bible) but all of this is summarized in spiritual love for God and one's neighbor. The Spirit of God moves the fellowship of Jesus Christ, who revealed God.

Islamic faith also has a spiritual sense, in understanding that any act is potentially an act of worship, and many other precepts which explicitly refer to business. Good behavior requires upright intention and acting within the limits prescribed by God. Accordingly, work (*amal*) and business-related activities may be regarded as acts of worship and therefore moral if they meet these two conditions (Ahmad 1995).

Hinduism, the third largest religion after Christianity and Islam, is deeply spiritual. Righteousness or the "right way of living" in Hinduism requires one to act in accordance with a cosmic order that makes life and universe possible. Actions are oriented toward *Moksha*, understood as liberation or salvation, and associated with a birth-rebirth cycle (reincarnation). In Buddhism, spirituality is so important that it is considered a path to *spiritual* progress toward *Nirvana* or liberation. Confucianism and Taoism, the two principal traditional Chinese religions or wisdom traditions, also have a deep spiritual root. Confucianism seeks *spiritual* development, – something more than physical, emotional, and mental development – and takes "Heaven" (*Tian*), a kind of impersonal high ancestral like a force controlling the world, as an important reference. Taoism has a transcendental view of existence and, rather

than a set of norms, presents a philosophy of life. Spirituality is also central in African, American, and Oceania indigenous religions.

Religion without spirituality would be a cold worship system, maybe useful for creating social cohesion but lacking soul. However, throughout history there have been those who reduced religion to its institutional dimension (faith statements, rules, organization, practices) and ignored the deep attitudes of religious people (beliefs working in the heart, values, morality). In taking this path, religious ethics is reduced to the cold legalism of a rigid checklist of ethical norms.

In contrast, others have reduced religion to spirituality or have erected spirituality without any religion. This is the case of secular spiritualities.

### Secular Spiritualities

People who identify themselves as “spiritual but not religious” usually present spirituality as subjective experience of a sacred or transcendent dimension of the human being and the self-understanding of the deepest values and meanings by which people live.

One of the first to defend a secular or nontheistic spirituality was Iris Murdoch (1971), an Irish novelist and occasional philosopher. She suggested a moral vision connected with a transcendent source of goodness and beauty. The Czech writer, political dissident and later president of the former Czechoslovakia, Vaclav Havel (1990) was another proponent of nontheistic spirituality. For Murdoch and Havel living truth and other transcendent values was the way of connecting spirituality with morality.

Secular spiritualities usually emphasize values, and a wide body of literature suggests that some key values can be correlated with individual spirituality. Among these are *benevolence*, or the consistent expression of kindness and consideration toward others; *generativity*, or a demonstrated concern for the long-term impact of one's actions; *humanism*, or the practice of treating others with dignity; integrity, or the adherence to a code of

conduct; *justice*, or the equitable treatment of others; *mutuality*, or recognizing the value of individual contributions in creating the whole; *receptivity*, or an open-minded orientation; respect, or treating others with esteem and value; responsibility, or following through on goal attainment; and *trust*, or being one on whom others can consistently depend (Giacalone and Jurkiewicz 2004). These values, which are generally seen as transcendent, are not too different from values presented by most religions.

Advocates of secular spirituality often stress that it is free from religious dogmas, institutions, and rituals, and in a certain sense even more genuine. Some, probably with a legalistic view of religion in mind, go further, presenting spirituality in opposition to religion. Thus, the statement: “While religions often direct people outward toward social rites and rituals, spirituality directs one inward toward the wealth of knowledge, sense, aspirations, feelings one harbors within” (Marques et al. 2007, p. 10).

Paradoxically, those who embrace secular spirituality often fall into syncretism by living in accordance with an amalgam of beliefs or spiritual practices (i.e., yoga, meditation, development of mindfulness, etc.) from a variety of established religions.

Secular spirituality is accepted by some and criticized by others. The principal criticism is that being free of any religion comes at the cost of accepting ambiguity and going without the support of the clear and solid authority of a Superior Being (God) as the ultimate author of the transcendent values. The second regards the difficulty of constructing a rational ethics from private spirituality and passing this on to future generations, in contrast to spirituality which is rooted in institutional religions.

### The Link Between Religion/Spirituality and Business Ethics

In order to recover the role of religion and spirituality in ethics Spohn (1997, 111) suggested

distinguishing morality and ethics as two different but related categories. “Morality” can be understood as a “first-order” descriptive account of the lived experience of human values and obligations – embedded into spirituality – while “ethics” refers to the “second-order” reflection that probes the rational supports and systematic interconnections of these values and obligations.

In the first stages of the modern movement of business ethics, from the late 1970s, religious approaches were generally excluded. Philosophical approaches were dominant; especially those based on a priori principles taken as self-evident to reason, as the moral philosophy of Modernity suggests. Other aspects of human nature, such as feelings, the character of the agent and the human openness to transcendence – as well as the necessity to search for meaning and the connection of ethics and human flourishing – were all ignored.

In consequence, business ethics was seen as applied ethics based on principles developed in the moral philosophy of Modernity, such the Categorical Imperative (Kant), the Utilitarian Principle, the Principle of Impartiality or fairness (Rawls), social contract duties, or even standards based on morality for agreement (Gauthier).

However, this philosophical stream has been critically challenged, among others by Elisabeth Anscombe (1958). This British philosopher questioned the deep reason for the moral norms of modern moral philosophy after abandoning the divine reference – in a certain sense moral philosophy of the Modernity suggests a moral law without any moral legislator. She argued that moral prohibition requires a transcendent source beyond the decision-maker. This source is God in Abrahamic religions (Judaism, Christianity, and Islam). Other criticisms to principle-based ethics came from Neo-Aristotelian virtue ethics – with Alasdair MacIntyre (1981) as one of the main proponents. Principle-based ethics were accused of paying insufficient attention to the character of the agent and of contempt for human flourishing. Religion and spirituality have both a transcendent source and a focus on the centrality of the agent.

Nowadays, virtue ethics is a well-accepted approach to business ethics, and one which opens the door to virtues proposed by religions and secular spiritualities for business ethics. In addition, it has provided valuable elements in business management such as corporate values, organizational culture, workplace spirituality, and leadership connect with religious or nonreligious spirituality.

Religions have been the source of morality for millennia and, in recent decades, much academic work has been done to introduce religious approaches to business ethics, although the case has not been the same regarding spirituality.

In practice, religions meet business and make a contribution to business ethics in, at least, three different ways:

1. *Inspiring business and management through principles and virtues.* Religions, with their inherent morality, can provide principles and virtues as guidelines applicable to business. This is the case, for instance, with the principle of respect for human dignity, which has Judeo-Christian roots, the Golden Rule and love of benevolence, central in Christianity, of compassion – highly relevant in Buddhism and in other religions – and egalitarianism (equality of everyone in God’s eyes) proposed by Sikhism, or by showing the greatest respect for all forms of life as Jainism defends. Other examples would be the Islamic values for entrepreneurship and the socioethical principles proposed by Catholic social teaching. Likewise, the Confucian values of *ren* (benevolence), *yi* (the ability to distinguish the right and wrong), *li* (being polite and respectful), *zhi* (wisdom), and *xin* (belief, trust, and innocence), and the principle of reciprocity and the importance of self-cultivation and virtues in Confucianism. Religious leaders can inspire business leadership. Spirituality also provides a deeper foundation for principles of international business ethics than legalistic and command-based ethics approaches (Jackson 1999).

2. *Providing specific norms of conduct.* Beyond generic principles, many religious texts deal with specific issues of ethics in business. Thus, Jewish scholars (Pava 1998, for instance) explore the Torah (the most important part of the Hebrew Bible) and Talmudic, and post-Talmudic texts, focusing on the ethical aspects regarding business contained therein. Some Christians attempt to integrate Biblical texts and other Christian tradition writings into business. Similarly, Islamic studies analyze key texts that can be related to business in the *Qur'an* and the *Sunnah* or *Hadith* (words, actions, and approvals of the Prophet Muhammad) or apply the *Sharia* (the Islamic law based on the *Qur'an* and the *Hadith*) to ethical issues in business activity. In this way, religious traditions shed light on a variety of business issues and stress responsibility in managing business. On its part, spirituality has been presented as a means for an intuitive perception of unethical business activities (Giacalone and Jurkiewicz 2004).
3. *Offering religious perspectives on business topics.* Such topics include, among others, profit-making, work within the organization, corporate social responsibility, ecology, marketing, and consumerism, responsible social investment, corporate social disclosure, and so on. There are instances of religions developing ethical concepts which have become relevant in the business context, for example, Islamic banking, Protestant and Islamic work ethics, and, inspired by the Christian tradition, servant leadership, environmental stewardship, and vocation (applied to business).

However, all of these contributions, though very valuable, are limited. They deal with moral aspects of business but religions and spirituality do not present a comprehensive business ethics, with solid rational support and systematic interconnections. A comprehensive business ethics must cover three levels of business activity: the “macro” level, which regards the morality of economic system where the business operates, the “meso” level, which studies moral aspects of

business within the free enterprise system – including the ethical dimensions of the organization and the relationship between business and society – and the “micro” level, which refers to ethics of individual behavior within an organization.

Facing this horizon, a business ethics founded on religious grounds needs further development. Regarding Judaism, though the same probably also applies to other religions, Moses Pava affirmed: “Jewish business ethics needs to grow out of an understanding of the needs of modern, complex economies but need not accept the status quo as binding” (Pava 1998, p. 66). Some religions have already advanced in establishing serious approaches to business ethics through theological developments in dialogue with modern business. Nevertheless, systematic and comprehensive treaties of a religious-based business ethics are still scarce, and much more work is required to reach this goal.

## Cross-References

- [Buddhism](#)
- [Catholic Social Thought](#)
- [Christianity and Business Ethics](#)
- [Confucianism and LGBTQ+ Rights](#)
- [Islam and Business Ethics](#)
- [Religion](#)
- [Spirituality at the Workplace](#)
- [Taoism](#)
- [Virtue Ethics](#)

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## Religiosity

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## Synonyms

Devoutness; Piety; Relation with the Transcendent; Religious Coherence; Religiousness; Spirituality

## Description

While religion entails a set of objective elements (beliefs, spirituality, morality, rites, institutions, etc.), religiosity refers to how individuals or groups of people live their own religion or how their religious beliefs are held. In a certain sense, religiosity is the maturity of faith.

The religiosity of persons includes both their internal spiritual experience of religion and their religious practices and behaviors. In sociological terms, we can consider the religiosity of a certain territory or a country by measuring external manifestations or practices. For instance, for Christian religiosity, measuring the percentage of people baptized and those who attend religious services on Sundays.

There are also people who show religiosity without a clear affiliation to any religion, or whose practice of religion is sporadic. Others show spirituality instead of religiosity. In addition, the religiosity of some people is based on picking up elements from different religions. This is very rare in adherents of monotheistic religions but not so uncommon in people who follow certain Asian religions and wisdom traditions. Thus, a Japanese person might be, for instance, Buddhist in certain aspects, Confucian in others, and also attend Shinto ceremonies.

## The Phenomenon of Religiosity

Many people worldwide show religiosity. According to the 2015 Gallup International

Religiosity Index, based on a global survey, 63% of the world's population defined themselves as religious (irrespective of whether or not they attend a place of worship), 22% as not religious, and 11% affirmed that they were convinced atheists. Those who do not consider themselves religious may feel themselves moved by spirituality, recognizing and following values and experiencing a certain relationship or connectedness with the sacred and the transcendent. Finally, others can find a substitute for religiosity to give sense to the mystery of existence in an ideal of life, a political idea, or even a sport, which can become their object of devotion.

The psychological causes of religiosity are now studied by cognitive and evolutionary psychology of religion, while sociology looks at external and social manifestations of religiosity, such as religious practices and how religiosity mediates in social relationships.

Philosophical anthropology reflects on the deep causes of religiosity rooted in human nature. Human beings have a longing to explain the meaning of the mystery of existence, the cosmic order, and the ethical values and beauty which transcend the person. This quest is fulfilled through the Transcendent and relations with God, the divinity, or some other ultimate reality. Religiosity is the human answer to this spiritual need. Religiosity, as religious devotion, expresses a sense of committed relation, which recalls the etymological meaning of religion. According to Cicero, religion is derived from *relegere* "go through again," and for many other authors from *religare* – "to bind fast."

Social sciences often attempt to understand the contents of religiosity and its influence on different scopes of life. In particular, behavioral business ethics attempts to gain understanding of the influence of religiosity on ethical behavior in the business context.

Genes can have an influence on religiosity and the family environment where a child grows up even more so; however, the family influence may decrease in youth and adulthood. The wider socio-cultural environment can also have a certain impact, but what seems more decisive is the

freedom and willingness to refer one's activity to the Transcendent.

Religious affiliation is different from religiosity. Religiosity entails two key elements: congruence and intensity. Congruence refers to living in agreement with a religion, accepting religious faith and religious morality, and, above all, connecting religion with one's own mind and behavior. Intensity regards feeling or living one's religion more or less strongly.

A lack of congruence is evident when there is an external appearance of religiosity but the real adherence to religion is low, or when someone presents him or herself as religious through compliance with certain external practices but forgets the most essential spiritual content of religion. This is the reproach of Jesus to the scribes and the Pharisees when he said that they preached but did not practice, adding: "Woe to you, scribes and Pharisees, hypocrites! For you tithe mint and dill and cummin, and have neglected the weightier matters of the law: justice and mercy and faithfulness. These you ought to have done, without neglecting the others." (Bible, Matthew 23:2–3, 23). Another example of a lack of congruence would be those who present a behavior which is fragmented or only loosely connected with religion, or those whose acting religiously depends on the acceptance of doing so in the social context.

Religiosity can become religious fanaticism, which has been blamed for deadly conflicts, but religious fanaticism is a deformation of religiosity. This fanaticism is manifested as an uncritical zeal for one's own religion, often accompanied by violence, with a lack of understanding for other people's positions and even seeing them as enemy. More frequently, however, religiosity leads to acts of charity and altruism, with a motivation which, in many cases, can be very strong.

## Measures of Religiosity

One of the oldest constructs to measure religiosity was "religious orientation." The purpose was to distinguish between those who sincerely practice their religion, by accepting its teachings and



attempting to live accordingly (intrinsic religiosity), and those others who exhibit religiosity for networking purposes or for personal interest (extrinsic religiosity), such as a politician who goes to church to influence voters. “Religious orientation” is useful as a first approach but has been criticized for being too broad to understand religiosity and to develop measurement scales. Some authors distinguish several dimensions of religiosity, for instance, a cognitive dimension (acceptance of the doctrines of a certain religion), a practical dimension (attending religious services), and a spiritual dimension (having a personal commitment and a religious experience). An individual could disavow all doctrines associated with organized religions (belief dimension), not affiliate with an organized religion or attend (practice dimension), but still be strongly committed to a higher power and feel that the connection with that higher power is ultimately relevant (spirituality dimension). Similarly, The Duke University Religion Index (DUREL), a popular five-item measure of religious involvement, assesses three primary dimensions of religiosity – organizational religious activity, nonorganizational religious activity, and intrinsic religiosity (or subjective religiosity).

Social scientists have proposed many methods to measure religiosity, as well as religious beliefs and practices, religious moral values, views of God, attitudes to the Church, and other related constructs. Goursh (1984) criticized what he saw as a proliferation of unnecessary measurement of religiosity. Hill and Hood (1999) went on to compile 125 measures of religiosity and spirituality 15 years later.

## Religiosity in Business

The study of the consequences of religiosity in business dates back to Max Weber and his thesis on the influence of religion on the genesis of Capitalism. Although this thesis has been controversial, over time researchers have focused on a variety of consequences of religiosity in aspects of business in several fields. These include, among

others, the influence of religiosity in the meaning of work, the effects of religiosity on consumer attitudes and behaviors, as well as purchase decisions and other aspects of consumption, likewise relational trust, charitable giving, managerial decisions on ecological issues, and attitudes toward diversity. Other studies include the influence of religiosity on promoting different coping strategies in business, on attitudes toward business and money, propensity to take financial risks, and tax compliance.

Some research focuses on religiosity based on other-centeredness and self-renunciation and on its positive influence on mental health; on the effects in stress reduction and tolerance of adversity; and on the correlation between religiosity and self-esteem, happiness, subjective well-being, and a sense of meaningfulness.

Religious motivation has been largely ignored in motivational theory, although some argue that, together with the perceived sacred qualities of work and views of God, it may be a relevant predictor of behaviors within organizations.

Regarding diversity, there are mixed results. Some show that religiosity has a negative influence on accepting diversity while others make a positive association between a measure of the firm’s commitment to diversity and the religiosity of the firm’s management.

## Religiosity in Ethical Behavior

There are a number of studies on the influence of religiosity on ethical behavior, attitudes, and perceptions of business ethics, corporate social responsibility, sustainability, and dealing with diversity. Some compare the ethical behavior of people with and without religiosity, or with different degrees of religiosity, or analyze the influence of religiosity in formulating moral judgments in decision-making, attitudes on philanthropy, and ethical investment. One particular topic studied relates to the influence of religiosity into ethical sensibility; this includes attitudes towards professional and business ethics as well as towards corporate social responsibilities. Regarding the

latter, it seems that intrinsic religiosity promotes an ethical CSR attitude and negatively affects financially oriented attitudes toward CSR, whereas extrinsic religiosity stimulates the philanthropic CSR attitude.

Findings frequently show a positive impact of intrinsic religiosity on interpersonal engagement by fostering concern, benevolent attitudes, and the disposition to help others, as well as of the propensity for forgiveness. In addition, it seems that intrinsic religiosity has a curtailing influence on earnings management, fraud, and cheating.

However, religiosity and spirituality not always have substantial explanatory power in predicting the ethics behavior of employees in the workplace, and some scholars affirm that the relationship between religiosity and honesty remains elusive. Weaver and Agle (2002), in an influential article based on symbolic interactionism theory, affirmed that religious role expectations, internalized as a religious self-identity, can influence ethical behavior. Nevertheless, they added that relationships of religious role expectations to behavior are moderated by religious identity salience and religious motivational orientation.

Last, but not least, spirituality, in terms of both religiosity and secular spirituality, has been identified as a driver of leadership. Thus, in the Christian context, spiritual leadership follows the steps of Jesus, who led by example and with a leadership of servanthood. On its part, secular spiritual leadership is one with motivating values, attitudes, and behaviors. The term spiritual leadership is now quite common in leadership literature, and some researchers analyze the implications for the organization of spiritual leadership and seek correlations between this leadership model and leader-followers relationships. There is also interest in the impact of such leadership in fostering corporate citizenship behavior, as well as in other behavioral constructs and in organizational performance.

## Cross-References

- [Buddhism](#)
- [Confucianism and LGBTQ+ Rights](#)
- [Islam and Business Ethics](#)

- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Spirituality at the Workplace](#)
- [Taoism](#)
- [Work Ethic](#)

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## Religious Freedom Restoration Acts

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### Synonyms

Religious antidiscrimination legislation

### Definition

Religious Freedom Restoration Acts vary in scope and impact. Some are viewed as enhancing religious freedom, while others have been sharply criticized for their discriminatory intent, if not impact.

### Introduction

Religious Freedom Restoration Acts (RFRAs) began with the support of a bipartisan, multifaith coalition focused on protecting individuals and religious groups from governmental infringement on their free exercise of religion guaranteed by the First Amendment of the United States Constitution. Following passage of the federal RFRA in 1993, a number of states passed similar RFRA laws founded on these same principles. In recent years, with the expansion of rights for gays and lesbians as well as a Supreme Court ruling in 2014 that extended free exercise of religion rights to for-profit corporations, a raft of apparently discriminatory state RFRAs have been proposed, although most were defeated or abandoned in the face of economic and political pressure from businesses and municipalities.

## Federal and State RFRAs: History, Purpose, and Controversy

### The Federal RFRA Law

The First Amendment states that “Congress shall make no law respecting an establishment of religion, *or prohibiting the free exercise thereof...*” (U.S. Const. Amend. I (emphasis added).) Free exercise of religion includes the right to believe or profess any religious doctrine, and prohibits the government from compelling certain religious beliefs or punishing the expression of beliefs with which it disagrees. Moreover, the government may not prefer one religion over another (Macleod-Ball and Sher 2015).

Religious beliefs may sometimes clash with the law. For example, adherents of the certain indigenous religions may ingest peyote, LSD, and other drugs as part of their religious practice, although use of such drugs is legally prohibited (Employment Division, Dept. of Human Resources of Oregon v. Smith 1990). The laws at issue are neutral in that they apply to all persons, but as applied to some individuals, the laws interfere with the free exercise of religion.

For many years, the courts addressed such conflicts on a case-by-case basis. In *Sherbert v. Verner* (1963), the Supreme Court addressed religious exemptions from neutral laws. The appellant, a Seventh Day Adventist, was fired for refusing to work on Saturday, “the Sabbath Day of her faith,” and then denied unemployment insurance (*Sherbert v. Verner* 1963). The Court held that the government may not impose a substantial burden upon the free exercise of religion absent a “compelling state interest” (*Ibid.*, 402–403). Courts generally applied the *Sherbert* test in the ensuing decades.

Then, in *Employment Division v. Smith*, decided in 1990, the Supreme Court held that religious beliefs do not exempt an individual from neutral laws of general applicability. (*Smith*, 494 U.S. at 879.) Justice Antonin Scalia, writing for the majority, explained that laws that may have the effect of burdening the exercise of religion “must be preferred to a system in which each conscience is a law unto itself.” (*Ibid.* at 890. Note that the law at issue in *Smith* prohibited use

of the drug peyote, which the appellants used as part of a religious ceremony in the Native American Church. Thus, the law was neutral in that all persons were prohibited from using peyote, but as applied to the appellants burdened religious practice.)

The *Smith* decision was perceived as a substantial threat to free exercise of religion by a coalition of legislators, religious leaders, civil rights, and other interest groups. (Macleod, 2.) The response was the federal Religious Freedom Restoration Act.

RFRA was passed by the United States Congress with near unanimous support from Democrats and Republicans in 1993, and signed into law by President Bill Clinton. (See, 139 Cong. Rec. S14,470 (daily ed. Oct. 27, 1993), 139 Cong. Rec. H2362 (daily ed. May 11, 1993), 139 Cong. Rec. H8715 (daily ed. Nov. 3, 1993).) RFRA explains that “laws ‘neutral’ toward religion . . . may burden religious exercise as surely as laws intended to interfere with religious exercise.” (42 U.S.C. 2000bb(a)(2).)

RFRA creates a statutory right to an exemption from laws and other government actions that infringe on religiously motivated conduct, unless the law is based on a compelling government interest, such as preventing discrimination. (42 U.S.C. § 2000bb-1(b)(1).) Additionally, the government must pursue such interests by the “least restrictive means” possible. (42 U.S.C. § 2000bb-1(b)(2).) The burden upon free exercise must be substantial to trigger RFRA’s protections, however, and minimal burdens on religious conduct are not protected.

In 1994, the Supreme Court held that RFRA did not apply to the states (*City of Boerne v. Flores* 1994). In addition to spurring some states to enact their own religious freedom laws, discussed below, the ruling prompted passage of the Religious Land Use and Institutionalized Persons Act (RLUIPA) in 2000. RLUIPA, as the name suggests, protects religious organizations from land use regulations, like zoning and historic designation laws, and other government actions that appear to target unpopular or minority faiths. RLUIPA, like RFRA, protects only against substantial burdens, a high threshold. RLUIPA

also protects prisoners in their exercise of religion, with some limitations. (42 U.S.C. § 2000cc *et seq.*)

### State RFRA Laws

After the Supreme Court ruled that RFRA did not apply to the states, some states, motivated by the same concerns that originally spurred passage of the federal RFRA, began to pass their own similar religious freedom laws. Other states, particularly in recent years and with the changing societal and legal views on rights for gays and lesbians, have passed laws that are styled as “RFRA” laws but appear to give businesses and individuals the right to discriminate based on sexual orientation and gender identity where religious-based motive is claimed (Dhooge 2016).

Thus, state RFRA laws can and do vary widely in their content and focus. Those states that have attempted to use RFRA-type legislation to allow discriminatory conduct have claimed that their laws are no different than the federal law. Such assertions should be reviewed.

### Controversy and Impact

RFRA has sometimes been used as a defense to accusations of discriminatory conduct, justified by religious exercise. For example, in the 1990s, landlords who refused to rent to unmarried or gay and lesbian couples raised religious objections as a defense to charges of housing discrimination. (See *Thomas v. Anchorage Equal Rights Comm’n* (1999), as an example of using religious freedom claims to discriminate in rental housing.) A more recent example involves an individual with information regarding child labor practices of his church who claimed an RFRA-protected religious obligation not to respond to a subpoena, violating a legal duty to cooperate in criminal investigations (*Perez v. Paragon Contractors, Corp.* 2014).

The 2010 Patient Protection and Affordable Care Act (42 U.S.C. § 18001 *et seq.* (2010).), known as “Obamacare,” mandated that employers provide contraceptive coverage without a copay in their employee insurance plans. (42 U.S.C. § 300gg-13(a)(4).) A number of companies filed lawsuits challenging this provision on grounds that the requirement violated the free exercise

of religion by the corporation, a right not previously recognized. In *Burwell v. Hobby Lobby*, the Supreme Court held that RFRA's protections apply to for-profit, closely held corporations. (573 U.S., 134 S.Ct. 2751, 2761-2775 (2014). According to the Internal Revenue Service, a closely held corporation is one where five or fewer individuals own more than half of the stock, directly or indirectly, at any time in the second half of the year. IRS Pub. 542. It may also include "S" corporations like Hobby Lobby that have not more than 100 shareholders, although all members of the same family are treated as a single shareholder. 26 U.S.C. § 1361 *et seq.*) The Court assumed that the burden was substantial and held that Hobby Lobby and other corporations could decline to cover contraception, regardless of the beliefs of the individual employees impacted. (*Ibid.* at 2779, 2785.)

While some have noted that the *Hobby Lobby* decision is limited to "closely held" corporations, a term that may invoke a small family-owned business, it is worth noting that ninety (90) percent of all U.S. corporations meet this definition (Closely Held Corporations 2017; DeSilver 2014). Hobby Lobby, for example, has \$3.3 billion in annual revenue, 23,000 employees, and over 600 stores (Hobby Lobby Corporate Profile 2017).

Prior to the *Hobby Lobby* decision, 20 states had state RFRA laws generally modeled on the federal RFRA. During the 2015 legislative session that followed, 16 states proposed new RFRA laws. Unlike the federal RFRA, most of the new legislation sought to expand free exercise rights to for-profit businesses. Additionally, as exemplified in the 2015 RFRA enacted in Indiana, these new laws allowed individuals and businesses to use religious freedom as a "claim or defense in a judicial or administrative proceeding, regardless of whether the state or any other governmental entity is a party to the proceeding." (Indiana Code § 34-13-9-9 (2015).) The concern with such provisions is that they allowed discrimination founded in religious belief as well as expanding free exercise of religion protections well beyond the boundaries of government action, and thus

beyond the scope of the First Amendment. Most of these bills failed.

Arizona's legislature sent Senate Bill 1062, which would have allowed those with sincerely held religious beliefs to refuse service to gays and lesbians, to Governor Jan Brewer for signature, but it was vetoed after public opposition by businesses such as Apple, Inc. and American Airlines (Arizona Gov. Jan Brewer Vetoes SB 1062 2014). Brewer noted the "unintended and negative consequences" of the proposed RFRA law (*Ibid.*).

Mississippi, however, passed a revision to its existing RFRA law, giving individuals and businesses the right to decline to provide "services, accommodations, facilities, or goods" based on a religious belief that marriage and sexual relations should be limited to "one man and one woman." (Miss. St. § 11-62 *et seq.* (2016).)

Indiana passed its RFRA over strenuous objection by both local municipalities and major Indiana-based corporations who decried its apparent license to discriminate. (Indianapolis' GOP Mayor Greg Ballard: RFRA Sends the "Wrong Signal" About the City and Our State (2015) Freedom Indiana, <http://www.freedomindiana.org/mayorballard>. 25 Mar 2015; 9 Major CEO's Tell Governor Pence: Move Quickly To Fix RFRA and Protect LGBT Hoosiers! (2015) Freedom Indiana, <http://www.freedomindiana.org/ceos>. 30 Mar 2015; see also, Hamilton, M.A. (2015) State RFRA's and the Intent to Discriminate: Why the State RFRA's Are in Trouble. Verdict, <https://verdict.justia.com/2015/03/30/state-rfras-and-the-intent-to-discriminate-indiana-as-a-case-study>, 30 Mar 2015.) Concerns were not alleviated by the presence of prominent leaders of anti-LGBT organizations at the signing ceremony for the new law (Cook 2015). Within days, then-Governor Mike Pence relented and signed an amendment that clarified that the new law did not permit discrimination based on sexual orientation and gender identity. (Ind. Code § 34-13-9-0.7 (2015).) However, Indiana lost as much as \$60 billion in revenue as the result of its RFRA legislation and the ensuing backlash (Slodysko 2016).

Arkansas similarly passed an RFRA law allowing discrimination against gays and lesbians, but



revised it prior to enactment at the governor's request (Reilly 2015).

The business impact and condemnation by both businesses and local political leadership appears to have quashed RFRAs proposed in other states.

## Cross-References

- (Managing) Diversity
- Spirituality at the Workplace

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- Thomas v. Anchorage Equal Rights Comm'n, 165 F.3d 692 (9th Cir. 1999)
- United States Constitution, Amendment I

## Reporters Without Borders

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## Synonyms

Reporters Sans Frontières (RSF)

## Definition

Reporters Without Borders [Reporters Sans Frontières] (RSF) is the world's biggest NGO specializing in the defense of media freedom, which we regard as the basic human right to be informed and to inform others. (Reporters Without Borders 2019)

## Description

Reporters Without Borders was established in Montpellier, France, in 1985. Today, it is a “network of correspondents in 130 countries” with a headquarters in Paris. Among its most notable functions, RSF:

- “Provides information about the media freedom situation worldwide in French, English, Spanish, Arabic, Chinese, Russian, and other languages.”



- “Issues press releases every day about abuses against journalists and . . . censorship.”
- Annually produces the Press Freedom Index.
- Produces ad hoc special reports on particular issues.
- Mobilizes “public and government support” with “protests and awareness campaigns.”
- Organizes activities to free journalist hostages anywhere in the world.
- Provides journalists with “bulletproof vests and helmets . . . training in physical and digital security.”
- Provides journalists with “insurance and emergency hotline and information manuals.”
- “Registers as an interested civil party in judicial cases in order to support journalists . . . and provides legal assistance.”
- “Provides hundreds of assistance grants every year to threatened independent media.”
- Introduces “draft legislation that respects basic freedoms” and puts “pressure on governments and organizations.”
- Initiated the UN Security Council’s resolutions “protecting journalists in armed conflicts.”

The NGO has a broad and impressive set of supporters, including the American Express, Ford Foundation, Fondation de France, National Endowment for Democracy, Fondation pour les Droits Humains, and French ministries of defense, interior, culture, and foreign affairs. Equally impressive is its distinguished international awards, e.g., Association for Education in Journalism and Mass Communication’s First Amendment Award, International Association of Press Clubs Prize, Charlemagne Medal for European Media, Sakharov Prize for Freedom of Thought, and the European Commission’s Lorenzo Natali Prize (Reporters Without Borders 2019).

## Cross-References

- [Ethical Climate and Ethical Culture](#)
- [Financial Secrecy Index](#)
- [Press Freedom Index \(PFI\)](#)
- [Tax Justice Network](#)

## References

- Reporters Without Borders/Reporters Sans Frontières (2019) Press Freedom Index. <https://rsf.org>

## Research Ethics and the Nuremberg Trials

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## Synonyms

Crimes against humanity; Human subject research; Nazi medical research

## Introduction

The Nuremberg Trials – more specifically the Nuremberg Doctors Trial – have achieved iconic status in discussions about research ethics. Few ethical debates, especially in medicine and life sciences, get very far without one or other protagonist invoking the events revealed at Nuremberg to justify their position. However, the very familiarity of the reference means that the real history and lessons of the court processes, and eventual judgements, have often been obscured.

## The Nuremberg Doctors Trial

The Doctors Trial was one of a series of trials held at the end of World War II, where participants in the Nazi regime were called to account for their conduct during the war (Annas and Grodin 1992). It took place in a US military court rather than the International Military Tribunal that dealt with the surviving political leaders. The judges and lawyers were all Americans, although there is evidence of consultation with UK legal personnel. Hearings ran from 9 December 1946 until 20 August 1947. Twenty-three defendants, all but one of whom were male, were before the court. All had worked as doctors in the military

or civilian services of the Nazi state. In summary, the charges were:

1. Conspiracy to commit war crimes and crimes against humanity as described in counts 2 and 3
2. War crimes: medical experiments without the subjects' consent, upon civilians and members of the armed forces of nations then at war with the German Reich and who were in the custody of the German Reich in exercise of belligerent control, in the course of which experiments the defendants committed murders, brutalities, cruelties, tortures, atrocities, and other inhuman acts
3. Crimes against humanity: committing crimes described under count 2 also on German nationals
4. Membership in a criminal organization, the SS

The experiments were grouped as High-Altitude Experiments; Freezing Experiments; Malaria Experiments; Lost (Mustard) Gas Experiments; Sulfanilamide Experiments; Bone, Muscle, and Nerve Regeneration and Bone Transplantation Experiments; Sea-Water Experiments; Epidemic Jaundice Experiments; Sterilization Experiments; Spotted Fever (Fleckfieber) Experiments; Experiments with Poison; Incendiary Bomb Experiments. The charges also incorporate the "Euthanasia Programme" "in the course of which the defendants herein murdered hundreds of thousands of human beings, including nationals of German-occupied countries. This program involved the systematic and secret execution of the aged, insane, incurably ill, of deformed children, and other persons, by gas, lethal injections, and diverse other means in nursing homes, hospitals, and asylums." Seven defendants were acquitted, seven sentenced to death, and the remainder to terms of imprisonment for periods varying between 10 years and life. At the end of the trial, the verdict set out ten criteria that should be satisfied for medical experimentation to be considered permissible. These criteria became collectively known as the Nuremberg Code. They state that:

1. The voluntary consent of the human subject is absolutely essential.
2. The experiment should be such as to yield fruitful results for the good of society, unprocurable by other methods or means of study, and not random and unnecessary in nature.
3. The experiment should be so designed and based on the results of animal experimentation and knowledge of the natural history of the disease or other problem under study that the anticipated results will justify the performance of the experiment.
4. The experiment should be so conducted as to avoid all unnecessary physical and mental suffering and injury.
5. No experiment should be conducted where there is an a priori reason to believe that death or disabling injury will occur; except, perhaps, in those experiments where the experimental physicians also serve as subjects.
6. The degree of risk to be taken should never exceed that determined by the humanitarian importance of the problem to be solved by the experiment.
7. Proper preparations should be made and adequate facilities should be provided to protect the experimental subject against even remote possibilities of injury, disability, or death.
8. The experiment should be conducted only by scientifically qualified persons. The highest degree of skill and care should be required through all stages of the experiment of those who conduct or engage in the experiment.
9. During the course of the experiment, the human subject should be at liberty to bring the experiment to an end if he has reached the physical or mental state where continuation of the experiment seems to him to be impossible.
10. During the course of the experiment, the scientist in charge must be prepared to terminate the experiment at any stage, if he has probable cause to believe, in the exercise of the good faith, superior skill, and careful judgment required of him, that a continuation of the experiment is likely to result in injury, disability, or death to the experimental subject.

### Responses to the Trial: Origin Myths

Origin myths are pervasive in human institutions (Malinowski 1926; Eliade 1998). They are stories about the past that help people to make sense of the present. In the case of organizations, occupations, and professions, like ethics regulators or ethicists, they explain why the institution is necessary and why its members or agents have a legitimate role in society. As such, they represent history in selective ways. In the case of research ethics regulation, the agencies that administer it, and the professionals who inform and staff those agencies, are presented as the inevitable and necessary response to the atrocities committed by Nazi doctors in the name of medical science. If we are to prevent such things from happening again, we must set standards and enforce them, with appropriate powers and resources conferred on the enforcers. Such appeals are, then, frequently heard when ethics regulation is criticized, on whatever grounds. They can foreclose discussion of whether regulations strike an appropriate balance between the interests of science, society, and individuals, on whether the preeminence given to consent is relevant in all situations, and on whether the interpretation and operationalization of regulations is over-zealous and heavy-handed. The invocation of the Nuremberg Trial and Code can be a way of shutting down discussion rather than developing it. Making this point takes nothing away from the historical significance of the events or from their continuing importance. However, it is to underline that we should never be afraid to apply the critical spirit of social science, rhetorical analysis, or philosophy to ask what someone is doing with a myth, symbol, or icon rather than accepting this without question. This is particularly important here because of the gap between the mythical version of the Nuremberg Trial and the account that a social historian would produce.

### Responses to the Trial: Historical

Three important features of the historical context are often overlooked by the Nuremberg Trial myth: Germany had the most advanced legal

framework for medical research of any country before 1939; the US legal team had great difficulty in showing that the Nazi research contravened international standards; and there was very little contemporary interest in the trial and its outcome.

The ethics of human experimentation had been called into question in France, the UK, and the USA as well as in Germany when medicine began to adopt more scientific approaches during the nineteenth century (Dingwall and Rozelle 2011). However, the challenges were more prominent in Germany than elsewhere, partly because Germany was the leader in scientific medicine. German doctors were doing more experiments on patients. Where other countries relied on informal sanctions by peers to control inappropriate research, Germany saw sufficient public concern to bring about state intervention. This is best documented for Prussia, where government intervention seems to have begun in the 1890s, leading to legislation and a formal directive to public hospital medical directors in 1900. While there were many loopholes and enforcement was limited, the French, for example, were shocked by the very notion of regulation at all. Controversies continued after World War I as German medical science tried to compensate for the seizure of its pharmaceutical patents by the victors. In 1931, all doctors contracted to the state were required to observe fourteen principles governing therapy and research. These were effectively those embodied in the Nuremberg Code and, in some respects, went beyond it in emphasizing the personal responsibility of research group leaders. The problem was that, by 1931, there was also a strong group of physicians arguing on nationalist and eugenic grounds that the sick, the weak, and the feeble-minded should be considered lower-priority candidates for social protection. The values of the democratic German state were not accepted by a sufficient proportion of the medical profession for the intervention to be effective.

This created a serious problem for the US legal team in the Doctors Trial (Hazelgrove 2002). They became worried that the defendants' lawyers were developing a persuasive case that the Nazi

medical experiments were not wholly exceptional compared to work in Allied countries. As this history has become better documented, through work on the Tuskegee Study (Reverby 2009) and on prison medical experiments in the US (Rothman 2003) or the Allies own wartime medical research (Schmidt 2015), this defense does not seem to be without merit. With some egregious exceptions, the experiments prosecuted at Nuremberg could be seen as the end of a continuum rather than as uniquely evil. When the prosecution team looked around for international standards against which the Nazi doctors could be tried, there were none. It seems that there was some hasty collusion between the prosecution team and the American Medical Association to produce a statement that became the foundation of the Nuremberg Code. Some writers suggest that prosecution witnesses flirted with perjury to imply that the AMA statement had a longer existence and established authority than was actually the case. It was certainly seen as important by the prosecutors and their medical advisers to construct the trial in such a way as to make Nazi research into an outlier so as to protect public confidence in the Allies' medical scientists and their research.

They might not have been quite so concerned had they realized how little interest the trial would attract. The international journalists went home as soon as the trial of the political leaders was concluded and there was virtually no coverage of the Doctors Trial in the British or American press. The first mention in the *Manchester Guardian*, for example, does not come until 17 July 1947, when it forms part of the background to a story about the British Medical Association being asked to endorse a draft of the 1948 Declaration of Geneva, a precursor of the Declaration of Helsinki, which was intended to create the international standard that the trial had shown to be missing. The next reference is on 28 November 1951, when the General Medical Council, which licenses UK doctors and accredits their training, refused to require new graduates to affirm their acceptance of the Declaration of Geneva. The early regulatory developments in the USA were driven mainly by a desire to buffer the Federal

Government from litigation (Stark 2012). The Nuremberg Code only came back into prominence in the early 1960s, following the exposure of ethically problematic research by people like Henry Beecher (1966) in the USA and Maurice Pappworth (1962) in the UK. It seemed that medical researchers outside Germany had concluded that business could continue more or less as usual. If Nazi medical science had been constructed as an outlier, then the Code could not apply to them. The Code also acquired significance from the attempts to develop a professional community of bioethicists (De Vries et al. 2009).

### The Lessons of Nuremberg

The implications of the Nuremberg Doctors Trial and the Nuremberg Code for research ethics are, then, more complex than they are often made to appear. Neither informal professional control nor administrative regulation had been successful in restraining the abuse of patients in medical experiments before 1939. Professional values were insufficient without disciplinary sanctions, but administrative regulation could not succeed in conflict with professional values. Like many of the subsequent regulatory structures, the Code was developed in haste to solve an immediate problem rather than as the result of a considered public debate about how the interests of science, society, trial participants, and ultimate beneficiaries should be balanced. It strongly reflected US assumptions about individual consent in ways that have not been helpful to much public health research, let alone social science research, that does not pose the same risks of pain, death, or permanent disability. Nevertheless, it has become a conservative trump card to be played in any debate about the appropriateness of ethics regulation in relation to any area of scientific, or even social scientific, research.

### Cross-References

- [Autonomy and Informed Consent](#)
- [Bioethics](#)
- [Ethics Committees \(Including Research\)](#)

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## Research Integrity and Research Misconduct

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## Synonyms

Ethical research; Responsible conduct of research

## Introduction

Researchers should be able to rely on the integrity of their colleagues and their honesty in the description of their methodology, in recording

their analysis, and in reporting their findings. Those who apply or use research outcomes must be able to trust local, national, and global research processes so that scholarship can become a cumulative exercise. And yet scientists face mounting commercial and institutional pressures to gain grants and publish, a climate in which they may be tempted to engage in unacceptable behavior. The research misconduct that ensues can be very harmful for scholarship as well as for individuals and society.

## What Is Research Integrity?

Definitions of integrity vary across countries, institutions, and disciplines. The choice can reflect whether emphasis is placed on detection and punishment or on education and culture. The dominant position in many jurisdictions dwells on misconduct; where the definition has legal status and is meant to hold researchers and institutions accountable, the acts and degree of intention associated with misconduct may be tightly demarcated. In 2000, for example, the United States Office of Science and Technology Policy published the Federal Policy on Research Misconduct. The policy defined research misconduct tightly in terms of fabrication, falsification, and plagiarism. *Fabrication* is “making up data or results and recording or reporting them.” *Falsification* is “manipulating research materials, equipment, or processes, or changing or omitting data or results such that the research is not accurately represented in the research record.” *Plagiarism* is the “appropriation of another person’s ideas, processes, results, or words without giving appropriate credit.” The threefold definition of misconduct as fabrication, falsification, and plagiarism has become part of research codes in many parts of the world.

On the other hand, where definitions are intended to promote broader research or social values, the field may be conceived quite broadly. Some national codes and guidelines describe their remit in positive tones and emphasize integrity and the concepts of honesty, carefulness, independence, and fair recognition. In 2010, the Second

World Conference on Research Integrity produced *The Singapore Statement on Research Integrity* as a guide for future regulations. The authors of the Statement argued that it contained fundamental principles relating to honesty, accountability, professional courtesy and fairness, and good stewardship of research, as well as 14 professional responsibilities that together ought to transcend legitimate national and disciplinary differences. Many codes and statements developed outside the United States have also extended their definition of research misconduct well beyond fabrication, falsification, and plagiarism to include other matters such as undisclosed duplicate publication; misrepresentation of data, interests, qualifications, and involvement in authorship; mismanagement of data; breaches of duties of care including improper conduct in peer review; unethically interfering with other people's research; and poor institutional policies, procedures, and practices to foster research integrity and improper responses to allegations of misconduct, including retaliation against whistleblowers. This extended range of issues is sometimes termed "questionable" or, more accurately, "detrimental" research practices.

Excessive focus on fabrication, falsification, and plagiarism can miss some disturbing practices that are widespread. For example, psychologists and management researchers have identified detrimental practices in data analysis and reporting. In those fields, growing use of data-mining and more sophisticated statistical packages may mean that more confidence is placed on apparently positive results than might be warranted. Some researchers capitalize on chance variations in datasets by presenting post hoc hypotheses as if they were a priori (HARKing or Hypothesizing After the Results are Known). Chance variations can be further manipulated to produce a result that appears to be statistically significant by *p*-hacking, converting a particular measure of significance to a target, excluding outliers, using covariates, and only reporting conditions that achieve that target (the 'file drawer' problem).

Tensions have also arisen over the attribution of **authorship**. Researchers face enormous pressures to publish or, at least, look like they are

publishing. Quantity may take precedence over quality in publication. Different disciplines maintain incompatible conventions and different countries face distinct pressures to determine authorship in particular ways. Health researchers have had long-standing concerns that the names that appear at the top of an article in their field do not reflect the true authorship, either because someone who has insignificant involvement has been added – gift, honorary, or prestige authorship – or because junior staff who made significant contributions have been omitted – ghost authorship. A particularly pernicious abuse of authorship conventions involved pharmaceutical companies financing and ghostwriting articles supporting their products and then laundering these results through compliant gift authors. The International Committee of Medical Journal Editors updated its *Recommendations for the Conduct, Reporting, Editing, and Publication of Scholarly Work in Medical Journals* in 2016. This recommended four conditions be met before someone be named as an author (s.II.2): (1) substantial contributions to the conception or design of the work, or the acquisition, analysis, or interpretation of data for the work; (2) drafting the work or revising it critically for important intellectual content; (3) final approval of the version to be published; and (4) agreement to be accountable for all aspects of the work in ensuring that questions related to the accuracy or integrity of any part of the work are appropriately investigated and resolved. There is far from universal agreement that all four criteria should be met. Indeed, a strict interpretation of these criteria might preclude interdisciplinary and international collaboration as each author may not be able to understand the methodologies or languages used by their colleagues to collect and analyze data.

### The Extent of Research Misconduct

Commentators have been divided on the extent of research misconduct as well as whether the problem is growing. One 2017 report by the National Academies of Sciences, Engineering, and Medicine described the likely incidence as "unusual" but not "rare" and costing the United States between hundreds of millions and several billion



dollars annually. Certainly, there have been significant increases in the number of journal articles being retracted, high levels of failures to replicate research results in particular fields such as social psychology and preclinical biomedicine, and predatory journals who charge authors to publish but fail to provide appropriate peer review. Meta-analysis of self-report studies of researchers found 2% of researchers admitted to fabricating or falsifying data at least once and over 14% were aware that their colleagues had done so (Fanelli 2009). In the United States, the Office of Research Integrity considers allegations of misconduct in publicly funded biomedical research. Between 2006 and 2015, ORI completed 329 cases, reaching findings of misconduct in 125 cases. In 119 of these cases, the matter involved falsification and/or fabrication. On the other hand, the Office of the Inspector General at the National Science Foundation in the United States dealt with a growing number of plagiarism cases. Of course, increased reporting does not necessarily mean more misconduct. It *may* reflect more positive trends – misconduct is being identified, and universities and research institutes have installed procedures to respond to misbehavior.

### Understanding Causation

Institutional or national codes rarely rest on an analysis of the reasons why people might breach norms of research integrity. Indeed, systematic research into the causes of scientific misconduct is scarce. However, occasionally, committees of investigation and research organizations have offered some comment. Some see the researcher as a “bad apple.” A researcher’s own ambition, vanity, desire for recognition and fame, and the prospect for personal gain may lead to behavior that crosses the limits of what is admissible. Much policy is based on an assumption that if individual wrongdoers can be weeded out, the problem of research misconduct will diminish. However, others point to the culture that may prevail in certain disciplines or research groups (“bad barrel”). Again, others identify the creation of a research environment overwhelmed by corrupting pressures (“bad barrel maker”). Many academics are under increasing pressure to publish – and to

do so in English irrespective of their competence in that language – as their nation or institution seeks to establish or defend its placing in international research rankings. So, individuals are forced to meet publication and citation targets in order to obtain jobs, grants, research contracts, or sponsorship. In response, research institutions are expected to create and sustain a research culture that fosters and monitors integrity and effectively investigate and address research misconduct. Finally, others attribute misconduct partly to weak and ineffective oversight regimes (“bad apple checker” and “bad barrel checker”).

Most countries have no independent oversight of research integrity. A review of international practice (Hickling Arthurs Low 2009) distinguished between three kinds of national regulatory systems. The first type had a narrow legal definition of integrity and a central regulatory agency with powers of investigation – in the United States, policy development has followed legislative requirements and has been accompanied by mandatory training and compliance regimes. However, few countries have followed the United States model. Instead, the review found that many countries, including most low- and middle-income countries, had neither national legislation nor independent oversight, and responsibility was at best diffuse and at worst ambiguous. A third category (countries such as Australia, Canada, Germany, the Netherlands, the United Kingdom and Sweden) also had no national legislation, but by placing integrity within broader and more constructive discourses of honesty and fairness, research councils and university peak bodies had created codes or model guidelines and/or had devolved responsibility to research institutions to develop their own policies as a condition of funding; in some cases, advice on investigation could be provided by an independent body. By 2015, more than half of the 40 leading research nations had national policies relating to research integrity, while many other countries were in the process of developing them.

Some national approaches place a responsibility on research institutions to provide **education** programs for their researchers. There is little evidence that online programs designed to meet

compliance requirements have any impact on research integrity. Programs that aim at developing the skills and attributes associated with ethical decision-making in real situations may be more productive (National Academies of Sciences, Engineering, and Medicine 2017), particularly if they can promote discussion of integrity in the actual research environment.

Another approach to promoting research integrity has involved identifying, sharing, and in some cases codifying **better practices** around mentoring, data and code sharing, and transparency in reporting. Many codes seek to clarify the responsibilities of researchers, their institutions and partners, and funding agencies. They also want to ensure that standards and responsibilities to be easily communicated (if not agreed) across jurisdictions, cultures, and disciplines. In doing so, several organizations have shifted attention from individual wrongdoing to collective practices. For example, from its inception, the Global Research Council (2012), an alliance of national funding agencies, acknowledged the importance that funders must play in establishing an international environment within which integrity is at the heart of the research enterprise. Reports of discussion at the four World Conferences on Research Integrity have also revealed this shift in emphasis.

## Cross-References

- [Conflict of Interest in Research](#)
- [Deception and Research](#)
- [Publication Ethics](#)
- [Research Ethics and the Nuremberg trials](#)

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## Resource Extraction

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## Synonyms

Gas and Mineral Extraction; Oil

## Introduction

Resource extraction refers to the removal from the earth of nonrenewable substances that include metals, nonmetallic minerals, construction aggregates, and hydrocarbons. As businesses, resource extraction refers to the oil, gas, and mining industries. Companies engaged in resource extraction range from relatively small enterprises devoted to mineral exploration with a total capitalization of a few million dollars or less, to multinational oil, gas, and mining corporations capitalized in multiple billions of dollars whose activities span

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Wes Cragg: deceased.

exploration, project development, resource production, and down-stream processing.

Resource extraction is a distinctive form of industrial activity that gives rise to a number of specific issues in business ethics, which can be briefly summarized as follows:

### **Stewardship of Mineral Resources**

Mineral resources constitute a natural endowment of the jurisdiction in which they occur, and in the first instance are collectively owned by the citizens of that jurisdiction. The fact that mineral resources are nonrenewable, such that once extracted their value is no longer available to society, would appear to impose a unique stewardship responsibility on the governing authorities and the companies involved to ensure that resource extraction contributes to the long-term benefit of the host jurisdiction. However, in fact, resource extraction has very often been accompanied by the squandering of the potential benefits to society owing to the absence of responsible and effective governance, or in other words the absence of good stewardship of the resources. The pattern of deteriorating economic, social, environmental, and political conditions in many countries with a high level of dependence on resource extraction is commonly referred to as the “resource curse.” At the core of the interaction between resource extraction and the jurisdiction that owns the resources are ethical issues of procedural justice, relating to how decisions about resource extraction should be made, and distributive justice, relating to who should receive what share of the benefits (primarily a contest among capital investors, governments, local communities, corporate management, and unionized employees).

Over the centuries, governments have commonly allowed resources to be extracted through private sector investments that are propelled by the prospect of individual or corporate enrichment. The rationale for this free enterprise approach is that resource extraction involves considerable financial and technical risks that are best relegated to the extractor, while the governing jurisdiction should be content to capture spin-off benefits through taxation, employment, and infrastructure development. However, there have also

been many cases over the centuries in which governments have nationalized mineral resources and allowed extraction to be done only by state-owned enterprises. The rationale is that the host jurisdiction, as owners of the resource endowment, should capture all the benefits available from extraction. Historically, the extent to which the potential benefits have been fully realized from nationalized resources has often in practice been constrained by a low level of government efficiency both in extracting the resource and in utilizing the revenue from it.

Neither total free enterprise nor total state control appears from experience to be consistent with or even indicative of an ideal norm of ethical stewardship of nonrenewable resources. The on-going challenge for business ethicists is to identify reasonable and credible criteria for such ethical stewardship and practical approaches for achieving it.

### **Environmental Responsibility**

Resource extraction generally involves a significant disturbance of an area of the earth’s surface. This is particularly the case with open pit mines, which can be as much as several kilometers in diameter and over a kilometer in depth. Both open pit and underground mining also generate and require the storage of massive amounts of waste rock and mine tailings. These facets of mining together create new and permanent changes to the natural environment. Significant surface disturbances are also caused by large oil-fields that have many wells and extensive connecting infrastructure. One major environmental issue of all forms of resource extraction relates to the impacts on quality and quantity of water in the local area, because of both the often massive utilization of fresh water in resource processing and the massive discharge of often polluted effluent afterwards. Another major environmental impact of resource extraction, particularly of hydrocarbons, relates to atmospheric pollution, especially the emission of greenhouse gases. Overall, a significant cost of resource extraction relates to controlling and reducing the negative aquatic and atmospheric impacts, granting that their total

elimination is generally technically and economically unfeasible.

One core ethical issue concerns the distribution of costs and risks of actual or potential environmental impacts between the resource extractor and the general public, either the entire citizenry of the governing jurisdiction or specific local communities. Another core ethical issue relates to the ultimate justification for resource extraction, which includes an analysis of the overall costs versus the overall benefits to society, including the positive or negative impacts on future generations.

For the sake of preserving profit margins, resource extractors are naturally reluctant to internalize the totality of costs represented by “negative environmental externalities.” The challenge for business ethicists is to identify reasonable, credible, and pragmatic principles and criteria for identifying, assessing, and quantifying (where feasible) the environmental externalities of resource extraction and discerning the norms for an equitable distribution of the burden of costs and risks if such a distribution is appropriate.

## Social Responsibility

### Social License to Operate

Unlike other businesses, the resource extraction industries are constrained by where extractable deposits of resources are found with respect to where they can locate production facilities. Often the communities that exist in areas where resources are located are remote from metropolitan centers, are subject to extreme poverty and in some cases violent conflict, and receive little attention or support from their governments. However, in the era of globalized communications through the Internet, such remote communities are not entirely isolated, and the existence of a resource extraction project in their vicinity can be a catalyst for attracting the attention of organizations around the world that are concerned about poverty alleviation, social justice, human rights, community empowerment and in many cases are particularly concerned about the often problematic environmental and social performance of oil, gas, and mining companies. Most resource

extraction companies recognize the need to respond constructively to the social and economic conditions that they encounter around their operations, understanding that the failure to do so could generate local and global opposition, possibly to the extent of interrupting production.

The concept of a “social license to operate” is commonly used to describe the existence of a constructive relationship between a resource extractor and local communities. The mining industry has also adopted a global strategy of “sustainable development” through the International Council of Mining and Metals (ICMM), which provides guidance to companies in contributing to economic and social improvements in the areas around mines that will endure after the resource is depleted and the mines are closed. However, it is increasingly recognized that resource extraction can contribute effectively to sustainable development only if host jurisdiction governments and the local communities themselves have the capacity and the orientation and will required to collaborate with resource extractors in achieving durable economic and social improvements. The challenge for business ethicists is to provide insights into the underlying norms and values that can augment the capacity of companies, governments, and communities to adopt shared developmental objectives and to work in alignment to achieve them.

### Indigenous Peoples

Indigenous peoples present a set of issues to resource extraction that go beyond the sphere of concerns related to the conventional relationships between resource extractors and local communities. The claim by indigenous communities to large areas of “traditional territory,” on which their culture, livelihood, and future existence is dependent, frequently gives rise to conflicts with oil, gas, or mining companies that have an interest in extracting resources on those lands. In recent decades this has been a subject of growing global concern on the part of governments, resource extraction industries, and the indigenous peoples themselves, who have been organizing ever more effectively to promote and secure their rights. In 1989, the International Labour Organization

(ILO) adopted Convention 169 on “Indigenous and Tribal Peoples,” which has been ratified into national law by 22 countries, mostly in Latin America. This convention declares that indigenous peoples possess certain rights related to the use, management, and conservation of resources on their traditional territories and that governments are obligated to consult with indigenous peoples to ensure that their interests are recognized and protected before approving resource extraction proposals on their traditional territories. In practice governments have failed to engage in effective consultation, which has been a source of conflict around certain resource extraction projects. As a consequence, resource extraction companies have unofficially acquired the burden of consultation, which some but not all companies have taken very seriously.

In 2007, the United Nations adopted the “Declaration on the Rights of Indigenous Peoples,” which does not have the force of law in most signatory countries but carries significant moral force. The most significant norm stated in the UNDRIP is that indigenous peoples have the right to “free, prior and informed consent” before resource extraction can take place on their traditional territories. In Canada, the “Constitution Act (1982)” recognizes and affirms the rights of aboriginal peoples, which includes First Nations, Metis, and Inuit, but does not define those rights. A succession of decisions by the Supreme Court of Canada has contributed to the clarification of the rights and entitlements of Canadian indigenous communities, particularly with respect to the government’s duty to “consult and accommodate” First Nations, Metis, and Inuit, before government approval of resource extraction projects on their traditional territories. In practice, resource extractors have taken on much of the duty to consult indigenous communities in Canada about the potential impacts and benefits of proposed projects, generally resulting in contractual relationships between companies and communities, which are usually referred to as “Impact Benefit Agreements” or “Participation Agreements.” Globally, the challenge for business ethicists is to identify the norms and values required for successful interactions between resource

extractors, indigenous communities, and governments, with particular attention to the question of what constitutes “free, prior, and informed consent.”

### Bribery and Corruption

Transactions between resource extraction companies and governments are particularly susceptible to bribery and corruption because of the intense competition among oil, gas, and mining companies to acquire access to resources and to obtain developmental permits, both of which require the approval of public officials who may be inclined to seek a personal share of the very large amounts of capital at stake in their decisions. Preventing bribery and corruption in transactions between resource extractors and governments has become a matter of: legislation by the home country governments of resource extraction companies; collective voluntary initiatives by certain governments, companies and civil society organizations; and corporate policies and programs by individual companies.

For many years the US “Foreign Corrupt Practices Act (1977/1988)” was the only legislation in force that criminalized the payment of bribes by resource extractors to foreign government officials. However, in 1997 member countries of the OECD adopted the “Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.” Since then all OECD member governments have implemented legislation in accordance with the OECD Convention. In Canada, for example, international resource extraction companies that are headquartered in Canada are subject to the Canadian “Corruption of Foreign Public Officials Act (1999).” In 2013, member countries of the G-8 made a commitment to implement common global reporting standards for resource extraction industries concerning payments to host country governments. In Canada, this commitment was enacted into legislation with the “Extractive Sector Transparency Measures Act (2015).” Comparable disclosure requirements have been implemented in the USA by the Dodd Frank Act and in the European Union by the Accounting and Transparency Directives.

The oldest voluntary initiative of concerned companies, governments, and other organizations to combat corruption is Transparency International, which was founded in 1993. TI now has over a 100 chapters in different countries dedicated to fighting corruption in their home jurisdictions, and TI produces the most authoritative annual global surveys of corruption, which have frequently highlighted concerns related to resource extraction. Another voluntary initiative, Publish What You Pay, founded in 2002, is a coalition of civil society organizations with chapters in 40 countries, whose particular focus is on eliminating corruption as the principal cause of the “resource curse.” Another voluntary initiative the Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies, and civil society organizations, which was launched in 2002 at the Johannesburg Earth Summit under the leadership of the UK with the objective of implementing a common standard for reporting of payments and receipts of resource extraction revenues by companies to governments.

A number of resource extraction companies have implemented corporate policies and strategies to prevent bribery and corruption of public officials by their company personnel. Generally, these policies and strategies, sometimes referred to as “corporate integrity systems,” include guidelines for employees on correct conduct in transactions with government officials and disciplinary measures for noncompliance, along with provisions to protect whistle-blowing. The challenge for business ethicists is to evaluate the effectiveness of governmental, collective voluntary, and individual corporate initiatives to combat bribery and corruption, and provide insights into understanding and inculcating the required norms and values.

## Cross-References

- [Bribery](#)
- [Environmental Assessment and Resource Extraction](#)
- [Indigenous Environmental Justice](#)

- [Indigenous Land Management: Responsibility-Based Ethics](#)
- [Precautionary Principle and Resource Extraction](#)
- [Resource Extraction and Indigenous Community Consent](#)
- [Social License to Operate](#)

## Additional Readings

- Publications of IPIECA (formerly the International Petroleum Industry Environmental Conservation Association). <http://www.ipieca.org/>
- Publications of the International Council on Mining and Metals (ICMM). <https://www.icmm.com/>
- Publications of the Mining Association of Canada, Towards sustainable mining. <https://mining.ca/towards-sustainable-mining/>
- Publications of the Sustainable Minerals Institute, Centre for Social Responsibility in Mining. <https://smi.uq.edu.au/csrm>

## Resource Extraction and Indigenous Community Consent

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## Synonyms

Free, prior and informed consent (FPIC)

## Introduction

In those increasingly common instances where a private firm seeks to extract resources such as minerals or oil from a territory to which an Indigenous community has established ties, Indigenous communities, supported by civil society organizations and responsible investors, have called upon these firms to secure their *free, prior and informed*



consent (FPIC). Although recognized through international normative obligations, the right of FPIC is not wholly recognized nor supported in law in many jurisdictions.<sup>1</sup> This entry serves to outline the FPIC concept, highlighting its origins and the ways in which some governments and the private sector have responded to its invocation. We conclude by arguing that the growing acknowledgment of FPIC can serve to bring greater certainty to the sector and ultimately greater harmony to heretofore strained relations.

### FPIC's Meaning and Origins

FPIC is commonly used as a short-hand expression to describe the right of Indigenous people to offer or withhold consent to developments that may have an impact on their territories or resources. To be true to its definition, free, prior and informed consent must be obtained without force, coercion, intimidation, manipulation, or pressure from the government or company seeking consent (**free**); with sufficient time to review and consider all relevant factors, starting at the inception stage, in advance of any authorization for, and continuously throughout the planning and implementation of activities (**prior**); based on an understanding of adequate, complete, understandable, and relevant information relative to the full range of issues and potential impacts that may arise from the activity or decision (**informed**); and can be given only by the legitimate representatives of the people affected, with any caveats or conditions stipulated by the people whose consent is given (**consent**). It must be noted that FPIC cannot exist where a people do not have the option to meaningfully withhold their consent.

First formally introduced in the 1989 *International Labour Organisation's Convention on Indigenous and Tribal Peoples in Independent*

*Countries*, FPIC was originally defined as a requirement that consent must be acquired before Indigenous communities are relocated or before development is undertaken on their land. FPIC became a more commonly cited concept after substantial mobilization by Indigenous people at the United Nations (UN) General Assembly, after which there was recognition in the preamble that control over development “will enable (Indigenous peoples) to maintain and strengthen their institutions, cultures and traditions and to promote their development in accordance with their aspirations and needs” (United Nations 2007, 2). Thereafter, there is recognition in several articles of the 2007 *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP), which broaden the scope of situations in which FPIC should be sought as a best practice, specifically in negotiations regarding land, culture, property, resources, and conservation.

With respect to development on their traditional lands, Article 32 states: “1) Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources; 2) States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources; and 3) States shall provide effective mechanisms for just and fair redress for any such activities, and appropriate measures shall be taken to mitigate adverse environmental, economic, social, cultural or spiritual impact.”

Since 2007, the UNDRIP has been championed by the UN's Indigenous Peoples Working Group, whom now are collectively seeking formal recognition and a seat at the United Nations. The Declaration has also been championed and affirmed by Indigenous peoples globally, in policies and statements to national governments.

This championing of FPIC by Indigenous peoples and its growing recognition in legal terms belies its historical, spiritual origins. The concept

<sup>1</sup>For example, outside of areas covered by modern land claims (e.g., Nunavut) or court settlements (e.g., Tsilhqot'in), Canadian law requires the Crown to consult indigenous populations in advance of any development and seek to accommodate concerns involving infringement of rights, which is a lesser standard to FPIC.

of FPIC is grounded in, and recognizes, the intimate relationship that exists between Indigenous peoples and the land. This sacred and special relationship is one component of Indigenous culture, in which the land is a part of personal and community identity (Firelight Group 2017). Rose (1996, 7) offers a description of this particular relationship in the context of Australian aborigines:

People talk about country in the same way they would talk about a person: they speak to country, sing to country, visit country, worry about country, feel sorry for country, and long for country. People say that country knows, hears, smells, takes notice, takes care, is sorry or happy . . . country is a living entity with a yesterday, today and tomorrow, with a consciousness, and a will towards life. Because of this richness, country is home, and peace; nourishment for body, mind and spirit; heart's ease.

The term “country” here encompasses the unity of land, sea, sites, knowledge, law, culture, and people (O’Faircheallaigh 2008). The meaning of the land to Indigenous people transcends the physical to include the spiritual and cultural. The principles underlying FPIC allow for continued interrupted stewardship over their lands by Indigenous peoples. This stewardship has been harshly interrupted by colonial and settler governments.

## Acknowledgment of FPIC

With respect to state acknowledgment of FPIC, the UNDRIP has been significant. Indeed, the Declaration represents the most comprehensive international tool regarding the rights of Indigenous peoples and provides a framework that sets standards for all states to follow. It also provides aspirational statements that member countries are encouraged to follow and implement. As of June 2017, only Azerbaijan, Bangladesh, Bhutan, Burundi, Georgia, Kenya, Nigeria, and the Russian Federation had yet to endorse the Declaration. Canada, Ukraine, and the United States were among the last countries to implement the Declaration.

In the case of Canada, its implementation has arguably been more impactful politically than legally. A Liberal federal government elected in

2015 publicly declared its desire to reconcile the Crown’s relationship with Indigenous populations and endorsed all of the recommendations of the 2015 Truth and Reconciliation Commission, one of which calls on the private sector to obtain the free, prior and informed consent of Indigenous peoples before proceeding with a project on those peoples’ traditional territories. However, current legal requirements in most Canadian jurisdictions, built on legal precedent set by the Supreme Court of Canada (*Haida Nation V. BC* 2004; *Taku River Tlingit First Nation V. BC* 2004), necessitate Indigenous community consultation and accommodation.

With respect to private sector recognition, the inclusion of FPIC in a key Performance Standard set by the International Finance Corporation (2012), the private sector lending arm of the World Bank, has undoubtedly been impactful.<sup>2</sup> Consistent with this, some individual firms in the resource extraction sector have committed to securing the consent of Indigenous peoples from whose lands they seek to extract resources. More universally, several key industry organizations with influence in the extractive sector have developed guidelines that are promoting the application of FPIC principles. Though each industry has approached the FPIC issue discretely (forestry from mining, from oil and gas), the guidebooks, principles, and guidelines are roughly aligned and similar in their process focus.

For example, in their May 2013 Indigenous Peoples and Mining Position Statement, the International Council of Metals and Mining (ICMM) committed their members to: engage Indigenous communities in project decision-making in a way that is consistent with traditional decision-making processes, and acquire the free, prior and informed consent of Indigenous peoples where

<sup>2</sup> IFC Performance Standard #7, which came into effect in January 2012, requires clients to secure FPIC where a project is located on lands traditionally owned by, or under the customary use of, Indigenous Peoples, and adverse impacts can be expected. This is absolutely required in the case of relocation, and where significant project impacts on critical cultural heritage are unavoidable (IFC).

mining projects are to be located on traditional owned lands or where traditional practices occur (ICMM 2013).

At a national level, industry associations have grappled with the FPIC concept. For example, the Mining Association of Canada (MAC) has issued a protocol providing guidance on meaningful dialogue with communities, requiring companies to self-report on “community of interest identification,” engagement and dialogue, response mechanisms, and reporting. The Prospectors and Developers Association of Canada (PDAC) has prepared guidance documents on Aboriginal engagement and on the Duty to Consult, but these do not require consent. PDAC provides both a guide and a trainer’s manual for exploration companies. Finally, the Canadian Association of Petroleum Producers (CAPP) notes that the duty to consult and accommodate Aboriginal peoples lies with the Crown and that ultimately this duty cannot be delegated. CAPP has published a document that provides guidance for industry proponents to take action to reduce the risk of legal challenges on the basis of a failure to consult.

With the commitment by the current Canadian federal government to reconciliation, there is a strong expectation that the Canadian landscape and legal requirements will be revised and that corporate practice and commitment will also shift.

Given that some firms are prepared to operate at a standard that exceeds regulatory requirements and their industry associations, it is encouraging that civil society organizations have come to develop certification systems that allow differentiation within markets that recognize environmental and social performance (Cashore 2002). While the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) certification systems have garnered the most attention, the resource extraction sector has become also a focus of certification through the Initiative for Responsible Mining Assurance (IRMA). Significantly, IRMA includes a standard focused on FPIC, which, for a mine to acquire certification, requires that the mine developer:

- Has a publically available policy that includes a statement of the company’s respect for Indigenous rights
- Completes a due diligence assessment to ensure adequate consultation by the host government in obtaining mineral access for exploration
- Not undertake any mining-related activities that may impact Indigenous peoples prior to obtaining their free, prior and informed consent
- Not seek to engage in FPIC-related discussions unless the would-be impacted Indigenous peoples communicate that they wish to do so (IRMA 2017)

Under the IRMA Standard, existing mines for which FPIC was not obtained will be expected to demonstrate adherence to the Standard through operational efforts. One potential means for displaying adherence may be the presence of an Impact and Benefit Agreement (IBA) signed by the mine developer and regional Indigenous communities. Common to Canada, Australia, and, most recently, Greenland, an IBA serves to complement regulatory systems by offering enhanced impact mitigation and tangible benefits to communities in exchange for their acceptance of a project (Galbraith et al. 2007). IBAs can provide benefits to Indigenous communities such as payments, training and employment, and preferential treatment of community businesses; less routinely, IBAs offer a means for would-be impacted communities to influence project design and operation (Gibson and O’Faircheallaigh 2010). For example, as a condition of their support for Inco’s Voisey’s Bay nickel mine, the Labrador Inuit Association secured limits on winter shipping to and from the mine in order to protect winter ice travel by Inuit hunters. Given this latter possibility, some IBA signatories and scholars have identified an IBA as an expression of consent (e.g., Sosa 2011; Boreal Leadership Council 2012, 2015; Bradshaw and McElroy 2014), though all recognize that ensuring that an agreement is reached free of coercion and with complete information is a challenge (Papillon and Rodon 2015).

## Making the FPIC Standard Work

The emergence of FPIC in the resource extraction sector over the past few decades has undoubtedly generated concern among would-be developers of oil fields and mines. This concern may be misplaced. Though the transition will be challenging for the resource extraction sector and its investors, the acknowledgment of FPIC will bring greater certainty to the sector and ultimately greater harmony to government- and company-community relations (Boreal Leadership Council 2012, 2015). To get there, industry and the Crown have to work to support the aspirations and capacity of Indigenous communities to exercise their right of consent. Indigenous communities have work to do, as they recover from decades of resource extraction that has occurred without their consent. Many are preparing FPIC approaches by developing resource extraction policies, which present the precise terms under which communities will manage requests by firms to explore within their traditional territories, engage in dialogue about development possibilities, and perhaps offer support for a particular development plan (BLC 2012). One of the earliest policy statements was developed by the Tahltan Tribal Council in British Columbia in 1987. Rather than react in an ad hoc way to development pressures, the Tahltan reflected on their mining-related concerns and expectations and formulated a policy statement that enabled them to exercise authority.

Unquestionably FPIC poses governance challenges for those who seek its embrace. For example, what is the best expression of a community's free and informed consent? Does a community-ratified agreement (e.g., IBA) meet the bar? If so, what happens if the community later determines that the mechanism of community decision-making failed to reflect traditional governance, or that they were ill-informed or lacked the freedom to make a good decision? Must consent be repeatedly secured through the lifespan of an operation, and, if so, what does this mean for firm's access to capital? Does the standard of FPIC change if the Indigenous community becomes an invested partner in the operation?

Though these challenging questions remain, the option of pursuing resource extraction without Indigenous community consent no longer exists.

## Cross-References

- ▶ [Environmental Assessment and Resource Extraction](#)
- ▶ [Indigenous Peoples and the Ethics of Resource Extraction](#)
- ▶ [Resource Extraction, Ethics, and Social Capital](#)
- ▶ [Social License to Operate](#)

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## Resource Extraction in Latin America and Human Rights

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### Synonyms

Human Rights; Indigenous peoples; Inter-American Human Rights System; Latin America; Resource extraction

### Introduction

Latin America relies on the exploitation of natural resources to support its development. This is not

new, as resource extraction has driven economic policies in Latin America throughout its history. The problem is that these measures are usually adopted at the expense of people living in areas where these resources are located. Indigenous Peoples, rural communities, and Afro-descendants are some of the groups that tend to clash with the state and security forces on issues related to ownership of the land, access to natural resources, or the protection of the environment.

The purpose of this entry in the Encyclopedia of Business and Professional Ethics is to describe what have been the main impacts on human rights related to extractive industries in Latin America and to recount how affected groups have used courts to protect their rights.

## Main Impacts of Extractive Industries on Human Rights

It is undeniable the importance of extractive industries for the economic and social policies of Latin American countries. Between 2015 and 2017, it was estimated that copper, iron and steel, and other precious metals accounted for 77% of the exports of the region, including the Caribbean (ECLAC 2018). The exploitation of metallic and nonmetallic minerals has increased six times between 1970 and 2017, significantly affecting the environment (ECLAC 2018). Much of the legal and institutional reforms implemented in the past 30 years, which include the adoption of free trade agreements and foreign investment treaties, focus on providing legal, fiscal, and financial stability to attract multinational corporations.

The problem is that these laws tend to minimize or ignore the impact on the human rights of vulnerable groups or the environment. For example, the 2008 Ecuadorean Constitution establishes the preservation of biological reserves, unless the government declares the exploitation of extractive resources in that biological reserve as a matter of national interest. Another case is when governments amend laws that simplify how businesses can apply and obtain mining permits. This usually means that environmental regulations are



softened – including loosening requirements regarding the content of environmental impact assessments – or that the independence of environmental regulatory agencies is compromised. Colombia, Mexico, and Peru are recent examples of this practice.

In other cases, states adopt laws that criminalize the right to protest or the right to peaceful assembly as a means to threaten opposition to extractive projects. For example, in 2014, an international human rights court found that in Chile, the anti-terrorist legislation was disproportionately used against Mapuche Indigenous groups protecting their territory. In Honduras, since 2018, eight leaders from the Guapinol community have been held in pretrial detention due to their opposition to a mining project that would pollute the river and their land.

The situations described above are not exceptions. Latin America is the most dangerous place for human rights and environmental defenders. For example, Front Line Defenders estimated that 264 defenders were killed in the Americas in 2019 (FLD 2020). These attacks were mostly against Indigenous and environmental leaders. Due to the remoteness of the areas where some of these defenders work, it is probable that this number is significantly higher. But not only human rights defenders are attacked or killed for doing their work but most of these crimes remain unpunished. For example, the assassination of Honduran Indigenous environmental leader Berta Cáceres in 2016 got worldwide attention. Yet, to this date, nobody has been convicted for this crime. In cases like Colombia or Mexico, some communities opposing extractive projects are forced to leave their homes due to the threats and attacks on their lives.

These examples show how the policies designed to attract resource extraction in Latin America affect human rights and the environment. In part, this impact is caused by deficient regulations and the inability of states to promote sustainable development policies that includes affected groups (Rodríguez-Garavito 2011). By undermining human rights duties – like the right to consultation of Indigenous Peoples, the right to peaceful protest

or the right to water –, states actually create these socio-environmental conflicts.

## Protection of Human Rights Through Courts

In Latin America, human rights are recognized in the Constitution and most of these countries have specialized Ministries or offices to promote the exercise and fulfillment of these rights. Additionally, Latin American countries have ratified the majority of international human rights treaties. Despite this legal and institutional framework, there are always exceptions or loopholes that allow the state to prioritize extractive projects, usually at the expense of vulnerable groups.

Because laws fail to effectively guarantee these rights, groups affected by extractive industries bring their claims to courts. The response by national courts has been inconsistent at best (Quintana and Flores 2017). Let's take for example the case of land titling. States tend to recognize the ancestral presence of Indigenous Peoples in a specific territory. But without a property title, there is uncertainty to the exact extension of the land, and businesses might challenge the existence of Indigenous land in order to get a mining permit. In these cases, courts recognize the existence of the territory but leave it at the discretion of the Executive how to grant these property titles, leaving Indigenous Peoples unprotected.

For that reason, groups opposing state permits allowing extractive industries to operate in Indigenous land prefer to bring a case to international forum like the Inter-American Human Rights System (IAHRS). This regional body has been fundamental to determine the human rights obligations of states applicable to extractive industries (Shelton 2013).

## The Inter-American Human Rights System Case Law on Indigenous Peoples and Extractive Industries

The IAHRS is a regional system created by the Organization of American States (OAS) to protect



human rights. The IAHRs has two main bodies: the Inter-American Commission on Human Rights, created by the OAS in 1959, and the Inter-American Court of Human Rights (IACtHR), created by the American Convention on Human Rights (ACHR) in 1969.

The ACHR is the governing body of the IAHRs. This treaty entered into force in July 1978 with the purpose of promoting the protection of civil and political rights and to assess state behavior. The decisions of the IACtHR are binding and final upon its 20 state parties. In more than 40 years of existence, the IACtHR has adopted over 25 decisions related to extractive industries, mostly in cases related to mining companies operating in Indigenous territory.

The IACtHR has used the ILO Indigenous and Tribal Peoples Convention of 1989 and the 2007 UN Declaration on the Rights of Indigenous Peoples, to create a judicial framework under the ACHR to protect Indigenous rights. The judicial standards set by the case law of the IACtHR have fostered legal and institutional change in the states that are parties to the ACHR. These reforms include the adoption of specific laws regarding Indigenous rights (Peru), the creation of specialized governmental ministries or agencies on Indigenous rights (Colombia, Chile), as well as the implementation of national policies on Indigenous Peoples (Bolivia).

The IAHRs has acknowledged the historic discrimination that Indigenous Peoples face in Latin America (IACHR 2016). The case law of the IACtHR on the rights of Indigenous Peoples has addressed different types of violations to the ACHR, including situations of forced disappearances, sexual violence, the protection of their culture and traditions, among other rights. However, it is in cases concerning the rights to territory, consultation, and free, prior and informed consent that the IACtHR has made a broader impact in the field of Indigenous rights.

To create this judicial framework, first the IACtHR had to identify the relevant article to protect the aforementioned rights, as the ACHR does not establish specific obligations to protect Indigenous Peoples, other than a general section prohibiting discrimination on racial or ethnic

grounds. It wasn't until 2001 that there was a case related to the control and access to Indigenous land. In that year, the IACtHR published its decision on *Awás Tingni v. Nicaragua*. This case expanded the scope of Article 21 of the ACHR to include the right to collective property (IACtHR 2001). In retrospect, this article – originally adopted to protect individual property from expropriation – has become the right used by the IACtHR to protect the collective property, territory, culture, prior consultation, and consent of Indigenous Peoples.

As stated before, the ACHR does not have any reference to Indigenous rights, including consultation or consent. This topic was addressed in the 2007 decision of *Saramaka v. Suriname*. The importance of this decision has been paramount for Indigenous Peoples in Latin American countries and beyond. In *Saramaka*, the IACtHR set out the main elements of the right to consultation, including the obligations of the state to assure a free, prior, informed and culturally appropriate process (IACtHR 2007). In addition, the Court established that in large-scale development or investment projects, consent of Indigenous Peoples is required, due to the profound economic and social change that these projects cause.

Another contribution of the IACtHR to the rights of Indigenous Peoples is in the 2012 case of *Sarayaku v. Ecuador*. In this case, the Court ordered the state to remove the explosives that an oil company had laid in a mountain that was sacred to the *Sarayaku*. In this case, the IACtHR recognized that Indigenous Peoples are collective subjects under International Law, implying that they can enjoy some rights collectively (IACtHR 2012).

More recently, the IACtHR adopted in 2020 the decision on the *Lhaka Honhat v. Argentina* case. Although this case is not about extractive industries operating in Indigenous territory, it is relevant because the Court acknowledges Indigenous rights to healthy environment, food, water, and cultural identity (IACtHR 2020).

The decisions are important for extractive industries operating in Latin America for two reasons. Firstly, the case law of the IACtHR establishes the duties that states must fulfill before

granting a license for a company to operate on Indigenous land. If a mining permit is granted without proper consultation, national courts could overturn this permit by using the standards set by the IACtHR. This has happened in Colombia, Guatemala, Mexico, and Peru, just to name a few examples.

Secondly, businesses have a responsibility to respect human rights. The UN Guiding Principles on Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises propose measures to minimize the adverse impact that businesses might have on local communities or the environment (IACHR 2020). Some of the measures recommended include human rights due diligence and access to reparations. In many cases, businesses from extractive sectors argue that they are bound by local legislation. Yet, the OECD Guidelines recommend that businesses should honor internationally recognized human rights. In Latin America, this includes the standards set by the IACtHR.

## Challenges for Extractive Industries and Human Rights

Groups affected by extractive industries have been successful at advocating for the protection of their rights before courts. The IAHRs has been instrumental to create a case law with standards that states must fulfill to assure that mining and oil and gas projects do not affect Indigenous Peoples, rural communities, or Afro-descendants.

There are two main challenges that will put these standards to test. First, in April 2021 the Escazú Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean entered into force. This treaty establishes clear obligations on states regarding environmental matters. The focus of the treaty is for states to adopt laws and policies that will assure that environmental issues are freely accessible, underscoring the use of Indigenous knowledge to protect the environment. This treaty has currently 12 ratifications and there is no doubt that it will be used in cases regarding the

fulfillment of environmental regulations by extractive businesses.

The second challenge relates to a post-pandemic economic recovery. The International Monetary Fund estimates that in 2020, Latin American GDP contracted by 8.1% (IMF 2020). Governments will feel pressured to foster economic recovery, with extractive industries at the heart of this process. Although Latin America continues to face the impact of the pandemic, some governments are already planning how to rescue the economy. Most likely, these measures will include simplification of permits for extractive projects; adopt policies to attract foreign direct investments; and minimize environmental requirements like impact assessments. This will have an impact on human rights of vulnerable groups, and most likely, a new wave of public interest litigation will begin.

## Cross-References

- [Business and Human Rights](#)
- [Environmental Ethics and Sustainability](#)
- [Environmental Philosophy and Business](#)
- [Human Rights and Environmental Change](#)
- [Human Rights Impact Assessments](#)
- [Indigenous Environmental Justice](#)
- [Indigenous Peoples and the Ethics of Resource Extraction](#)
- [Large-scale Resource Extraction and Violence Against Women](#)
- [Resource Extraction, Ethics, and Social Capital](#)

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## Resource Extraction, Ethics, and Social Capital

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## Synonyms

Bonding Social Capital; Bridging Social Capital; Community Development; Community Empowerment; Economic Development; Poverty Reduction; Rural Development

Extractive industry projects have clear and visible impacts on the communities around them. Social justice websites highlight environmental damage

and displacements of residents while company sustainability reports focus on environmental rehabilitation and infrastructure projects like clinics, schools, and roads. However, beyond the partisan discourses, there are less visible impacts that actually make more of a difference for community development.

The World Bank sponsored programs and research on poverty reduction during the presidency of James Wolfensohn. A great deal was learned about how social capital can contribute to not only poverty reduction but also the strengthening of communities in general. Michael Woolcock, Deepa Narayan, and their colleagues developed a view how social capital reduces poverty. Their description of the dynamic includes a special place for contributions from multinational economic organizations, such as international corporations. Moreover, for poverty located in rural, isolated regions of the world where the national government's presence is sparse, the extractive industries, according to this view, have a unique opportunity to be a force for community development.

Because social capital is ubiquitous to varying degrees in all human interaction, it has been defined many ways to suit many different contexts. About a century ago, Hanifan (1916) coined the term to draw the attention of the business community to the link between rural isolation (i.e., a lack of social capital) and rural poverty in the USA state of West Virginia. Perhaps the definition that best captures the most common understanding of the term is Cohen and Prusak's (2000) version:

Social capital consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible. (p. 3–4)

Cohen and Prusak's definition captures the sense of the concept as used by urbanists, like Jane Jacobs (1965), and political scientists, like Robert Putnam (2000). However, sociologist Mark Granovetter (1983) and economist Glenn Loury (1977) focused on how ties to people outside one's circle of similar others were a more

important aspect of social capital for things like finding a job. Gould and Fernandez (1989) developed the notion of brokerage opportunities presented by occupying a network position between two or more network members or clusters who have no direct links with each other. Ronald Burt (1997) developed this line of thinking further as a mathematical description (i.e., “inverse constraint”) of network positions that enjoy unrivaled access to resources located in further reaches of the network and that present brokerage and coordination opportunities. Gittel and Vidal (1998) spoke of a similar type of outreaching social capital as important in community development. They called it “bridging” social capital and distinguished it from the “bonding” type described in the Cohen and Prusak definition.

A third type of social capital, called “linking,” was proposed by Narayan (1999), Woolcock (2001; Szreter and Woolcock 2004), and their colleagues working on understanding the role of social capital in poverty reduction. Molinas (2002) summarizes the distinctions among the three types by characterizing bonding as ties among family members, friends, and neighbors, bridging as ties with colleagues and associates who are demographically dissimilar, and linking as “alliances with sympathetic individuals in positions of power.” Linking is like bridging except that instead of connecting to another bonded cluster in the community, or another village in the region, the tie is to an organization at a higher level of scale that has access to more resources. These higher level organizations could be national government departments or programs, national or international development organizations, or national or international companies. The framework that emerged from studies of successful cases of poverty reduction portrayed a balance of all three types of social capital as necessary for a poor community to be able to prosper.

The extractive industries have a special role to play in the process of reducing rural poverty because they are more likely than other industries to actually enter and operate in remote regions. To the extent that extractive industries can promote a balance of bonding, bridging, and linking social capital in those regions, they help reduce poverty

and promote development. The focus is on understanding and deliberately enhancing the social structure of the networks in and among the communities. It does not matter whether the concrete initiatives for promoting such a balance involves building infrastructure, protecting the natural environment, or offering jobs. What matters is how any initiative that the community supports would change the structure of the regional social network. Although this is a less tangible goal than whatever service, program, or infrastructure might be incidentally involved in the initiative, it is nonetheless a measurable, quantifiable, and trackable goal (e.g., Molinas 2002; Boutilier 2011).

In an unbalanced excess, each type of social capital presents a different type of obstacle to development. For example, too much bonding can prevent growth by excluding outsiders from economic transactions (Portes and Landolt 2000). Onyx and Bullen (2000) found that bonding without bridging can also be associated with prejudice against outgroups and a reduced appetite for any kind of change. However, without bonding, there is little capacity for agreeing on goals and collaborating toward them. Even when both bridging and bonding are present, without linking, the opportunities for development are limited. However, linking without sufficient bonding and bridging can facilitate the emergence of an elite among those who do the linking, with negative impacts on the level of democracy in community organizations (Titeca and Vervisch 2008). The findings of Pena López and Sánchez Santos (2014) indicate that bonding and linking without bridging can promote networks of corruption. In general, a consensus has emerged that not only are there different kinds of social capital, but that each kind can have both positive negative aspects when they are not balanced and when a broad enough range of social impacts and contexts are considered (Portes and Landolt 1996, 2000; Streeter 2002; Beugelsdijk and Smulders 2004; Realo et al. 2008).

Boutilier (2011, pp. 44–56) summarized many of the findings in a typology of social network structures that compares three levels of bonding with three levels of core-periphery structure,

which entails a dimension of bridging. The typology was intended for use by organizations that themselves provide the linking social capital to the community or stakeholder network with different combinations of bonding and a variant of bridging. For example, the completely bonded community with no bridging will be slow to accept any change at all and slow to trust outsiders. The community in which a small self-serving elite core provides the only bridges among completely unconnected members of a periphery will accept an extractive industry but the benefits will flow exclusively to the members of the core elite. A community with a weak core incapable of coordinating highly bonded peripheral cluster will experience self-defeating internal conflicts as each cluster competes with the others to capture more of the benefits, or at least to ensure that no other group gains too much power. Boutilier suggests that a structure dubbed “accountable leadership” provides enough balance between group bonding and diversity bridging to permit a community to benefit from the linking social capital that the presence of an extractive industry offers.

This approach to community relations emphasizes deliberate changes to the social structures, as opposed to the unwitting changes that would happen by default. The focus on social capital is very congruent with the approach to community development known as “community resilience” (Berkes and Ross 2013; Walton et al. 2013; Aldrich and Meyer 2015). The community resilience approach views the community as a system integrated within its ecosystem and multiple levels of social systems. It emphasizes the capacity of the community for dynamic self-organization and collaboration toward shared goals. Magis (2010) defined community resilience as the “existence, development and engagement of community resources by community members to thrive in an environment characterized by change, uncertainty, unpredictability and surprise.” These abstracts translate into measurable variables when the community is viewed as a network of social capital ties. The emphasis on multiple levels of embeddedness fits well with the notion of linking social capital. The idea of

joining together to reach common goals implies bridging social capital to overcome separations among naturally occurring social clusters and bonding social capital to facilitate collaboration.

Magis (2010) explains how community resilience can be analyzed and measured using the construct of community capitals. She notes that economic resources, or the lack of them in the case of poverty, are not the only kind of resources communities can mobilize. The community capitals construct provides framework for understanding how communities combine diverse types of resources or “capitals.” There are varying lists of community capitals (Rainey et al. 2003; Roseland 2012). Flora and Flora (2004) offer the most extensive list with seven types of capitals: (i) natural (environmental), (ii) financial (present and projected), (iii) built (infrastructure), (iv) human (skills, knowledge), (v) cultural (shared knowledge about how to provide for needs from the physical need for shelter to social and spiritual needs), (vi) political (ability to access resources and power brokers, and ability to impact the rules and regulations), and (vii) social.

The community capitals construct is embedded in an approach to development that promotes self-sufficiency and sustainability right from the start. The outsiders wishing to help do not set the agenda or the type of help to be provided. Instead, they solicit the collaboration of the community in developing an agenda and goals. Fazal et al. (2016) reviewed different approaches to community development and found that the least sustainable approaches were characterized by the helpers deciding on their own how best to help the community. They concluded that the sustainability of community projects depends on the community identifying its problems and proposing solutions.

The community development approach that allocates all the agenda setting decisions to the “helper” is typified by the technique known as community needs assessment. It presumes that the helper defines the categories of needs, compares their urgency, and proposes solutions. Even with this approach, however, the benefits of more equal collaboration in the process are increasingly appreciated (e.g., Macaulay and Ryan 2003;



Jagosh et al. 2015). The approach variously described as community resilience or community capitals may start with an understanding of the authority and influence structure of the community (i.e., social capital) and then focus on the community's assets rather than deficiencies and needs. The helper participates in ways that bring the three social capitals into more balance as the community itself sets its goals and assesses the types of capital it could combine to achieve them.

A participatory method for discovering the social capital structure of communities has been developed by Schiffer (Schiffer and Peakes 2009; Schiffer et al. 2010; Schiffer and Hauck 2010). The core of the method involves convening community stakeholders to map their own social capital. Using physical objects to represent social actors, participants jointly construct the social network of their community and its associated outside stakeholders. The method has the advantages of being low-cost but highly engaging. Indeed, community participants invariably begin to take ownership of the process of crafting their own social capital.

In his guidance for social investments by oil and gas companies, Zandvliet (2008) emphasized that a social investment can only be sustainable if the community takes responsibility for it. Moreover, Zandvliet advises that additional partners from government and civil society should be involved from the beginning as well. Most extractive companies will only be present in host communities from five to fifty years. Their withdrawal from any initiatives has to be planned from the start. This is why building social capital among the other stakeholders is so important. If government and community organizations have not developed the human and social capital to continue combining their many other capitals, initiatives to reduce poverty will stall. Therefore, one of the best contributions extractive companies can make while they are present in a region is to help stakeholders coconstruct their own human and social capital.

Although social capital building and balancing is essential for community development, community development itself has its opponents. For example, where there are self-serving elites, the

elite will resist the dilution of its power and authority. They may even be skillful enough at the construction of deceitful narratives to enlist the help of activists from either the national capital or the developed world to help them resist change. There are also nonelite forces that, in effect, work to maintain poverty. Where corruption and clientelism are widespread, even the poor themselves will resist initiatives that aim to operate on the principles of inclusiveness and transparency. Community development is easy in theory but in practice it is "the art of the possible." Nonetheless, the conceptual frameworks and practical tools that social capital offers can make better outcomes more probable.

## Cross-References

- [Collaborations Between Grassroots Advocacy Groups and Business](#)
- [Development Ethics](#)

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## Respect and Business Ethics

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## Synonyms

Dignity; Moral principles; Moral rights; Self-respect

## Introduction

Respect moralizes and mediates human relations, playing a vital role for business ethics and the

examination of meaningful work (Bowie 2017). While there exist different kinds of respect, respect always has an object it is directed toward (Dillon 2018). This is described as the responsiveness of respect, which exacts certain conduct in us. The deontological ideal of respect directly determines “our will without reference to what is wanted by our inclinations” (Rawls 2000: 153). Our deferral to the object’s demands places restrictions on what is allowed for one to do. Through the legacy of Enlightenment, hierarchical notions of respect have increasingly ceded to ideals of human equality (Bird 2004). The general Kantian assumption that every person has the standing to demand equal treatment is rooted in the assertion that each human being should be treated as an “end in itself” (Kant [1785] 1964: 96). While the Kantian premise of respect is only due to (rational) human beings with the capacity to be autonomous, recent discussions of respect have been influential in advancing the understanding of diversity inherent in respecting individuals as unique and particular (see, e.g., care ethics, Eger et al. 2019). The sections that follow elaborate upon the moral relevance of respect for business, introducing Darwall’s (2006) work on recognition respect to address the prevalent absence of second-personal considerations in conceptualizations of (equal) respect in business ethics.

## Respect for Persons

The universalizing spirit of the Kantian claim for equal treatment and commitment to finding in all humans a common ground is based on two fundamental commitments. First, the belief in the inherent dignity of a person demands respect in conduct and treatment that is owed to all persons (Bird 2004). The egalitarian foundation of Kant’s respect for persons’ principle demands that respect is not due to some more than others. This breaks with the hierarchy often implicit in formulations of respect based on discourses of honor and shame (Eger 2021) and beliefs of superiority and inferiority (Bird 2004). Second, the respect

for persons principle is primarily evoked through a “deliberative disposition” (Bird 2004: 209, *italics in original*), which sets it apart from the social meaning associated with performative modes of respect that are inbuilt to social or traditional expectations. Rather, the Kantian position is construed upon the “quality of the deliberation that precedes” it, which is further a form of deliberation that remains at a certain distance to the person, i.e., “I am distant from you in the same way as you are distant from me” (Cohen 2008: 40). Respect holds us mutually accountable, providing individuals with the authority to exact respect (Kant [1785] 1964), though the question remains of how our deliberative disposition is evoked in these relationships. To answer this question, Darwall’s (2006, 2013) work on recognition respect is of relevance here.

## Recognition Respect

Darwall’s (2006) concept of (moral) recognition respect is based on the Kantian premise that all persons are owed respect, but he links its universal meaning to human relations of mutual accountability. Recognition respect responds to “a person’s dignity and authority to make claims and demands of us” (Darwall 2010: 153). It is concerned with how we regulate and govern our relationships to one another. Darwall describes dignity as a second-personal authority rooted in relationships of mutual accountability. “Part of what it is for persons to have dignity is for them to have the standing to hold each other accountable for complying with their legitimate claims and demands of one another” (Darwall 2010: 156). Second-personal perspectives of respect offer an insight into the ethical reasons for acting, alluding to a notion of dignity that is not primarily individual but grounded in the relational constitution of dignity claims.

Darwall captures the reciprocal relationship inherent in the concept of respect through the second-person standpoint, i.e., “the perspective you and I take up when we make and acknowledge claims on one another’s conduct and will”

(Darwall 1977: 1). The second-person standpoint invariably involves agents in relation to one another. It requires a second-personal address, such as that expressed in moral obligations and demands stemming from the moral community (Darwall 2006). Imagining respect through the equal standing to demand certain behavior from each other (between you and I, instead of “she” or “he”) ties respect to second-personal reasons. The absence of second-personal authority sheds a critical light on relationships of unequal respect.

Darwall (2013) distinguishes between mutual recognition respect and recognition respect enacted as part of a culture of honor, i.e., honor respect. Honor respect emphasizes differences in status and is bestowed on individuals by society. It is based on an epistemic-like authority that does not require a second-personal acknowledgment. This alludes to a sense of dignity that is based on a preemptive standing in society which legitimizes unequal or different dignity claims, which come to bear on workplace relations. Status beliefs based on honor respect do not view status and worth as unconditionally given. Rather, the transformation of honor respect into status differences constrains individuals’ ability to develop a sense of entitlement to respect and becomes inscribed in organizational structures and practices that engender persistent inequality, as illustrated in the context of women’s employment and gender segregation (Eger 2021).

## The Moral Relevance of Respect for Business Ethics

Discussions of respect in business ethics often draw on a Kantian formulation of the moral position and recognition of autonomous beings as equal in their humanity and dignity (Bowie 2017). Arnold and Bowie (2003) argue that the Kantian respect for persons principle is in line with equality that manifests the range of valued beings and doings available to an individual. Morality, however, cannot be explained through autonomy alone, as “our belief that we owe one another respect must ultimately be based on our *actual relations* with one another” (Buss 1999:

357, *italics in original*). These ideals of human equality rest on an account of mutual respect (Darwall 2006, 2013). Being recognized as equal presupposes a process of mutual deference which entitles both to claim and demand. Bird (2004: 215), however, cautions that “the realization of human equality is an effect, not a cause, of the respect due to persons: the relevant sort of equality is an emergent property arising from a distinctive pattern of submission and deference.”

Respect has been used widely in normative ethics to justify moral rights and principles of equality (Dillon 2018), though our concept of “equal respect” remains underspecified (Bird 2004). Darwall (2013) posits that the interrelationship of honor with differences in status is distinct from mutual recognition respect, which focuses on the dignity of each person and the capacity to be morally obligated. This alludes to a tension between conceptions of honor respect and mutual recognition respect, as the former are deemed to exclude the possibility for equal (recognition) respect (Darwall 2013). Questions about disrespect and status inequality remain central to discussions of meaningful work. How we treat others and what we consider to be commendable or condemnable requires attention to different modes of valuing to specify valuing distinctions and how value is constituted to further our understanding of respect (Anderson 1993; Eger 2021).

## Conclusion

Learning about respect and how respect is harnessed in business relationships is of essence to advance the ethics of business. This requires sensitivity to conceptions of unequal worth and individuals or groups’ different sense of entitlement to respect. Status beliefs prevailing in a specific context have a significant influence on what and who is to be respected and in which ways. We could argue that the view of morality as equal accountability remains an ideal, though the recognition of its second-personal character ties respect into relationships of thou and I that

demand our attention and deep reflection on the politics of respect in everyday work life.

## Cross-References

- [Deontology](#)
- [History and Philosophical Foundations of Ethics](#)
- [Human Dignity and Business Ethics](#)
- [Human Rights](#)
- [Meaningful Work](#)

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## Responsible Investors and Company Standards: Follow the Money to Rate the Raters

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## Introduction

Responsible investors require unbiased information on the outcomes of corporate social responsibility (CSR) activities to direct (withdraw) their capital toward those entities with positive (negative) impact. Companies, however, have clear incentives to manufacture a positive tilt into any CSR information they release. Third-party entities therefore launch corporate standards to reduce that tilt and mitigate any potential bias. Companies react to these initiatives by offering significant funding to these third parties, whereby they create a context of corporate capture in which some third-party executives may be indebted to these corporations rather than aligned with their original mission. To navigate this complex web of information asymmetries, external buy-side rating agencies offer supposedly unbiased views to responsible investors. In this context, we aim to inform the research questions: How *good* are these rating agencies? And how *dependent* is their existence on corporate cash flows?

We aim to inform two research questions:

1. How reliable are external CSR rating agencies?
2. How independent are these rating agencies from cash flows received by the rated entity?

Regarding our first research question, several previous studies have attempted to rate rating agencies (Cerin and Dobers 2001; Chatterji et al. 2015; Dorfleitner et al. 2015). Such approaches have usually developed some sort of assessment criteria catalogue and then scored rating agencies accordingly. We do not believe that it makes a relevant contribution to the academic literature or the professional development of the responsible investment sector by proposing yet another assessment criteria catalogue for CSR rating agencies. Hence, we draw on the fact that significant academic literature has been published by 2017 using data from well over a dozen rating agencies and conceptualize their quality, based on the published papers.

To inform our second research question, we exploit the information contained in the Deep Data Delivery Standards ([www.DeepData.ai](http://www.DeepData.ai)). Proposed by a number of responsible investors and academics in their personal capacity, these standards do not only aim to influence the rating process itself but rather to define how data sets should be delivered to clients, both in terms of quantitative aspects such as completeness and formatting and qualitative aspects such as financial independence from the rated entity.

Our text is structured as follows: section “[Literature Review](#)” describes our literature search, and section “[Inferring the Quality of Rating Agencies from Academic Research](#)” assesses the degree to which rating agencies can be rated based on the academic studies using their data. Section “[Follow the Money Chain to Rate the Raters: The Deep Data Deliver Standards](#)” discusses the Deep Data Delivery Standards with its requirement of financial independence from the rated entity before section “[Conclusion](#)” concludes.

## Literature Review

We commence our literature search by defining the CSR rating agencies themselves as the search terms used, since the agencies themselves prove significantly more effective search terms than the concepts that underpin them. In discussions with our advisory board and other responsible

investment professionals, we define the following 24 rating agencies as our search terms:

1. ASSET4
2. Bloomberg ESG
3. CDP
4. Dow Jones Sustainability Index (DJSI)
5. EcoVadis
6. EIRIS
7. eRevalue
8. Ethix
9. FTSE4GOOD
10. GES
11. Glass Lewis
12. GMI
13. Innovest
14. ISS
15. KLD
16. MSCI ESG
17. Oekom
18. RepRisk
19. RobecoSAM
20. South Pole
21. Sustainalytics
22. Trucost
23. TruValue Labs
24. Vigeo

However, this does not mean that we will limit ourselves to only analyze studies including data by these agencies. Instead we conduct our literature search via Scopus and eventually check references of the identified papers as well as studies citing the identified papers to identify further literature. We use Scopus rather than Web of Science since the former has a larger coverage of peer-reviewed journals especially in the social sciences (Hoepner et al. (2016). However, as neither Scopus nor Web of Science can claim completeness, we complement our search with Google Scholar.<sup>1</sup>

Of all the peer-reviewed publications, which used data from a CSR rating agency, two types are of interest for our goal of assessing the quality of

<sup>1</sup>As with any literature search, we cannot rule out the possibility of having missed a study. Hence, we are very grateful for further suggestions by interested readers.

the external rating agencies: first, studies that conducted direct quality assessments by comparing CSR rating agency judgments with verified external data. While several authors (e.g., Chatterji et al. 2015; Dorfleitner et al. 2015) have published significant contributions in the area, the total number of studies and especially the number of CSR rating agencies used in these direct assessments are too small, as of 2017, to “rate” any meaningful number of rating agencies.

Hence, we proceed to the indirect assessments of the quality of rating agencies. Hereby, we mean studies which analyze the effect of CSR scores on a measure of corporate financial performance, preferably but not necessarily the return received by responsible investors. While these studies do not directly assess the quality of CSR rating agencies and any significant positive result does not imply that the assessment is necessarily entirely accurate, significant positive findings do imply usefulness for responsible investors and can hence be perceived as an approximation for quality, albeit obviously an incomplete one.

For each indirect assessment study which we identify in the literature, we retrieve the following information: title, authors, publication year, publication outlet, sample source and period, data providers used, and estimation model applied. We further separate these studies into two groups: (i) shareholder return studies that directly measure the financial materiality of CSR scores for responsible investors and (ii) alternative proxies of financial performance, which may or may not result in increased return to responsible investors and are, as a cohort, less comparable since they depend on heterogeneous accounting practices across sectors and countries. Consequently, our analysis in the next section focuses on shareholder return studies, but we also list those studies with alternative financial performance measures.

## Inferring the Quality of Rating Agencies from Academic Research

We identify 25 studies that directly measure the financial materiality of CSR rating agency data in terms of abnormally positive stock returns using

Jensen’s (Jensen 1968) Alpha or more advanced measures. The vast majority of these studies builds portfolios of companies with equivalent ratings and compares their performance.<sup>2</sup> The distribution of the sign and significance of these alphas are plotted in Table 1.

The results are remarkable albeit not necessarily in a good sense. With the exception of Asset4, Bloomberg, CR Magazine, Deminor, DJSI, and Regnan, all other rating agencies’ results have significantly more positive than negative alphas. Looking into those studies which use alternative proxies of financial performance listed in Table 2, we observe a similarly strong preference for positive narratives. This allows for two very conflicting conclusions: CSR rating agencies are across the board pretty good in forecasting stock returns with their ratings or the academic publication process on CSR rating agencies is subject to a significant publication bias due to editors, authors, and/or other stakeholders displaying a preference for significant (positive) results (Doucouliagos and Stanley 2013).

While it is beyond the scope of this chapter to resolve this conflict, it is crucial to highlight its two inevitable implications: first, we tried to rate rating agencies based on the results from academic research but need to conclude that this will only be possible once the potential publication bias is sufficiently controlled for. Second, if publication bias exists, then all meta-analyses tying CSR to financial performance relationship are subject to this bias.

Hence, we call for meta-regression analysis to be conducted, which can identify and correct for publication bias based on the relationship between effect sizes and degrees of freedom (Doucouliagos and Stanley 2013; Stanley and Jarrell 1989). We remain focused on differentiating rating agencies at least in some form and hence continue to examine, if these firms can be rated on the financial independence.

<sup>2</sup>Please note that we only include studies that use corporations as unit of analysis. We exclude studies that focus on mutual funds or indices.



**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 1** Distribution of stock market alphas by data provider

|                                     |                |    |     |               |                |    |    |
|-------------------------------------|----------------|----|-----|---------------|----------------|----|----|
| Studies reviewed                    | 25             |    |     |               |                |    |    |
| Alphas recorded                     | 1355           |    |     |               |                |    |    |
|                                     | Negative alpha |    |     | Insignificant | Positive alpha |    |    |
| <b>Data provider</b>                | 1%             | 5% | 10% |               | 10%            | 5% | 1% |
| <b>ASSET4</b>                       | 0              | 5  | 1   | 100           | 2              | 1  | 1  |
| <b>Bloomberg ESG</b>                | 4              | 3  | 0   | 77            | 2              | 2  | 0  |
| <b>Corporate Knights</b>            | 0              | 0  | 0   | 7             | 3              | 2  | 6  |
| <b>CR Magazine</b>                  | 1              | 0  | 0   | 3             | 0              | 1  | 0  |
| <b>Deminor corporate governance</b> | 0              | 0  | 0   | 5             | 0              | 0  | 0  |
| <b>DJSI</b>                         | 8              | 1  | 1   | 4             | 1              | 4  | 11 |
| <b>ECPI</b>                         | 0              | 0  | 0   | 5             | 0              | 3  | 1  |
| <b>Fortune</b>                      | 0              | 0  | 0   | 3             | 0              | 2  | 19 |
| <b>FTSE4GOOD</b>                    | 0              | 0  | 0   | 12            | 8              | 0  | 0  |
| <b>GMI</b>                          | 3              | 0  | 0   | 15            | 8              | 10 | 50 |
| <b>Green ETF member</b>             | 0              | 0  | 0   | 0             | 0              | 0  | 4  |
| <b>Innovest</b>                     | 0              | 0  | 1   | 23            | 8              | 6  | 3  |
| <b>KLD</b>                          | 1              | 6  | 13  | 448           | 55             | 61 | 21 |
| <b>Regnan</b>                       | 0              | 0  | 0   | 4             | 0              | 0  | 0  |
| <b>SAM</b>                          | 0              | 3  | 3   | 182           | 6              | 4  | 3  |
| <b>Stoxx</b>                        | 0              | 0  | 0   | 2             | 2              | 2  | 2  |
| <b>Trucost</b>                      | 0              | 0  | 0   | 21            | 5              | 2  | 8  |

This table presents the sign and the statistical significance level of alphas in academic studies by each data provider. The figures show the total number of alphas identified for each provider for all studies reviewed. Columns 1 to 3 show the significantly negative alphas at 1%, 5%, and 10% level, column 4 shows the number of insignificant alphas, and columns 5 to 7 show the number of significantly positive alphas at 10%, 5%, and 1% level. Studies included in the review are as follows: Bauer et al. (2004, 2008), Belghitar et al. (2014), Brzezczyski and McIntosh (2014), Chan and Walter (2014), Chong and Phillips (2016), Derwall et al. (2005, 2011), Edmans (2011), Erragragui and Revelli (2016), Filbeck et al. (2014), Galema et al. (2008), Halbritter and Dorfleitner (2015), Humphrey et al. (2012a, b), Humphrey and Tan (2014), Kempf and Osthoff (2007), Kollias and Papadamou (2016), Lee and Faff (2009), Lee et al. (2013), Levi et al. (2016), Limkriangkrai et al. (2016), McIntosh (2016), Statman and Glushkov (2009), and Teti et al. (2015)

## Follow the Money Chain to Rate the Raters: The Deep Data Delivery Standards

Goal 16.5 of the Global Sustainable Development Goals (SDGs) demands we “[s]ubstantially reduce corruption and bribery in all their forms.” Bribery, in its widest form, is the payment of money or gifts to tilt someone’s actions in one’s favor to the disadvantage of third parties. Mainstream approaches to credit ratings have long been criticized for the significant conflicts of interest involved in the rating agency being paid by the issuer. In fact, academic evidence shows that non-solicited credit ratings, which the issuer did not

pay for, are significantly lower than those solicited (i.e., paid for) ratings (Baghai and Becker 2018; Bollen et al. 2011; Poon 2003).

To address such conflicts of interests in external rating processes, a group of professional responsible investors and academics with in-depth expertise in the area launched the Deep Data Delivery Standards ([www.DeepData.ai](http://www.DeepData.ai)) as a pro bono initiative in their personal capacity. Apart from ensuring professional formatting, machine readability, and an accountable procedure for dealing with potential errors, the standards focus particularly on the financial independence of the rating agencies from the rated entity.

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** List of studies using rating agency data and alternative (non-alpha) proxies for financial performance

| Data provider                         | Author (year)                   | Variable(s) of interest                                                           | Model/method applied                                        | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------|---------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ASSET4</b>                         | Peiró-Signes et al. (2012)      | ROA, EBITDA margin, REVENUE per employee, net current assets, cash flow per share | ANOVA test to compare BIC <sup>a</sup> and WIC <sup>b</sup> | “Selected US companies in the bottom 25% (Worst-in-class) of their industries according to ESG scores perform significantly better than those in the top 25% (BIC). We also found that BIC companies have significant higher revenue per employee and cash flow per share compared to industry medians”                                                                                                                                                                                                                                                        |
|                                       | Aouadi and Marsat (2016)        | Tobin’s Q, market-to-book ratio, operating income on assets (sales), RoE          | OLS                                                         | “ESG controversies exert a surprisingly significant and positive effect on firm market value. However, after introducing the interaction term (with CSP score), the direct effect of ESG controversies completely disappears but the interaction term is positive and significant. These results hold only for high-attention firms, i.e. those which are larger, perform better, receive more investors’ attention, or are located in countries with greater levels of press freedom”                                                                         |
|                                       | Chang et al. (2016)             | RoA, Tobin’s Q, excess portfolio return                                           | Panel firm fixed effect regression, 5-factor FF model       | “Unexpected cash giving, but not unexpected in-kind or total giving, is associated with improved CFP, suggests that different types of corporate philanthropy have heterogeneous effects, most likely through alternative channels, as they rely on different resources. Cash giving stands out as a passive signalling tool. Information value of cash giving is more pronounced at firms which lack alternative signalling mechanisms”                                                                                                                       |
|                                       | Daszynska-Zygadlo et al. (2016) | Tobin’s Q, PE ratio                                                               | OLS                                                         | “Social performance relatively the least important: giving statistically significant change only for 4 sectors with respect to Tobin’s Q (3 in the case of PE ratio). Corporate governance is value creating for materials, financial and industrials (Tobin’s Q), and 5 cases for PE ratio but they always reduce the potential to earn current abnormal earnings. Environmental performance is a significant but negative factor for Tobin’s Q in 8 sectors (7 for PE ratios), and hence the hypothesis about positive impact on value creating is rejected” |
| <b>Bloomberg ESG disclosure score</b> | Nollet et al. (2016)            | Firm-level financial performance indicators (RoA, RoC, excess stock returns)      | Panel regression model                                      | Results suggest, in linear specifications, the effect of CSR performance is positive but insignificantly related to all measures of CFP. For both RoA and RoC, there is a significant U-shaped relationship between CSP-CFP in the nonlinear (quadratic model), while the effect of CSP on excess stock returns is insignificant                                                                                                                                                                                                                               |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider     | Author (year)                                      | Variable(s) of interest                                        | Model/method applied                                                                          | Main result                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------|----------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | Fazzini et al. (2016)                              | Firm-level market capitalization to book value of equity ratio | Accounting-based valuation model (Cormier and Magnan (2007)), analogue to Ohlson model (1995) | Results partially support initial conjectures, i.e., the environmental voluntary disclosure represents value-relevant information positively correlated with firms' market value. Furthermore, when such information is subject to an independent assessment for the reporting period, an incremental benefit deriving from the assurance of such information cannot be found     |
|                   | Arayssi et al. (2016)                              | Risk (volatility and beta), risk-adjusted returns (FF)         | Multivariate panel regression                                                                 | "An increase in the participation of women directors directly affects ESG disclosure. Women on corporate boards reduce the firm risk through ESG disclosure. ESG disclosure increases firm performance at high levels of women participation on boards. On the other hand, having more women on corporate boards seems to generate significant negative excess returns"           |
| DJSI <sup>c</sup> | Lourenço et al. (2012)                             | Market value                                                   | Ohlson model (1995), random effect regression                                                 | "CSP has significant explanatory power for stock prices over the traditional summary accounting measures such as earnings and book value of equity. Our findings suggest that what investors really do is to penalize large profitable firms with low level of CSP"                                                                                                               |
|                   | del Mar Miralles-Quirós and Miralles-Quirós (2017) | Market value                                                   | Ohlson model                                                                                  | "Overall results are consistent with the value-creating theory; positive impact of sustainability leadership on firm value is primarily driven by German and Swedish listed firms, while markets with stronger shareholder protection and higher requirements for CSP transparency do not provide significant results"                                                            |
|                   | Forcadell and Aracil (2017)                        | Return on average assets                                       | Linear fixed effect regression                                                                | "Prior to the economic turmoil, RCSR (reputation for CSR) positively influenced financial performance. Banks that fulfil DJSI requirements in a given year experienced an improvement in their economic performance compared to low sustainable peers not belonging to DJSI during that period"                                                                                   |
|                   | Swidler and Crutchley (2009)                       | Sharpe ratio, Tobin's Q                                        | Mean difference test                                                                          | "On average, sustainable firms earn greater returns than large cap companies. However, when compared to industry matched companies, the risk-adjusted returns are no greater than those of the matched sample, nor is the risk of sustainable companies lower. While the Q ratios of sustainable firms are higher than the industry matches, the difference diminishes over time" |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider | Author (year)              | Variable(s) of interest          | Model/method applied                              | Main result                                                                                                                                                                                                                                                                                                                                                                           |
|---------------|----------------------------|----------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | Rodriguez-Fernandez (2016) | RoA, RoE, Tobin's Q              | Multivariate regressions                          | "This bidirectional relationship in CSR-FP has proven positive in both directions. The social is profitable, and the profitable is social, thereby forming a virtuous circle. That is, socially responsible policies transform into higher profits and higher profits transform into socially responsible policies"                                                                   |
|               | Cheung (2011)              | CARs, CAV (trading volume), risk | Event study                                       | "We cannot find any strong evidence that announcement has any significant impact on stock return and risk. Temporary stock return changes are observed but did not last. Liquidity deteriorates after the announcement day and bounce back significantly near the day of change"                                                                                                      |
|               | Ziegler (2012)             | ROA, Tobin's Q                   | Pooled, fixed and random effect panel regressions | "While the impact of inclusion in the DJSI World is not significant for the Anglo-Saxon European countries, it is positive at 10% sig level in the fixed effect model and at 5% sig level in the random effects model for the continental European countries. The impacts on alternative indicators of corporate financial performance such as Tobin's Q are generally insignificant" |
|               | Robinson et al. (2011)     | CARs                             | Event study and OLS                               | "Our results provide evidence that there is a sustained increase in a firm's value following its addition to the DJSI, and an insignificant effect following a firm's removal from DJSI. With DJSI changes the sustained increase in value following a firm's addition is due to a gradual reassessment of the firm's value by more traditional equity investors"                     |
|               | López et al. (2007)        | Profit/loss before taxes         | Multivariate regressions and nonparametric tests  | "We found negative link between performance indicators (profit/loss before taxes) and CSR. For non-parametric test: the 110 firms analysed were similar, in terms of the performance indicators examined until year 2002, when we begin to see significant differences between the variables related to profitability, margins, ROA and ROE"                                          |
|               | Lourenço et al. (2014)     | Market value                     | Multivariate OLS                                  | "MV is positively associated with DJSI x net income interaction term (1% sig level), indicating market valuation of net income is higher for firms with reputation for sustainability leadership. Accounting measures alone have only a limited ability to communicate a firm's value to investors"                                                                                   |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider     | Author (year)                              | Variable(s) of interest                                                                  | Model/method applied                           | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|--------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | Lo and Sheu (2007)                         | Tobin's Q                                                                                | Pooled and fixed effect OLS                    | "Corporate sustainability (proxied by inclusion of DJSI) is strongly associated with market value. The result is robust from the use of numerous controls. We also find a strong interaction effect between corporate sustainability and sales growth on firm value"                                                                                                                                                                                                                                                                                                                             |
| <b>Domini 400</b> | Peiris and Evans (2010)                    | Excess monthly stock return, market-to-book ratio, ROA                                   | Fixed effect panel regression                  | "This study confirms that there is a lack of consistency in the relationship between ESG ratings and stock returns. However, a clearly positive relationship is found between a firm's stakeholder-related ESG ratings and its operating performance and market valuation"                                                                                                                                                                                                                                                                                                                       |
|                   | Baird et al. (2012)                        | Observed stock price (of firm <i>i</i> at time <i>t</i> )                                | Linear mixed model (LMM) panel regression      | In conflict with hypothesis 1 (positive relationship between CSP and CFP), CSP is negatively associated with stock prices, while other coefficients for continuous variables in the model are statistically significant with expected signs. A significant cross-industry variation exists in the CSP-CFP relationship, and the relationship between different dimensions of CSP and CFP varies across industries                                                                                                                                                                                |
|                   | Becchetti et al. (2012)                    | CARs                                                                                     | Event study, CARs calculated with market model | Deletion from the Domini index has a significant and negative effect (on CARs) around the announcement date for all different event windows tested                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>EIRIS</b>      | Siew et al. (2013)                         | Profitability: ROA, ROE, ROIC, EBITDA, NOPLANT<br>Equity valuation: EPS, DPS, DY, PE, EV | Comparative analysis, correlation analysis     | "Publicly listed construction firms might be expected to achieve excellent levels of disclosure in non-financial reporting. However, a majority of the construction companies in the studied sample were found to have poor levels of reporting and failed to meet the level of demand for transparency set by institutional investors. Construction companies that give non-financial reports were found to have better financial performance than those that do not. However, there is no strong positive correlation between the extent of non-financial practices and financial performance" |
|                   | Martínez-Ferrero and Frías-Aceituno (2015) | Market value                                                                             | Panel GMM estimation                           | "Results obtained allow us to support the existence of a positive bidirectional relationship between corporate social responsibility and FP, evidencing the existence of a synergistic circle. The use of market value indicated that investors are able to identify economic, social and environmental practices generating a positive effect on FP. These relationships differ between corporate governance systems, due to the specific characteristics of each system"                                                                                                                       |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider   | Author (year)                | Variable(s) of interest                                  | Model/method applied                                           | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------|------------------------------|----------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>GES</b>      | Semenova and Hassel (2008)   | ROA and Tobin's Q                                        | Pooled OLS cross-sectional time series                         | Higher level of inherent industry risk is associated with higher ROA (operating performance) but also with lower Tobin's Q (market value) for US companies. In high-risk industries, environmental preparedness is positively related to market value; however it is negatively related to operating performance                                                                                                                                                                                                         |
|                 | Lopatta and Kaspereit (2014) | Market value                                             | Ohlson valuation model                                         | Since the financial crisis starting with Lehman Brothers Sep 2008, the capital market's attitudes toward corporate sustainability have shifted in a positive direction. The study also shows this shift has led to a negative perception of the interaction between sustainability at the industry and the firm level. In industries with higher environmental and social risks, corporate sustainability is more important and acts as a compensating management strategy. Sustainability is relevant to firm valuation |
| <b>Innovest</b> | Guenster et al. (2011)       | ROA and Tobin's Q                                        | Multivariate cross-sectional model (Waddock and Graves (1997)) | A positive relation between eco-efficiency and operating performance is found, though asymmetric. The study also provides new evidence to a positive and time-varying relation between eco-efficiency and firm valuation (measured by Tobin's Q). Over time, the valuation differential between winners and losers increased substantially                                                                                                                                                                               |
|                 | Aktas et al. (2011)          | CARs                                                     | Event study, multivariate regression                           | "Acquirers' gains relate positively to the target's ability to cope with social and environmental risks and more synergistic deals occur with targets that exhibit better environmental performance"                                                                                                                                                                                                                                                                                                                     |
| <b>KLD</b>      | Kim (2015)                   | FP model: EBIT/sales ratio, Tobin's Q in robustness test | Random effect panel                                            | "The statistical evidence supports the argument that EP and FP have a positive relationship. Different and inconsistent FP measures explain the lack of consensus about the relationship in the literature. Generally, market-based FP has a more consistent relationship with EP in the concurrent model, but EBIT/Sales represents the relationship in the time-lagged model. Recent past FP in terms of accounting-based profitability can be a better predictor of corporate FP. EP is a function of preceding FP"   |

(continued)



**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider | Author (year)               | Variable(s) of interest             | Model/method applied                                         | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------|-----------------------------|-------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | Mănescu (2011)              | Portfolio excess return             | Fama-MacBeth                                                 | “During the period July 1992–June 2008, only community relations had a positive effect on stock returns, potentially due to mispricing. Some evidence of mispricing is also provided by the positive estimated effect of employee relations on stock returns July 1992–June 2008, and the weak negative estimated effects of human rights and product safety on stock returns during July 2003–June 2008”                                                                                      |
|               | Harjoto and Jo (2011)       | Industry-adjusted ROA and Tobin’s Q | Heckman’s two-stage model                                    | “CSR engagement can be explained by all three hypotheses: Over-investment, strategic-choice and conflict-resolution. CSR engagement enhances operating performance and firm value, supporting the conflict-resolution hypothesis only”                                                                                                                                                                                                                                                         |
|               | Van der Laan et al. (2008)  | ROA, EPS                            | Fixed effect AR (1) panel regression                         | “Disregarding primary stakeholders’ (employees, consumers and investors) wishes contributes negatively to both FP measures, most hypotheses related to secondary stakeholders (community, diversity, environment and human rights) are not significant, except for environment variable being negatively related to both FP measures. Hypothesis 2 receives strong support: an effect of negative corporate social performance on FP is much stronger than an effect of positive corporate SP” |
|               | Andersen and Dejoy (2011)   | Market value/ Total assets          | Factorial ANOVA                                              | “The results of this study support the long-term finding of a positive relationship between CSP and CFP. The need to include appropriate control variables is also demonstrated”                                                                                                                                                                                                                                                                                                               |
|               | Barnett and Salomon (2012)  | ROA                                 | OLS AR (1) multivariate regression                           | “Our results support the hypothesis that CSP-CFP relationship is U-shaped. We find that firms with low CSP have higher CFP than firms with moderate CSP, but firms with high CSP have the highest CFP. This support the theoretical argument that stakeholder influence capacity underlies the ability to transform social responsibility into profit”                                                                                                                                         |
|               | Garcia-Castro et al. (2010) | ROA, ROE, Tobin’s Q, MVA            | OLS, fixed effect and instrumental variable panel regression | “The results found suggest that KLD does not impact performance per se. The positive effect (found in previous studies) dilutes when endogeneity is properly taken into account. We found that companies with certain characteristics (e.g. good management quality, certain values) are the ones more likely to adopt KLD practices and these unobserved firm’s characteristics are driving the performance”                                                                                  |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider                                              | Author (year)                | Variable(s) of interest  | Model/method applied           | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------|------------------------------|--------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | Hillman and Keim (2001)      | MVA                      | Regression                     | "We find evidence that stakeholder management leads to improved shareholder value, while social issue participation is negatively associated with shareholder value. Our results also indicate the direction of causality is from stakeholder management/social issue participation to shareholder wealth creation/destruction"                                                                                                                                                                                                                            |
|                                                            | Waddock and Graves (1997)    | ROA, ROE, ROS (sales)    | Regression                     | "Using CSP as dependent variable: all 3 FP measures (of previous year) are positively related to CSP and statistically significant; using FPs as dependent variable: CSP are positively related to ROA (1–5%) and ROS (10%). CSP is found to be positively associated with prior financial performance, supporting the theory that slack resource availability and CSP are positively related. CSP is also found to be positively associated with future financial performance, supporting the theory that good management and CSP are positively related" |
|                                                            | Wagner (2010)                | Tobin's Q                | Random effect panel regression | "The analysis shows that advertising intensity moderates the association of corporate sustainability performance and economic performance. For research and development efforts relative to firm size, no moderating role on the link between corporate sustainability and economic performance is identified"                                                                                                                                                                                                                                             |
| <b>Management Today (Britain's most admired companies)</b> | Brammer et al. (2015)        | RoA, RoE, cost of equity | Pooled OLS                     | "Capability reputation is significantly and positively associated with subsequent operating profitability and cost of equity while character reputation is not except in the presence of a strong capability reputation. Character reputation is also found to be negatively related to market returns. Our evidence shows that distinct aspects of reputation influence performance differently, that reputations are more relevant for some aspects of financial performance than others"                                                                |
|                                                            | Ramanathan and Akanni (2015) | ROA                      | Regression                     | "We have found strong evidence for the moderating impact of operations efficiency on the relationship between environmental performance and financial performance. It was observed that for firms with higher levels of operations efficiency, improvements in environmental performance had a stronger impact on financial performance"                                                                                                                                                                                                                   |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider                     | Author (year)                | Variable(s) of interest    | Model/method applied                                                                       | Main result                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|------------------------------|----------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   | Hussainey and Salama (2010)  | Stock returns              | Returns-earnings regression model (Collins et al. 1994) with fixed effect panel/pooled OLS | “Our results show that environmental reputation increases the stock market’s ability to anticipate future earnings change. Firms with higher levels of CER scores exhibit higher levels of share price anticipation of earnings than firms with lower level of CER scores. This effect is positively statistically significant in models that examine two-periods-ahead share price anticipation of earnings” |
| <b>MSCI ESG (KLD)<sup>d</sup></b> | Tebini et al. (2014)         | ROA                        | Pooled regression                                                                          | “The relation between SP has a non-monotonic form, as SP’s impact depends on its level. Some contextual factors have a moderating effect. A SP-FP relation exists throughout the horizon of reference, even though it seems to have evolved with the perceived importance of CSR by stakeholders and financial analysts”                                                                                      |
|                                   | Cajias et al. (2014)         | Tobin’s Q and total return | Pooled OLS                                                                                 | “We find an overall positive impact of contemporaneous ESG performance on the market valuation of a company. ESG performance affects market valuation asymmetrically”                                                                                                                                                                                                                                         |
|                                   | Chow et al. (2014)           | BHARs, CARs                | Event study                                                                                | “We provide clear evidence that, in the long run, investing in companies that are recognized as being ethical can have long-term benefits for investors’ wealth. We find mixed evidence about the performance of firms being dropped from MSCI KLD 400. Higher long-term abnormal returns for firms added to MSCI KLD 400 are found to be associated with increased institutional shareholding”               |
|                                   | Koh et al. (2015)            | Market value               | Feltham and Ohlson valuation model, quantile regression                                    | “MVEs are positively associated with saints stocks. For firms followed by sell-side analysts, the saints premium is on average \$5.77 (a 19.2% premium over the share price) and the sinner discount is on average \$3.91 (a discount of 32.1% of the share price). The evidence supports the notion that CSR creates shareholder value”                                                                      |
| <b>SAM</b>                        | Kaspereit and Lopatta (2016) | Market value               | Feltham and Ohlson (1995), pooled GMM                                                      | During 2001–2011, membership of DJSI (based on SAM’s sustainability ranking) is associated with a higher market valuation. For GRI sustainability reporting, the results are less conclusive as they rely heavily on model specifications                                                                                                                                                                     |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider         | Author (year)               | Variable(s) of interest                 | Model/method applied                    | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------|-----------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sustainalytics</b> | Auer (2016)                 | Sharpe ratios                           | Bootstrap test (Ledoit and Wolf (2008)) | “(i) Negative screens excluding unrated stocks from a representative European stock universe allow investors to significantly outperform a passive investment in a diversified European stock benchmark portfolio. (ii) Additional negative screens based on environmental and social scores neither add nor destroy portfolio value, when cut-off rates are not too high. In contrast, governance screens can significantly increase portfolio performance under similar conditions. (iii) Because of a loss of diversification, positive screens can cause portfolios to underperform the benchmark”                      |
|                       | Auer and Schuhmacher (2016) | Sharpe ratios                           | Bootstrap test (Ledoit and Wolf (2008)) | “Regardless of geographic region, industry or ESG criterion, active selection of high- or low-rated stocks does not provide superior risk-adjusted performance in comparison to passive stock market investments. Second, in the Asia-Pacific region and in the United States, investors concentrating on ethical utility derived from their portfolio choice can follow an ESG-based investment style and still obtain a performance similar to the broad market. However, depending on the industry focus and the ESG criterion that is used, investors in Europe tend to pay a price for socially responsible investing” |
|                       | Walker et al. (2016)        | ROA, asset turnover ratio, Sharpe ratio | Panel regression                        | “Increased CSR significantly relates to increased firm performance in all three measures, and that increased CSiR significantly relates to decreased profitability only. Furthermore, increased CSR when CSiR is present relates to increased efficiency and market valuation. Finally, increased CSiR when CSR is present relates to increased profitability and efficiency. The results suggest that CSR dominates the relationship to firm performance, as it was positively related to all three measures of firm performance, and when CSR and CSiR exist simultaneously, CSR has a dominant positive effect”          |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider                                 | Author (year)              | Variable(s) of interest                          | Model/method applied                                            | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------|----------------------------|--------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               | Surroca et al. (2010)      | Tobin's Q                                        | Fixed effect regression                                         | The positive and significant relationship between CRP and CFP vanishes when intangibles are included as regressors, which indicate that innovation, human capital, and culture mediate the relationship. There is no direct relationship between CRP and CFP – merely an indirect one mediated by a firm's intangibles. The mediation of intangibles is stronger in growth industries than in nongrowth industries                                                                                                          |
| <b>Vigeo</b>                                  | Girerd-Potin et al. (2014) | Nonsocial risk premia                            | Augmented Fama-French model                                     | "Firms identify three independent targets in their SR policy: business stakeholders (value chain-employees, customers and suppliers), societal stakeholders (environment and society), and financial stakeholders (stockholders and debt holders); the three average SR risk premia (which measures the rate of return difference between the non-SR and SR portfolios) are significantly positive"                                                                                                                         |
|                                               | Cellier and Chollet (2016) | CARs                                             | Event study (based on the announcement of Vigeo social ratings) | "The announcement of ratings generates strong positive stock market reaction regardless of whether the rating is good or bad. Overall rating has no impact on shareholders' wealth. Specific CSR dimensions drive the value effects, some are value enhancing while others value destroying"                                                                                                                                                                                                                                |
| <b>Others</b>                                 |                            |                                                  |                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| FTSE4GOOD<br>IBEX                             | Ortas et al. (2014)        | Time-varying systematic risk (of SRI portfolios) | M-GARCH (diagonal BEKK)                                         | "SRI portfolios have greater adaptive resilience in terms of lower dynamic risk variability for similar returns. ESG screens of the SRI equity index allow ethical investors to reduce the negative risk consequences of the financial crisis. SRI strategies are less risky than the conventional investment approach, especially during periods of maximum market instability, the beginning of financial downturn, when the risk differences between the SRI equity index and its benchmark were the greatest"           |
| Thomson Reuters corporate responsibility data | De and Clayman (2014)      | Returns, risk-adjusted returns                   | Distribution and correlation analyses                           | "We found a strong ex post association between ESG ratings and stock return whereby higher-return companies had higher prior ESG ratings on average. We did not find a statistically significant positive correlation between ESG and stock return except during the peak financial crisis period. However, there was a significantly strong negative correlation between ESG ratings and stock volatility. We saw the correlation between ESG rating and risk-adjusted return turn significantly positive in recent years" |

(continued)

**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider             | Author (year)              | Variable(s) of interest                | Model/method applied            | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------|----------------------------|----------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISO14001                  | Sinkin et al. (2008)       | Market value                           | Ohlson valuation model          | “Across the various model specifications when controlling for industry, size, leverage, R&D intensity and/or advertising intensity, eco-efficiency coefficient is consistently positive and significant. Results indicate that eco-efficient firms are more highly valued by the market than not eco-efficient firms and that adoption of eco-efficient business practices is associated with increased firm value”                                |
| ISS                       | Brown and Caylor (2006)    | Tobin’s Q                              | Multivariate regression         | “We document that a summary measure of corporate governance, Gov-Score (which sums these 51 corporate governance provisions) is significantly and positively associated with Tobin’s Q. We identify 7 provisions that drive the relationship between Gov-Score and firm valuation, and we identify 5 internal governance provisions that are linked to firm value”                                                                                 |
| Calvert                   | Doh et al. (2010)          | Standardized abnormal returns          | Event study and OLS regressions | “Our results indicate that the addition of firms to the Calvert social index does not stimulate a positive market reaction. However, deletions result in a significant decline in stock prices of more than 1.5%, on average. Asymmetric information provides a plausible explanation for the differential impact of additions and deletions on firm value. The magnitude of the announcement day returns is associated with prior CSR reputation” |
| CaringCompany research AB | Hassel et al. (2005)       | (Market value + dividends)/ book value | Ohlson valuation                | “According to the results, the relationship between market values and environmental performance is negative. Moreover, the negative relationship seems to have increased over time. This supports the argument of the cost-concerned school that high environmental performance is costly and thus has a negative impact on expected earnings and market value”                                                                                    |
| Fortune                   | Roberts and Dowling (2002) | ROA                                    | Autoregressive profit model     | “Results from both autoregressive profit models and proportional hazards regression models consistently suggest that superior-performing firms have a greater change of sustaining superior performance over time if they also possess relatively good reputation. Corporate reputation is an important strategic asset that contributes to firm-level persistent profitability”                                                                   |

(continued)



**Responsible Investors and Company Standards: Follow the Money to Rate the Raters, Table 2** (continued)

| Data provider   | Author (year)                 | Variable(s) of interest | Model/method applied            | Main result                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------|-------------------------------|-------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FTSE4GOOD       | Curran and Moran (2007)       | Abnormal returns        | Event study                     | “The results showed a trend that positive announcements lead to positive movements in share price (daily returns) and negative announcement lead to negative movements, but the results were not statistically significant. The movements may be attributable to the FTSE4Good but not because of the environmental and social characteristics of the index, but financial information”                                                                                                                                  |
| GMI             | Ammann et al. (2011)          | Tobin’s Q               | Fixed effect panel regression   | “We find a strong and positive relation between firm-level corporate governance and firm valuation and between a company’s social behaviour and firm value. These results are robust to the different techniques used to construct the corporate governance indices, a breakdown of the sample by both calendar year and country, and a dynamic panel GMM estimator. Our results indicate that better corporate governance practices are reflected in statistically and economically significantly higher market values” |
| GRI             | Schadewitz and Niskala (2010) | Market value            | Residual income valuation model | “The results strongly support the view that earnings only partially capture the relevant valuation information. The GRI variable gained a highly significant coefficient. In other words, GRI responsibility disclosures have value-relevant information above and beyond that given in the earnings and book value. The applied model supported the conclusion that communication via GRI responsibility reporting is an important explanatory factor for a firm’s market value”                                        |
| Socrates rating | Godfrey et al. (2009)         | CARs                    | Event study; regressions        | “We find that participation in institutional CSR activities – those aimed at a firm’s secondary stakeholders or society at large – provides an ‘insurance-like’ benefits, while participation in technical CSRs – those activities targeting a firm’s trading partners – yields no such benefits”                                                                                                                                                                                                                        |

<sup>a</sup>Best-in-class<sup>b</sup>Worst-in-class<sup>c</sup>Dow Jones Sustainability Index<sup>d</sup>As of October 2009, KLD (Research and Analytics, Inc.) operates as a subsidiary of MSCI ESG Research, Inc.

Specifically, standards 6 and 7 read as follows:

- #6: “Deep data sets are expected to be delivered with an assurance of individual rating

independence meaning that none of the rated entities in the respective market (e.g. equity index) financially contributed to their rating or paid for access solely to their own rating”.

- #7: “Deep data sets are expected to be delivered with an assurance of organizational rating independence meaning that whenever rating agencies win entities as new clients, which they also rate, an independent analysis is conducted if these new clients receive statistically significant higher ratings than in the year before and any biases found in this analysis will be addressed within 12 months” ([www.DeepData.ai](http://www.DeepData.ai), 2016:1).

While nearly all the large CSR rating agencies have engaged with the Deep Data Delivery Standards (although only MSCI ESG, Oekom, and RepRisk signed in year 1), none of the credit ratings has done so to date. The (occasional lack of) quality of these credit ratings became apparent in the financial crisis of 2008/2009, as they apparently had *ex ante* shown little interest to bite the hand that feeds them. Similarly, auditors have, in total, qualified a surprisingly small number of accounts in recent years, while they had to pay heavy fines in other cases for signing off accounts which turned out to be far from the truth (e.g., Sino-Forest).

These examples should prove a loud warning for responsible investors that financial independence of the rating agency from the rated entity is probably the most crucial quality criterion when assessing these rating agencies. In fact, we use our academic freedom to argue that only those assessments which are financially separated from the rated entity deserve the name “independent rating.” Assessments that are directly paid for by corporations may well have more in common with testimonials than with independent analysis.

## Conclusion

In summary, we avoided drawing up yet another list of significantly subjective assessment criteria to rate the raters and aimed to utilize the dozens of academic research studies available by 2017 to assess their quality. We identified dozens of studies plotted in Table 1 and described in Table 2 but could not distinguish between them, due to either a significant publication bias or a conclusion

which would have rated the vast majority of these raters as pretty good. To address this weakness in the literature (including all meta-analyses), we call for meta-regression analyses to be conducted, as these can identify and control for publication bias.

We do, however, find one crucial criteria to separate rating agencies: financial independence. Specially, we argue that one can only speak about an independent rating, if the assessment was not directly paid for by the assessed entity, as the latter case is inseparable from testimonials. Consequently, the Deep Data Delivery Standards represent a means to separate financially independent rating agencies from those that may not be. They have been signed in year 1 by MSCI ESG, Oekom, and RepRisk, though others may follow and sign in the second year.

## Cross-References

- [Corporate Social Responsibility Assurance](#)
- [Corporate Social Responsibility Reporting Frameworks](#)
- [Emerging Trends in Socially Responsible Investment](#)
- [Research Integrity and Research Misconduct](#)
- [Socially Responsible Investment and Corporate Engagement](#)

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## Responsible Leadership and Crisis Management

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## Synonyms

Crisis management; Responsibility compass; Responsible Leadership

## Introduction

The heightened attention to the field of Responsible Leadership in the last two decades has enriched the scholarship as it pertains to its conceptualization, its practice in different contexts at multiple levels with several antecedent conditions and outcomes (Miska et al. 2018). Despite this growth, there is limited research on the impact of the Responsible Leadership in crisis management. Paradoxically, the development of Responsible Leadership as a social and moral phenomenon has been influenced strongly by corporate illegalities. One of the reasons that crisis management has received scant attention within Responsible Leadership scholarship could be explained on the basis that crises are low-probability events and leaders in most organizations perceive their organization to be invulnerable and have a false sense of confidence in their abilities to be able to develop a solution in the event of a crisis (Pearson and Clair 1998).

Responsible leadership is evidenced in defining moments when leaders must make critical decisions that have long-term impact on the future of the organization (Pless 2007), and an organizational crisis is one of them. These moments reveal the fundamental character and integrity of the leader. This brief overview of Responsible Leadership and crisis management situates the role of the Responsible Leadership within Miska et al. (2018) three levels of analysis micro, meso, and macro. The micro level will focus on individual business leaders; the meso level on the organizational context and the corporate strategy; and the macro level on the institutional culture and society.

### Responsible Leadership and Crisis Management at the Micro Level

At the *micro* level, the Responsible Leadership scholarship recognizes the importance of character traits such as relational intelligence, emotional and ethical intelligence, and authenticity and integrity (Maak and Pless 2006). It emerges that there is thin research into crisis management within the Responsible Leadership framework at the microlevel. Future research in this area might examine how these personal character traits of Responsible Leadership explain the selection of the four approaches identified by Pless et al. (2012) that focus on economic imperatives and stakeholder relationships: (i) *Traditional Economists* – who focus on short-term economic value for the firm and shareholder orientations; (ii) *Opportunist Seekers* – who engage in economist activities for instrumental reasons; (iii) *Integrators* – who see profit as an outcome of Responsible Leadership; and (iv) *Idealists* – who hold a broad perspective of business rooted in strong ethical considerations and spiritual/religious beliefs. Furthermore, research at the micro level might examine the outcomes of the linkages between individual leader traits and the approaches through which they manage the crisis and how it might be measured or evaluated.

### Responsible Leadership and Crisis Management at the Meso-Level

At the meso-level findings from a study by, Coldwell et al. 2012, suggested that Responsible Leadership during a crisis can reduce instability for organization and reassert stable state more rapidly. They developed a responsibility compass, based on the works of (Paine 2006) and Fombrun (1996) for the responsible management of a crisis. This stepwise model identifies seven crisis mitigation steps to responsibly manage a crisis: 1. early disclosure of a crisis and accepting responsibility; 2. disclosing information openly to the media; 3. selecting governance leadership to manage the crisis; 4. rebuilding confidence/trust; 5. restructuring for credibility; 6. demonstrating social concern; and 7. apologizing publicly. The focus is on the processes through which responsible crisis management is achieved. They demonstrated through empirical research that Responsible Leadership during an organizational crisis helps to protect reputational assets as measured through its impact on share prices. This study, however, did not address leadership traits such as decision-making capabilities and stewardship, qualities deemed fundamental to the Responsible Leadership paradigm. In a crisis situation, the leader, therefore, must serve as the gestalt who upholds the business values and steers the business responsibly and with integrity while protecting the shareholder interests (Maak and Pless 2006).

In a similar vein, Varma's (2020) examination of crisis management strategies within the responsibility compass revealed that it positively influenced the reputation capital of two major International airlines undergoing a crisis. This study also argued for the inclusion of *relational intelligence* in the responsibility compass (Coldwell et al. 2012). Relational intelligence, the combination of relational (ability to build and sustain trust in relationships), emotional (ability to understand other's reactions and adapt one's behavior appropriately), and ethical (ability to reflect on one's own and others values and norms to arrive at an ethically appropriate conclusion) abilities is focal to the Responsible



Leadership paradigm. It has also been observed that an understanding of public's emotional response and coping strategies during a crisis aids in the development of crisis communication strategies that help in rebuilding trust across stakeholders of an organization during a crisis (Varma 2018). Hence, the inclusion of relational intelligence in the responsibility compass would provide in-depth insights to the decision-making processes during a crisis.

### **Responsible Leadership and Crisis Management at the Macro Level**

Responsible Leadership research has advanced from a microlevel phenomenon with macrolevel outcomes to become associated with stakeholder identification, legitimacy, and salience. Today global leaders working in an interconnected world are challenged with reducing complexity and uncertainty while navigating through murky waters during a crisis. The viability of the organization and its long-term success depends on its leader to act responsibly toward all stakeholders and not just the shareholders (Maak and Pless 2006). Additionally, leaders need to be sensitive to the environmental and social responsibilities of the organization and the impact of their business decisions. This has resulted in a call by researchers to focus on developing leadership traits such as ethical literacy, global mindset, cultural intelligence, and community-building capabilities (Pless and Maak 2011).

In a study of the Canadian multinational corporation Talisman Energy which was charged with human rights violations due to its support of Sudanese military engaged in curtailing the freedom of civilians, Kobrin (2009) stated the responsibility for the misdeed lay with the TNC, even though the company's oil production operations were deemed successful and it contributed to the economic growth of the local communities (Kobrin 2009). Leaders of MNCs entrusted with significant economic and political power should exercise great caution when balancing the financial interests of shareholders with the corporate

and social responsibility of the host nation's local community, as there is a blurring of the line between the public and the private spheres. The legal and political systems and the geographical borders and jurisdictions (Kobrin 2009). Although the study was approached from a legal perspective, it is evident that the top management faltered while navigating the complex and ambiguous environment. Further research is, therefore, recommended to understand how enhanced sensitivity training to environmental and social responsibilities in a transnational environment impacts the practice of Responsible Leadership, vis-à-vis the most effective approach from among the four approaches as identified by Pless et al. (2012).

In a more recent study by Pless et al. (2021), in India, that investigated stakeholder conflict between a multinational corporation and the local Indigenous community that resulted in the loss of lives of three members of the Indigenous community Pless et al. (2021) concluded that an integrative approach was the morally superior choice in resolving the decade-long crisis based on Maak et al's. (2016) normative responsible leadership approaches-instrumental and integrative. While the Instrumental approach focuses on achieving organizational objectives, such as maximizing profits and interacting with key business stakeholders, for example, employees, government, and customers in a transactional manner to achieve business objectives (Pless et al. 2012), the integrative approach emphasizes value creation, and integrating business and societal objectives while engaging with a broad range of stakeholders in a collaborative manner. Stakeholder conflicts are steadily increasing worldwide (Banerjee 2018), highlighting the importance of engaging in responsible leadership research in the context of crisis management examining balancing of multiple competing and conflicting stakeholder interests. Additional research within the areas of crisis management and responsible leadership might examine cross-level linkages between micro-, meso-, and macro level to determine how it influences the practice of responsible leadership during a crisis.

## Conclusion

A crisis is “an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization’s performance and generate negative outcomes” (Coombs 2007; p. 2–3); therefore, the manner in which it is managed is critical in the protection of an organization’s reputation and even its long-term survival. As crises vary by their types, severity of impact, and duration, future research within the areas of Responsible Leadership and crisis management should examine how these factors impact the practice of Responsible Leadership. The recent global pandemic should make this endeavor an urgent imperative.

## Cross-References

- [Enron Scandal](#)
- [Ethics and Crisis Management](#)
- [Leadership Moral Foundations](#)
- [Leadership Theory](#)
- [Sustained Corporate Illegality and the Antecedent Factors](#)
- [Wells Fargo and Corporate Crime](#)

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## Role of Philosophy in Business Ethics

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## Introduction

The role of philosophy in business ethics is an especially appropriate subject because ethical inquiry has both its origin and developments within the domain of philosophy dating at least as far back to Plato’s Socrates’ inquiries into justice, the good, education, love, and politics. Insofar as business ethics is a species of the more

general field of ethics, and insofar as ethics originated and developed within the field of philosophy since the commencement of philosophy, it is especially appropriate to come to an understanding of some of the many ways in which philosophy might contribute to the further development of business ethics.

Insofar as the evolution of the field of business ethics in business circles is concerned, philosophy is especially well-suited to outline and detail the nature, function, and value of business ethics, normatively speaking. The field of contemporary business ethics seems to have begun in the 1960s as a subfield of applied ethics, again, within philosophy.<sup>1</sup> Yet it might be argued that its conceptual roots date back much further than that, perhaps even to the political philosophy of Karl Marx (Corlett 1998, 2013) and beyond. Despite the title of this article, its aim is to outline some of the many ways in which the field of philosophy might contribute to the field of business ethics. This article is intended to serve as a propaedeutic to a more comprehensive treatment of the subject.

I shall begin with a concise definition of “business ethics,” along with the description of the normative function and value of business ethics. Subsequently, I shall delineate various ways in which philosophy can and ought to contribute to the field of business ethics.

## Defining “Business Ethics”

“Business ethics” is that field of interdisciplinary academic study which provides qualitative and quantitative analyses of a wide array of ethical problems, both descriptively and normatively, related to the business enterprise. It is both empirical and conceptual in that it must often gain from business studies, history, and the sciences data about which to provide normative philosophical

arguments regarding how business ought to be best conducted. This definition is wide enough to include virtually every business domain of ethical inquiry, from management to advertising, from hiring to employee compensation and benefits. Indeed, the field of business ethics has evolved since its inception and is perceived by increasing numbers of philosophers as being respectable, so much so that recent years has witnessed the publication of an increasing number of works on business ethics containing articles composed by numerous well-respected philosopher-ethicists writing on a wide range of topics in the field: from methodological/theoretical investigations to issues of corporate responsibility, punishment, and compensation, from economic justice to consumer rights, from issues of business globalization to those of privacy, from corporate influences on politics to affirmative action and racism in the business workplace, and to environmental problems and business enterprises (Brenkert and Beauchamp 2010; Luetge 2013; Poff and Michalos 2019).

## Some of the Roles of Philosophy in Business Ethics

With a basic understanding of the nature of the field of business ethics in mind, what are some of the roles of philosophy in business ethics? Philosophy has not just one role, but many roles to play in the field of business ethics. *One role of philosophy in business ethics is to clarify the nature, function, and value of normative ethics in general:* What is it? What does and ought it to do? Why is it valuable both in general and for business ethics in particular?

If normative ethics is the philosophical analysis of various key categories pertaining to the moral life and how it ought to be lived, and why, various theories of ethics ought to be explored and critically assessed philosophically concerning their plausibility in order to discern which one is most plausible and useful for business ethics considerations. The reason for this is provided by Plato’s Socrates, namely, so that we can be better for the rest of our lives. Herein is the main value of

<sup>1</sup> The *Journal of Business Ethics* was founded in 1982 by philosophers Alex C. Michalos and Deborah C. Poff who served as its esteemed editors for decades and established it as the finest and most long-standing journal in the general field of business ethics. The contents of this journal helped to shape the field of business ethics until this very day.

normative ethics in general. In this respect, then, business ethics is fundamentally philosophical. For *philosophy can assist the field of business ethics in discovering its conceptual foundations and keeping it on track with sound reasoning so that business efforts can be ethically optimized both qualitatively and quantitatively.*

### Why Is Business Ethics Important?

Of all of the several subfields of ethics, what is the importance of *business* ethics? Business ethics finds its significance at least in part in its ability to serve as the domain of study which concentrates its efforts on matters of fundamental concern for anything business-related. Insofar as it is wise to have a discipline devoted chiefly to a field of serious concern and its attending difficulties, it behooves us to create and, having created, to nurture business ethics as a discipline devoted to the critical ethical inquiry into anything pertinent to business. Fundamentally, business ethics serves the function of keeping business normative in the sense that whatever problems arise in business that have ethical importance, they are addressed and (hopefully) resolved according to how said problems ought to be resolved, all relevant things considered. By “ought to be resolved” and “all relevant things considered,” it is meant that economic considerations, for example, should not be construed as being the only or most important ones when addressing business concerns. For there are extra-economic considerations that may sometimes trump considerations of economics and competitive viability, ones that are based, for instance, on ethical principles or the principles of a morally enlightened conscience. For example, it is one thing to have an economically successful business but one wherein the employees have few, if any, protections against workplace abuses. Yet it is quite another to have an economically successful one wherein its employees are well treated and well paid. The very idea of trade-offs in discussions of business matters introduces business ethics. And since it does, it behooves those in business to seek out the very best that ethics has to offer, and sometimes this requires delving

deeply into the realm of ethical theory wherein at the roots of certain business practices and ideas lie implausible ethical theories. To ignore the normative demands of ethics is as unreasonable as ignoring the economic factors of business. The field of business ethics must take seriously a holistic range of factors relevant to the business enterprise while disallowing the favoring of one kind of factor over others without adequate justification thereof.

Furthermore, the complex nature of business ought to make business ethics multi- and interdisciplinary. For it is dubious to think that the complex problems of business can be completely solved by or within any particular discipline such as philosophy. For most philosophers, as academicians, lack the training and experience in business that would enable them to adequately address such matters without assistance from experts in business, history, organizational psychology, sociology, etc. But philosophy, as the originator and keeper of ethics, has a special role or set of roles to play in contributing expert insights on how ethics can best inform our business inquiries. And it can do so by way of its primary method of conceptual analysis and argumentation.

Secondly, *philosophy should outline and examine the scope of business ethics in general terms*, recognizing that there is welcomed room for more narrowly focused studies of business ethics. But it should outline the scope of the field in an inter- and multidisciplinary manner, though it is surely desirable that more restrictive definitions of “business ethics” might be useful from discipline to discipline and within each such discipline so long as we are careful to clarify the respective aims of our business ethical inquiries in order to avoid confusion, hence the title of this article: “The Role of Philosophy in Business Ethics.” Alternatively, a historian might contribute her insights on “The Role of History in Business Ethics,” or an experimental social cognitive psychologist might contribute her insights on “The Role of Experimental Social Cognitive Psychology in Business Ethics,” etc. There is plenty of room for a wide variety of such contributions.

I shall ignore details of what I consider an ill-conceived distinction among many philosophers between theoretical and applied ethics. That distinction need not concern us here. Assuming that the distinction has any merit, I would think that business ethics should span the range of theoretical and applied ethical issues. For applied ethics which is not grounded in solid ethical theory is bound to be shallow and riddled with problems endemic to the ethical theory that has been uncritically presumed or adopted by a particular standpoint in business ethics. Furthermore, an ethical theorist should consider applied ethics to be a fertile testing ground for the plausibility of all ethical theories.

Normatively speaking, the field of business ethics includes the description and assessment of various theoretical approaches to business ethics: relativism, subjectivism, utilitarianism, deontologism, virtue ethics, etc. However, it ought also to include the description and assessment of various practical problems of a business nature: What makes for an ethically good business? In more general terms, philosophy ought to assist business ethics in posing and answering this and related questions, as well as to provide a multi- and interdisciplinary attempt to state the general role of business in society, a task that should be ongoing given that times change and require new approaches to addressing business issues and given that human knowledge concerning business evolves and requires the updating of what is taught and learned.

### **Some Additional Areas of Ethics Where Philosophy Can and Ought to Contribute to Business Ethics**

There are additional areas in which philosophy can and ought to contribute to the development of the field of business ethics. They include the subjects of rights, responsibility, punishment, compensation, racism, and environmental matters. In these areas of business ethics, *philosophy may contribute from excellent work in philosophy of law, social and political philosophy, philosophy of racism, and the ethics of environmentalism, for*

*instance.* In so doing, philosophy would do well to contribute certain aspects of John Rawls' celebrated political philosophy as it is insightful especially for its emphasis on the separateness of persons and rights over social utility considerations (Rawls 1971: 3–5) and the original position thought experiment designed to devise the fair selection of principles of justice for both domestic and global societies (Rawls 1971, 1999). Rawls' work on global justice (Rawls 1999) is particularly important given that during the past few decades, increasing numbers of businesses enterprises have become global institutions (Ruggie 2013). For it can, among other things, contribute a plausible method by which to fairly select principles of justice which might govern transnational businesses. And it is the selection of such principles which becomes the sticking point of concern between those who favor a human rights approach to domestic and globalized business and those who favor a free market business model of the same (Ruggie 2013). *Whatever else philosophy might contribute to the field of business ethics, it can, as it clarifies many of the problem areas of ethical theories which tend to underlie various approaches to business ethics, provide a conceptual foundation on which to fairly and reasonably resolve disputes within business ethics especially with regard to rights, responsibility, and remedies for business malfeasance.*

However, even if philosophy is able to assist the field of business ethics in devising reasonable and ethically optimal policies with regard to rights protections, it is quite another matter indeed to devise viable enforcement mechanisms in light of state's reluctance, for fear of losing businesses and the adverse economic implications for state's economies thereto, to enforce such rights-based norms. And if it is left to businesses themselves to abide by said norms, it is unlikely to occur given that it is often not in their best economic interests to do so and thus they face the obstacle of not performing their respective fiduciary duties to their stockholders and dependent subsidiary businesses. Philosophy, especially social and political philosophy, must find ways to contribute to this seemingly intractable practical problem.

Must businesses, national or transnational, be forced by state and international laws to comply with said norms by significant penalties for non-compliance? And if so, what is the likelihood of this happening given the competition of states each with their struggling economic interests to lower standards of compliance in order to attract businesses in order to enhance their economies and standards of living? But if left to the invisible hand of business enterprises, history tells the story of repeated rights violations having long-standing adverse impacts on human development and the nonhuman natural environment. Moral, legal, social, and political philosophy must contribute to this discussion in hopes that they can resolve the problems therein. As one writer puts it: “Creating a more *just* business in relation to human rights involves finding ways to make respecting rights an integral part of business – that is, just making it standard business practice” (Ruggie 2013: xxiv). Among other things, this involves moving beyond the standard corporate social responsibility initiatives invented for the most part from within business communities often in order to appease their actual or potential customers to a more robust business ethic which embraces a transformative model of doing business wherein ethics, not self-serving business mores, are employed in order to serve local and global communities as well as the legitimate economic interests of businesses themselves. On the other hand, advocates of human rights often communicate their views as if human rights are absolute in nature, admitting of no exceptions under any circumstance. But if Joel Feinberg has taught us one thing about human rights, it is that there cannot be a human right which is *absolute* of which there is short supply and high demand (Feinberg 1980). Perhaps he has in mind the “‘ought’ implies ‘can’” ethical dictum wherein one cannot have a duty to X if one cannot perform X and one cannot have a right to X if X does not exist. In any case, human rights talk must comport with solid rights theory, and this includes the elimination of the proliferation of rights where there indeed none at all, especially pertaining to certain alleged human rights violations caused by businesses. Not many rights, if any at all, are

absolute and impose an absolute duty of others to not interfere with the exercise or enjoyment of said right. Human rights advocates must steer clear of such imprecision if genuine progress is to be made with respect to respecting rights in the contexts of business. *Moral, legal, social, and political philosophy can and should assist the field of business ethics in clearly analyzing the concepts of rights (and their correlative duties) so that confusion is avoided.*

## Rights

One major issue in business ethics is the extent to which domestic or transnational business enterprises have rights to acquire land and minerals on or in them without having to pay compensation to those who possess rights to said lands. While this problem is often couched in terms of multinational businesses acquiring lands from indigenous peoples without compensating the indigenous peoples for such lands (Ruggie 2013: xv–xvi, xxxvi–xlii, Chap. 1), the problem has important historical roots, such as the genocidal theft of indigenous lands by various European invaders, leading to the morally problematic acquisition of such lands by various businesses even today in what are called the Americas (Corlett 2003: Chaps. 8 and 9, 2010).

However, the matter raised in the previous paragraph is parasitic on the matter of the possession of rights themselves. For surely if persons have rights, then others, including businesses, generally have duties to refrain from the interference of right holders’ exercise or enjoyment of such rights. This would also imply that rights violators must be punished for and compensate their victims. Thus, my right to X, when violated by business Y, imposes on Y a compensatory duty toward me and sometimes a duty of the state to punish Y. But this raises the question as to the nature and value of rights. Some believe that rights, even human rights, are merely social constructs such that one has a right to the extent that the institution of the law recognizes such rights. Yet this view of the nature of rights and especially human rights does not comport with the manner in which human rights are construed by the vast majority of those who consider themselves to



believe in rights in general and human rights in particular (Corlett 2009; 2016).

Feinberg recognizes at least two general kinds of rights. Institutional rights are those which are socially constructed and recognized, say, by a system of legal rules. But noninstitutional rights are the ones which are discovered by reason and the principles of an enlightened moral conscience and may or may not be recognized by law. Thus, one may have a legal right to X to the extent that a legal system recognizes such a right. But one might also have a moral right to X whether or not one has a legal right to X. Saying that one has a moral right to X often means that one ought to have a legal right to the same, that is, that the legal system ought to recognize and respect such a right<sup>2</sup> (Feinberg 1973, 1980, 1992; also see Thomson 1992). Contrary to some others, then, a human right, if it exists, is a species of a moral right and is one that the law ought to recognize and respect. To deny that someone has a right to X simply because she has no legal right to X only denies that said right exists in the relevant legal system. But it hardly answers the question of whether or not she should have said right recognized and respected by law. One must delve deeper given the logic of rights and duties in order to discover what the balance of human reason reveals concerning who has which rights, and why, and which duties, if any, are correlated with such rights and why. *Philosophers of law and rights can and ought to contribute expertise in this way in order to avoid conceptual confusion in both insisting that businesses ought to have unfettered reign over their activities, on the one hand, and insisting that there is a human right wherein there is no such right, on the other.* Surely where there are significant rights violations by businesses, there must be reasonable legal remedies based on a system of legal rights, responsibility, punishment, and compensation.

## Responsibility

There is a growing philosophical literature on collective responsibility. One of the seminal contributions to the field is that of Feinberg's on collective responsibility (Feinberg 1970: Chap. 8). His is primarily an analysis of collective legal responsibility, while other analyses have centered on collective moral responsibility<sup>3</sup> (Corlett 2014: Chap. 10). Additionally, there is a plethora of work on individual moral responsibility<sup>4</sup> (Fischer and Ravizza 1988).

Collective responsibility theory is particularly pertinent to the field of business ethics because of the problems associated with corporate responsibility. Whether it is the issue of whether or not there is a moral foundation for or any other legitimate justification for the legal doctrine (in US business law) of corporate limited liability or whether it is the problems concerning the extent to which businesses themselves should be viewed as being possibly liable agents, that is, subject to responsibility by law, the concept of collective responsibility plays an essential role in providing reasons why or why not this ought to be the case. *So it is important that philosophers of law who specialize in collective responsibility theory contribute their expertise to this particular area of business ethics which emphasizes corporate responsibility.*

Furthermore, not only is collective responsibility theory related to the field of business ethics and is important for philosophy to contribute its expertise to the field of business ethics accordingly, so is individual moral responsibility theory important in a similar manner. *Whichever is the most plausible theory of individual moral responsibility ought to be used in order to address problems*

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<sup>2</sup> Amartya Sen refers to these rights as "laws in waiting" (Sen 2009).

<sup>3</sup> Philosophical work on collective moral responsibility as it pertains to remedial rights to compensatory and non-compensatory reparations includes Corlett (2010: Chap. 5) and McGary (1999: Chap. 5).

<sup>4</sup> Several articles authored by the world's leading philosopher-experts on the topic of moral responsibility are published in *The Journal of Ethics: An International Philosophical Review* (Springer).

*regarding the complexities of the business environment in terms of under which circumstances ought business agents to be held accountable and punished for harmful wrongdoings they commit qua business agents.*

### **Punishment and Compensation**

When it comes to corporate responsibility and punishment, important conceptual developments have also been made. One suggested method of corporate-collective punishment, the “Hester Prynne Sanction,”<sup>5</sup> suggests that businesses duly found guilty to significant harmful wrongdoing ought to be forced by court order to pay a third-party advertiser to adversely publicize that guilty businesses’ wrongdoing within the confines of the court order (French 1984). While this particular mode of punishing malfeasant businesses is problematic because it is insufficient punishment for business harmful wrongdoings of a most serious nature [e.g., the Union Carbide (now Dow Chemical Company) toxic chemical leak in Bhopal, India; the Exxon Valdez oil spill in Prince William Sound, Alaska], thereby violating plausible principles of proportionate punishment (Corlett 2014: Chap. 11), it serves well for a punishment for lesser business wrongdoings (Corlett 2014: Chap. 11). Moreover, the adverse publicity sanction might be coupled with fines and the piercing of the corporate veil in order to punish those business agents most guilty of the wrongdoings in question, extracting as much business-individual assets as possible in order to force such liable agents to pay compensation to those they have harmed most. Of course, this poses a challenge to the US doctrine of corporate limited liability. Yet this is *one more important way in which philosophy can and should contribute to the field of business ethics, by serving as a reasonable challenge to certain presumed values and policies*. If corporate-limited liability exists in that it is feared that business could not function without such personal protections, it might just as

reasonably be argued that the adoption of laws supporting unlimited corporate liability for business agents would disincentivize business agents to act as irresponsibly as many often do and furthermore reward only fair and just business practices. *Philosophy, especially ethics, can and should contribute such insights to the field of business ethics where all too often status quo business practices (often inspired by utilitarian considerations about the greater good instead of or absent adequate regard for considerations of rights protections) are presumed to be “innocent until proven guilty.”* Yet such an attitude seems to thwart the very point of business ethics insofar as it appears to presume that matters of business ought to precede those of ethics.

### **Racism and Affirmative Action in Business**

Quite important is the matter of general access to business. And perhaps there has been no greater moral and legal issue along these lines than affirmative action. Several philosophers have contributed to the ethics of affirmative action over the past half-century (Boxill 1984; Corlett 2003: Chap. 7, 2010: Chap. 10; McGary 1999), and they have sought to provide sound moral arguments for and against the policy of requiring/incentivizing businesses to employ persons based on preferential treatment considerations motivated by ethnicity and gender. Perhaps even more can be argued along these lines in order to become clearer about the role that racism plays in the business workplace. Whether it is racism from employer to employee, from employee to employer, or from employer to another employer, racism has played an important role in many businesses for generations. This is why many believe that policies must be set and remain in place in order to combat racism which often prohibits victims of racism from performing well in the workplace – or from even being hired in the first place. *Philosophers of racism can and should contribute to the field of business ethics by providing clear and reasonable analyses of the nature and function of racism and how it might be reasonably addressed in the business environment.*

<sup>5</sup> It is also referred to as the “adverse publicity sanction” in Corlett (2014: Chap. 11).

## Businesses and Environmental Concerns

As it does little good to address matters of racial injustice in the business workplace without also addressing problems of environmental viability, the latter concerns are also essential for the field of business ethics to resolve. What good does it do to resolve matters of racism if the very environment in which people seek to live reasonably good lives is on the brink of environmental decay [due, no less, to such business disasters as the Union Carbide (now Dow Chemical Company) incident in Bhopal, India, and the Exxon Valdez oil spill in Prince William Sound, Alaska]? Philosophy can and should contribute to the field of business ethics by providing theories and arguments for and against those theories of environmental ethics.

## Conclusion

In conclusion, I have delineated a partial account of the role that philosophy can and should play in the field of business ethics, opting for an approach that takes rights, responsibility, punishment, compensation, racism, and environmentalism seriously. No doubt there are other roles for philosophy to play. For instance, philosophy can delineate ways in which sexism can and does arise in business and how it might be effectively addressed. I hope that I have provided a philosophical propaedeutic for a fruitful discussion of what business ethics is and ought to be and why.

## Cross-References

- ▶ [Axiology and Business Ethics](#)
- ▶ [Existentialism and Business Ethics](#)
- ▶ [History and Philosophical Foundations of Ethics](#)

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## Seed Banks

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## Synonyms

Germplasm bank; Seed gene bank

## Introduction: The Role of Seed Banks

A seed bank is a documented collection of seeds held for long-term security or for ease of access. It is one of the oldest forms of gene bank, where genetic material essential for agriculture, forestry, or plant conservation is preserved, curated, and made available to user communities from off-site (ex situ) storage conditions.

All seed banks aim to acquire and maintain seed of high quality that will provide users with viable genetic material that represents the variation and useful traits of the original field collection. Such genetic materials of actual or potential value are termed “genetic resources.” In the field, plant species are continually evolving in response to selection pressures acting on them. This process is largely halted for a seed collection that is brought into a seed bank for long-term preservation, but the samples of genetic diversity held in

seed banks are increasingly important for two reasons.

Firstly, seed banks safeguard genetic diversity that is at risk at the population and species levels. Given the current rate of loss and deterioration of habitats and the increasing impact of climate and environmental change, it is estimated that more than 20% of wild plant species are threatened with extinction, and seed is the preferred material for genetic resource preservation. Seed banks also play a critical role in preserving agricultural genetic material that is at risk of loss, as locally distinct crop varieties and landraces have been overtaken by higher-yielding varieties.

Secondly, seed banks are reliable and convenient sources of genetic material for users as they provide well-identified seed samples of known origin and viability, at little or no cost to researchers. An additional benefit is that material is supplied under clear terms and conditions, as a result of prior negotiations with providers and source country authorities, which have anticipated the likely uses for this material. This enables users to immediately document any restrictions on use, then accession, propagate, and study the material.

The majority of plant species can be seed banked for at least 50 years, but research is continually striving to extend the taxonomic range of species that can be preserved and to maximize life span in storage. Seed banks manage the risk of loss or deterioration of a collection by periodic monitoring of seed viability following agreed technical standards and by duplication of part of

each collection at another facility, occasionally as a “black box” which will not be opened without the owner’s consent. Seed banks cooperate with other gene banks to facilitate the preservation of pollen, DNA, and tissue samples and often work closely with taxonomists and horticulturalists to ensure that collections are correctly named and characterized and to develop and share cultivation knowledge.

In addition to their core functions of curating and supplying seed collections to users, seed banks may participate in the collection of seed from field (in situ) conditions, in research on the preservation or use of the material, in regeneration and characterization of the collections, and in sharing seed preservation skills and germination knowledge with stakeholders. They may advise on policy development, such as through the intergovernmental scientific advisory body known as the Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) that develops specialist advice to the Conference of the Parties of the CBD, and they may also help disseminate best practice to the wider community, through participation in initiatives such as the Principles on Access to Genetic Resources and Benefit-Sharing developed by 28 botanic gardens and herbaria in 2000.

## International Seed Bank Networks

From their origins as simple stores for crop seed, seed banks have diversified and expanded to hold priority genetic resources for communities, for industry, and for government agriculture and forestry programs. The massive scale of seed collections being curated both safeguards genetic resources at risk of loss in the field and also provides essential material to help future generations adapt to environmental and technological changes. For example, the Genesys portal provides information on more than 3.6 million collections held in over 400 crop gene banks (Genesys 2018).

Seed banks have been established within botanic gardens, initially to support seed exchange and horticulture, but now over 400 of these are banking seed for plant conservation

(BGCI 2018). The Millennium Seed Bank Partnership coordinates organizations in over 100 countries and territories to collect and bank seed from threatened and useful plant species, including crop wild relatives, using common standards (RBG Kew 2018). Initiatives such as these work across international borders in order to conserve genetic diversity for future generations; to make it available for research, education, or cultivation; and to share data on the availability of collections. These *ex situ* collections are not a substitute for conservation of biodiversity *in situ*. Rather, they complement *in situ* conservation by mitigating against the loss of this biodiversity in the field and by facilitating the sustainable use and the sharing of benefits from utilization of the material, directly in support of the objectives of the Convention on Biological Diversity (CBD).

## Access and Benefit Sharing

Seed banks function as trusted intermediaries in the acquisition and supply of genetic resources to users. At an international level, two legal instruments currently provide the framework for access to genetic resources and the fair and equitable sharing of benefits arising from their utilization (ABS): firstly the Nagoya Protocol to the CBD and secondly the International Treaty on Plant Genetic Resources for Food and Agriculture (PGRFA). Seed banks have obligations under one or both of these instruments, according to their institutional governance and their focus on either wild genetic resources or PGRFA.

### The Nagoya Protocol to the Convention on Biological Diversity (CBD)

Prior to 1993, researchers seeking access to biodiversity from a source country would typically apply for research and/or collecting permits from a government wildlife body, landowner, or protected area manager and would accept conditions to share data and skills with appropriate counterpart organizations and to deposit one set of specimens in appropriate national collections. As a result of either the absence or weak enforcement of regulations in many source countries at that

time, the ability of countries to receive further benefits such as royalties from any subsequent discovery and commercialization of products from genetic resources was poor, and sectors of society that had maintained biodiversity in situ were receiving little, if any, compensation.

The CBD, agreed at the Rio Earth Summit in 1992 and which entered into force in 1993, aimed to provide a new global framework with three objectives, firstly the conservation of biological diversity, secondly the sustainable use of its components, and thirdly the fair and equitable sharing of the benefits arising out of the utilization of genetic resources. In this third objective, the negotiators sought to balance the interests of typically biodiverse provider nations with the interests of less biodiverse industrialized user nations. The CBD establishes that parties have national sovereignty over access to genetic resources, that mutually agreed terms and prior informed consent (PIC) is required from the provider country, and that benefits must be shared. The CBD is not a static convention, but a process that has enabled parties to make important improvements in management of biodiversity, for example, through strategic planning and sharing of biodiversity information for decision-making. However there have been difficulties for many party countries to develop the required national access legislation to implement access and benefit sharing.

The Nagoya Protocol on Access to Genetic Resources and the Fair And Equitable Sharing of Benefits Arising from Their Utilization (the Protocol) was agreed in 2010 at the tenth meeting of the parties to the CBD (Secretariat of the CBD 2011). On its entry into force in 2014, parties have clearer obligations: they must introduce compliance procedures to monitor the utilization of genetic resources, for example, by establishing checkpoints to record compliance with the Protocol. If parties introduce access legislation, the Protocol sets out clear procedures for access to genetic resources and benefit sharing. Seed banks can refer to the ABS Clearing-house website (Secretariat of the CBD 2016) to clarify legislation and procedures to be followed. To fulfil their obligations, seed banks need to hold sufficient information specifying the source of the seed collection,

the identity of the provider(s) of genetic resources to them, and the permit, agreement, or other forms of PIC that are associated with the collection, plus the nature of any restrictions on use or supply of the material and details of any benefit sharing that may have been agreed and implemented. The tracking of this documentation is not purely an administrative matter, as by enabling transparency and building confidence between providers and users of genetic resources, it directly upholds and supports the conservation and sustainable use objectives of the CBD.

### **Traditional Knowledge Associated with Genetic Resources**

The CBD established in its article 8j the rights of “indigenous and local communities embodying traditional lifestyles” to share in the benefits arising from utilization of genetic resources. The fact that genetic resources and associated knowledge are treated in the CBD in part in a utilitarian manner, to be exchanged between providers and users, contrasts with the more holistic worldview often held by local and indigenous communities, as has been documented, for example, by representatives of Canadian aboriginal communities in the Iskenisk Declaration (2011) on the Access, Use, and Fair and Equitable Sharing of Benefits Arising Out of the Utilization of Genetic Resources and Associated Traditional Knowledge in Canada.

The Protocol has strengthened the rights of such communities to “benefit from the use of their knowledge, innovations and practices,” and seed banks will need to improve engagement with local communities to ensure that their rights are upheld. In practice, this means that collectors for seed banks may tend to invest in a small number of community relationships where trust exists and pathways for benefit sharing have been established. Guidance on procedures is available from the International Society of Ethnobiology’s Code of Ethics (2006) and the sectoral and individual codes and guidelines published on the CBD’s Access and Benefit-sharing Clearing-house which is a platform for exchanging information on ABS. The wider global framework to promote the dignity and well-being of indigenous



communities is provided by the 2007 UN Declaration on Rights of Indigenous Peoples.

### **Change of Use of Genetic Resources**

Seed collections acquired under national legislation with consent for a specific non-commercial research activity, e.g., plant taxonomy, may also contain untapped genetic resources that would be valuable for other uses, e.g., for biochemical screening or horticulture. To maintain transparency and trust between providers and users of genetic resources, mediated by seed banks, it is vital for users to clearly recognize and document the restrictions on use that apply to material in their care. In the event that a user proposes to initiate work outside the terms of the original access conditions, the seed bank and/or the proposed user need to request PIC from the original provider and/or competent authority.

### **The International Treaty on Plant Genetic Resources for Food and Agriculture**

Plant genetic resources for food and agriculture (PGRFA) were recognized by FAO in 1983 in the International Undertaking on PGRFA as “a heritage of mankind to be preserved, and to be freely available for use, for the benefit of present and future generations.” This position reflects the fact that crop germplasm has been exchanged, traded, and improved by farmers over millennia and also the fact that modern high-yielding crop varieties may include germplasm from multiple origins.

In June 2004, the International Treaty for PGRFA (IT) entered into force (FAO 2009), with the objective of the conservation and sustainable use of plant genetic resources for food and agriculture and the fair and equitable sharing of the benefits arising out of their use, in harmony with the CBD, for sustainable agriculture and food security. The IT specifically recognized the contribution made by farmers to the conservation and development of PGRFA by requiring parties to take measures to protect and promote farmers’ rights, including the protection of traditional knowledge, the sharing of benefits from utilization of PGRFA, and the participation in decision-making at the national level about PGRFA.

The IT established a multilateral system (MLS) for access and benefit sharing of PGRFA, covering 35 major food crops and 29 forage crops listed in Annex 1 to the IT (FAO 2009). The seed bank collections of the International Agricultural Research Centers (IARCs) also became part of the MLS, and seed banks managed by party countries that access or supply genetic resources of Annex 1 crops for the purposes of food and agriculture are now obliged to use a standard material transfer agreement (sMTA) and adhere to the terms of the IT.

### **The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)**

CITES entered into force in 1975 with the aim to ensure that international trade in wildlife and their products does not threaten their survival. With more than 180 parties to the Convention, seed banks need to adhere to the import, export, and reporting requirements of the Convention whenever material within the listed appendices is moved from one party country to another, whether for trade or for non-commercial purposes. National authorities assess the potential impact on conservation status of listed species before granting import and export CITES permits. A system of CITES-registered institutions enables leading scientific institutions in each country to simply use reference labels for exchange of listed material.

### **Biosecurity and Plant Health**

A seed collection may inadvertently contain pests or diseases of potential harm to agriculture, forestry, or native habitats, and seed banks can provide vital samples of well-identified material which can be used in screening to understand and respond to these potential threats. It is important that seed collections are collected in the field and provided to the seed bank as clean and free from debris as possible and that requirements of plant health inspectors are followed for any

material controlled under plant health regulations. Seed banks that handle controlled seed or plants use quarantine procedures to minimize the risk of cross-contamination or release of high-risk material. Equally, when responding to requests for samples from controlled collections, seed banks need to ensure that users are aware of their responsibilities to prevent escape of pathogens or invasive species from their facility, typically by containing any material and destroying high-risk material at the end of their research.

## Cross-References

- [Environmental Ethics and Sustainability](#)
- [Indigenous Environmental Justice](#)

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## Self and the Generalized Other

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## Synonyms

Selfhood; Social identity

## Introduction

George Herbert Mead's (1934) social conception of self has become the most important model in Sociology for theorizing the relationship between the individual and society. Mead's importance as a sociological theorist is eclipsed only by Emile Durkheim, Max Weber, and Karl Marx, and he is heralded as the most important sociological social psychologist. By examining how Mead conceives of the self as a socially constituted phenomena, in constant interplay with the imagined expectations of "generalized others," we begin to understand the key aspects of his social psychology. After establishing this, its relevance for organizational and business ethics is considered.

Mead recognized, like Hegel before him, that the self is a dialogical product of the social and linguistic community that individuals inhabit. Yet unlike Hegel, and closer to the evolutionist philosophy of Charles Darwin, Mead located self-development as a continual process that happens within the material fabric of everyday life, within the concrete immediacy of social interaction in physical time and space (Mead 1936). The individual self is not given at birth, and cannot be explained by recourse to biological explanations alone, as often assumed in various models put forth in psychology and classical economics. For Mead, the self evolves through the internalization of social actions, most efficiently through the use of language, over the course of a lifetime. The mind and self evolve as a microcosm of the wider community dynamics within which

individuals grow and develop. The nature of the community and its social structure is thus greatly important for the growth and development of selves, which always reflect the nature of the communities out of which they emerge.

Mead (1934) begins by considering the distinct nature of the human mind, a logical precursor to the development of self. Mead argues that human beings are unique from other animals because they have the capacity for symbolization and use this capacity to enable thinking and social action. For example, when dogs fight, Mead posited that they merely react to one another through a stimulus-response pattern, operating primarily on instinct. Humans, on the other hand, have the capacity to take the role of the other combatant, and imagine, through a process of self-communication, what lines of attack and defense might be best given the expectations of the other. Unlike nonhuman animals, people are able to capture complex actions with symbols and advanced language, enabling new forms of intelligence to be possible.

An important aspect of this reflective intelligence is the ability for actors to imaginatively “take the role of the other,” to try and interpret expectations from their point of view. This is handled by first observing, and being a part of, linguistically enabled social relations. Thought is simply the internalization of these social conversations over time into individually centered, minded behavior. Intelligence, for Mead, is the internalized use of language to play out possible lines of action before they happen, in an effort to choose the best path. The more intricate patterns of thought we observe in the community, and the more precise our language systems, the better and more sophisticated we are able to think. Language is conceived as the crucial medium of thought. As we cannot swim without water, Mead argued we cannot think at a human level without the aid language in the inner space of mind, which is seen as self-communication.

This leads to Mead’s discussion of the inner dialectic of the “I” and the “me” that makes up the self through interaction. In this way, the self is defined by its ability to be both a subject and object at the same time. The “me” is the

symbolized self that is experienced as an object, generated from the imagined viewpoint of others. By gaining these images from others over time, actors are able to build a self-concept that is relatively stable. In contrast to the “me,” the “I” is the unpredictable side of the self, a subjective response to the emergent definitions of the “me” that arise through social experience. The “I” operates in the “knife-edge” present, generating impulses as a reaction to biological impulse and the physical reality of the situation, but also the imagined responses of others that shape the “me.” It is the ongoing dialogue of the impulsive, subjective “I,” as it responds to the socialized and objectified “me” taken from the community, which makes up the unique character of individual thought and action in human group life.

Since the self is a product of language and immersion in the social patterns of the group, it is by nature not a given, but a product of ongoing development. As such, Mead conceived two main phases of childhood development in which the self takes shape, including the “play” stage and later, the “game” stage. In the play stage, children learn to take the role of others. Games like “cops and robbers” and “playing house” allow for the creative playing out of roles they see in the adult world. They are able to explore what it would be like to be a mother, or a police officer, and handle their associated responsibilities. But further, they are able to play out the essential skills of “taking the role of the other” through interaction. The “mother” must put herself in the shoes of her children who need help, and the “cop” must try and take the role of the robber if they are able to successfully catch them. It becomes clear at this phase of play that roles require certain formal responsibilities, but to perform these well requires the crucial ability to put oneself in the others’ shoes, since individual roles always tend to play out in relation to and in tune with others.

After having moved through the play stage, children are able to proceed to the game stage of self-development. Mead uses the example of baseball to illustrate what this entails. In a baseball game, there are nine fielders, all playing different positions, each carrying slightly different roles and responsibilities. When a player has to respond

to a situation on the field, their actions must be integrated with the rest of the team. Yet it is too much for the individual player to take stock of every other player, and all of their positions and varied roles, in calculating the best play. Instead of this, the player simply takes on the imagined perspective of the generalized “team” as a whole. This is what is known as learning to take the role of the “generalized other” in social conduct. Instead of only taking on the role of other individual selves, actors must now learn to be able to conceive of preferred lines of conduct from the perspective of wider teams, groups, organizations, and communities and even larger and more abstract social entities, such as nation-states or global communities.

The “generalized other” is thus a source of social control over the individual, as actors learn to adjust to wider community norms, values, and expectations. As such, the “game” stage is an essential process of development for the self. It is only through this stage that actors can learn how to operate within complex organizations and bureaucratic structures, where it would be impossible to know or try to imagine the aggregate wishes of many hundreds or thousands of others at once. It is vital to social development that people can learn to understand and then operate under the auspices of what organizations and institutions expect of them.

This provides an image of Mead’s self that would render it flexibly adaptive to institutional structures and, hence, quite subject to organizational controls. Yet Mead always emphasized the creative interplay between the self and the surrounding community (or business organization), such that each are seen to influence the development of the other. Mead saw the relationship of self and community as a continual, dialogical, and mutually affecting one. Individuals have the ability to see institutional directives in unique ways based on their own unique histories and meanings. Further, the “I,” as previously discussed, guarantees an element of novelty and unpredictability in how individuals react to their institutional surroundings. As a result, they have the ability, and perhaps moral duty, to try and reshape

institutional structures as they naturally act within and toward them.

This obligation to democratically shape institutions alongside of others has implications for ethics (Mead 1923). First, individuals can strive to reject or counter organizational aims if they conflict with their own meanings, values, and beliefs. Indeed, to act ethically within an organization requires a certain consistency between what the organization demands and what the individual acting within it feels is morally acceptable. In the other direction, connections to wider communities and organizations have the ability to enhance one’s own personal ethical capacity. A church group, for example, might alert people to the needs of those in hunger or poverty; an environmental organization might instill the importance of an ecological vision that considers the effects of pollution on nature; and a bank may instill in their employees the importance of client protections and informed consent. Mead believed that our morality expands to the degree at which it takes ever-expanding circles of others into account. Corporations and businesses, as complex human organizations, have the ability to do this very thing, awakening an awareness of, and hence accommodation toward, diverse others. Actors have the ability to collectively shape the ethical protocols of such organizations, while the latter can shape the ethical capacities of those individuals who comprise them.

## Cross-References

- ▶ [Alienation](#)
- ▶ [Corporate Social Responsibility](#)
- ▶ [Corporations as Moral Entities](#)
- ▶ [Ethical Citizenship and Business Ethics](#)
- ▶ [Ethical Climate and Ethical Culture](#)
- ▶ [Humanistic Management](#)
- ▶ [Person–Organization Fit](#)
- ▶ [Role of Philosophy in Business Ethics](#)
- ▶ [Social Construction of Businesses](#)
- ▶ [Social Identity Theory](#)
- ▶ [Weber, Max](#)

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## Sen, Amartya

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## Synonyms

Agency freedom; Amartya Sen; Capability approach; Choice; Normativity; Welfare economics; Well-Being

## Introduction

Amartya Sen's remarkable endeavor to realize the normative capability of welfare economics goes beyond the impecunious resultants of the neoclassical welfare economy. The neoclassical welfare economy decoratively bracketed values to speculate about factual observations. This was due to the influence of logical positivists and their convictions about experimental scientific statements (primarily mathematical) and their vicinity to empirical truths and analytic statements. Sen adequately inquires "whether morality can be expressed in the form of choice between preference patterns rather than between actions" (Sen 1997a, 78).

"A new phase classical theory" in economics from the hands of Sen and some others put forth two pivotal issues in a unified manner:

- (a) Mathematical models of an economy
- (b) Ethical reflection on the subject of welfare economy – a value-laden enterprise in Sen's literature

In general, welfarists and utilitarians affirm that moral values are anchored in individual agency and involve mental metric utilities (pleasure, happiness, pain, etc.). This focus, first of all, results in a disadvantage, as it undermines freedom in terms of achievement. Second, it pays no heed to achievement reasonably giving more importance to those who are incapable of reflecting on any one of those mental metrics. Besides, Sen argues that equality of opportunity does not accord with the equality of freedom, and its reason is rooted in the scope of the incongruity of human beings and the diversified meanings of efficiency. Developing a general methodological approach to revisit the notion of inequality concerned by exploring a particular substantive stand that Sen aims to underscore involves examining how social arrangements work to define freedom, capabilities, and welfare to ensure comparisons and assessments of quality of life.

## Revitalizing Moral Sentiment in Economics

In an explicitly metaphysical arena, the traditional "dichotomy" between the fact and value cannot ruminate on a *definite* splitting up along the lines of that affirmed by the logical positivists and their verificationist stance, which preserves the idea of value-free language and economy. A relativist account denies the cognitive prospect of the truth-value of an ethical statement. Later, Hilary Putnam singles out a reason (the collapse of the fact/value dichotomy) that will deeply disturb economists who crave the dichotomy and dismiss value-oriented economics. This reason is "an increased appreciation of what might be called the *entanglement* of fact and value" (Putnam and Walsh 2012, Putnam 1993, 145).

In 1998, the Nobel committee, in its felicitation of Sen's laudable contribution refers to his emphasis on: "an ethical dimension to economics and related disciplines." His precursors in twentieth-century economics had talked about value-free scientific economics. Their concern leads to a general skepticism about ethical values and relies on ascertainable facts. Sen reinstalls ethics into

economics. A trend could exhibit value-free language by prioritizing the moral concepts as descriptive parts of ordinary language. It is more psychological and literature-oriented than science for articulating descriptive moral concepts. The notion of descriptivism in ethical concepts (Putnam 1993, 145–146) closely parallels Sen's idea of “descriptive richness” (Sen 1992, 118).

As Nussbaum clarifies, Sen's account of the capability approach is a normative theory that preserves in alliance with justice, gender issues, and poverty to “identify capability as the most pertinent space of comparison for purposes of quality-of-life assessment, thus changing the direction of the development debate” (Nussbaum 2011, 19).

### On the Capability Approach: An Approach Toward the Value-Laden Economics

Sen originally introduced what he has recently described as “a particular approach to well-being and advantage in terms of a person's ability to do valuable acts or reach valuable states of being” (Sen 1993, 30) in his celebrated Tanner Lecture in 1979. This was influenced by Smith's analysis of “necessities.” Earlier, Sen endorsed the “*basic* capability equality” by segregating the utility principle of Utilitarianism and its dark corner of “utilitarian rule of distribution compounds” through giving more importance or salary to a strong worker rather than a physically challenged person (Sen 1973, 17). Despite emphasizing individual evaluative welfare in a particular sense, Sen bridges the capability approach as a universal theoretical basis for inequality and poverty in a general sense.

An approval of hierarchies of needs from basic needs to higher needs should sketch out an enhanced perspective consistent with Adam Smith's observation. Sen induces literature that secures interpersonal comparabilities (of varying degrees) from not just of utility sense but ponders on the growth of a wide variety of kinds of social choices. Of significance here is that an agent's choice is privileged by the balance of reasons to

render an alternative choice. Thinking of the question, we pivot on belief-desire psychology in terms of reason and rational choice. Still, it sounds inevitable to reflect on moral motivation and norms, which are a source of reasons for actions/functions. The capability approach underlines the delimitation of the informative traditional model of economics, which emasculated the normative approach of capabilities by privileging the calculus method of interest or utility theory.

The missing part of the traditional approach that Sen picks up is the notion of real freedom, viz capabilities that people take in through their being an individual and their continuous potential action. In a Kantian sense, Sen pivots around the intuitive determination of the wish/will that achieves freedom by applying thinking back to action or doing from a substantial opportunity. The capability approach revitalizes the focus from means (what people have) to ends (what they can do to access the recourses), considering that two people who have similar sets of resources may not accomplish similar ends due to their different abilities and circumstances. A healthy person and a physically disabled person working for an office could not achieve an equal outcome. But both deserve equal treatment and opportunities that hoist up equality of justice in work. The thread of the tapestry is interwoven with the multifaceted nature, flexibility, and potentials for well-being.

According to Sen's definition, “a person's ‘capability’ refers to the alternative combinations of functionings that are feasible for her to achieve. Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various lifestyles)” (Sen 2001, 75). The capability approach says that the success of a program does not rely on the utility process of increasing monetary welfare. Here it is necessary to have a sensitive moral and economic understanding of poverty, famine, and economic deprivation in the various catastrophic situations where our congregate “information base” sounds inadequate and restricted because the process fails to gather information about the resultant entailed from the given gross level of income or



production under different conditions. Making it explicit, Sen urges the concern of the age, social structure, gender, physical ability, and the country's social condition (disaster, flood, proneness to violence, insecurity, etc.) as factors related to the capability of the person to render monetary income into the ability to function in other spheres. In a nutshell, the capability approach looms to include all the concerning factors (in many senses) that seem of homogenous magnitude to welfare evaluation. Putnam writes: "Capabilities", in Sen's sense, are not simply valuable functionings; they are *freedoms* to enjoy valuable functionings, a point that is announced in the title of Sen's most recent book, *Development as Freedom*, and stressed throughout that book" (Putnam and Walsh 2012, 117).

### **Captivating Welfare Economics: Existential Humanism and Agency**

Welfare economics props up social and individual welfare incumbent with individual and collective utilities based on the person's preference satisfaction and aggregator functions. Now the point is that the social welfare functions turn toward a utilitarian social welfare function in retrospect, emphasizing the notion of maximizing the unweighted totality of the individual welfare and exclusive use of utility. Here individual utility becomes the exclusive criterion for welfare judgments.

One may ask the following questions:

- (a) Why does one have to pay attention to welfare economics?
- (b) What methodologies make the capability approach closer to welfare economics in a theoretical sense?

The structure of welfare economics in Sen's approaches – individual rights and liberties or measured poverty and inequality come from a moral point of view. The first approach pivots welfare, while the second caters to the capability approach.

The capability approach in welfare economics relies on four different methodological aspects:

- The choice for proper functions
- Measuring these functions at the individual phase
- The aggregation of this functioning into a scalar estimation of individual welfare
- Putting the aggregation of individual welfare forward to social welfare

It is pleasant to find an agreement wherein one could measure welfare in the functioning stage, albeit the welfare space measured in the functioning stage can differ from the welfare space measured in income/expenditure level. The more focused reason for this measurement illustrates that if we pursue the analogy moved over capabilities instead of functioning, the whole measuring progression becomes obscured. The crux of Sen's economics never appreciates any disinterested behaviors in economics and so intends to de-emphasize altruism and egoism as a tranquil meaning of economics outlooks. In his reassessment of the moral foundation of development economics, especially in his well-known paper "Ethical Issues in Income Distribution: National and International" (Sen 1981), Sen is explicit on the magnitude plea of utilitarianism and its normative influence on development economics, but it does not assure an expedient way to put forward the tripartite structure of utilitarianism – consequentialism, welfarism, and the calculus method.

Sen upholds the existential-humanistic approach that calls for thinking beyond oneself by prevailing over solipsism to take in true humanity. But he never preserves a doable aspect of a universalized consequentialist moral pattern, where the total facets of the inhabitants of the world need to be congregated together to entail an outcome (chosen morality). Sen insists on blatant forms of inequality and exploitation for a universalized consequentialism or utilitarianism that demines the notion of capabilities, which serve as an object of moral values. Things themselves do not hold any values. We are the subjects who impose values on them. Sen believes that "If

we value capabilities, then that is what we do value, and the possession of goods with the corresponding characteristics is instrumentally and contingently valued only to the extent that it helps in the achievement of the thing that we do value, viz. capabilities” (Sen 1997, 317).

### Person, Well-Being, and Self-Interest

Sen does not consider a quest for an evaluation of well-being as a counterpart of an element of justice, as John Rawls nurtured, but stipulates it to the loom of moral understanding. Sen defies the welfare economics that prioritized the utilitarian’s calculus method by excluding the nonutility movement in the sphere of moral judgments. Although Sen has often accredited his debt to John Rawls’ “Theory of Justice,” he also criticizes Rawls’ use of primary goods, for interpersonal comparisons because primary goods are mere means, not intrinsically worthwhile ends, and as a consequence, would not be able to account for the full range of the diversity of human beings (Sen 1992, 81–87).

Besides, the concept of person/agent has a dualistic philosophical sense in Sen’s early literature:

- (a) Person in terms of agency holds values, responsibility, and commitments.
- (b) Person in terms of well-being.

But in the later work (Sen 1992, 2001), he collapses this dichotomy by gearing up a person’s agency pertaining to well-being.

To talk about the agency and well-being, Sen frames a twofold criterion that pivots first a person’s agency achievement and then enhancement of well-being which are not entirely dependent hence they are circuitously related to each other. Second, despite their diverse importance, agency achievement and well-being achievement are causally allied. To articulate his thought, Sen considers well-being to be a matter of valuation, while utility, happiness, desires, etc., are values for the person’s well-being. But it is inevitable that being

happy does not stand for valuational activities. So, it follows that utility or happiness does not effectively denote well-being in general. This periphery examines the prospect of well-being from a different sense where the achievement in connection to objectivity and moral values goes beyond the expedition of a person’s well-being to commence distributive justice and evaluate the personal advantage of a person. This journey cheekily spins a normative stance where freedom is an instrumentally valuable achievement to a person and a refined characterizing function applied to the well-being and agency aspects conjointly.

Sen’s notion of “agency freedom” affirms a motivation toward self-regarding and other-regarding utilizing an overtly *normative* description that looks for human agency tied on threefold cords – reason to value, comprehending our lives, and exercising jointly in groups and institutions. Conceptualizing the agency achievement in the light of freedom and capabilities, we could judge through our values and objects in preference to external factors. Sen frameworks this motivation of agency as *reasoned agency* (Dreze and Sen 2002, 19). Devoid of a satisfactory altitude of well-being, freedom, and achievement, persons are incapable of realizing their potential agency. Parenthetically, they should weigh up their health, nutrition, well-being, education, job, and security more prominently to have the ability to decide on and the freedom to achieve what they ache for. In his classic *On Ethics and Economics* (Sen 1987), Sen worked on the interpersonal comparisons of utility. Sen emphasizes self-seeking behavior that hooks up an aplomb understanding of social arrangement and Pareto optimality. But the problem is that “The idea *that* overall social optimality must *infer alga* require Pareto optimality is based on the notion that if a change is advantageous for each, then it must be a good change for the society. That notion must in some sense be correct, but to identify advantage with utility is far from obvious” (Sen 1987, 38).

Now let us discuss “self-interest,” another crucial issue of Sen’s philosophy. Self-interest can be demonstrated in two disjoint subsets:

- (a) Truly self-interested actions
- (b) Pursuit of present aims

Smith clearly outlines his sheer derision for gross self-indulgences. Smith's prudence stands for the amalgam of two qualities:

- (a) Self-command (Stoics)
- (b) Reason and understanding

Sen articulates that even though prudence as a virtue works well resulting from "self-love," it needs to go beyond the concept of self-interest. In contrast to prudence, humanity and justice are more pertinent qualities that work for all (Sen 1987, 23).

Besides, for Sen, the notion of an agent's well-being hinges on their current functionings that have included the *activity* of choice and on the agent's required opportunities (freedom) to function compared to the incurred current functionings. Sen puts forward these needed opportunities or freedom for functioning in place of "capabilities." An agency freedom is a moral responsibility that the person upholds to achieve whatever they choose to achieve, and it is nothing but a power to act and be effective. Sen brings a normative outlook inter-reliant on functionings and capabilities. Sen emphasizes the agent-oriented capability approach that indispensably invigorates descriptivism on the agency to decipher a moral stance.

## Some Words

To emphasize choice without uncertainty, an agent must choose from a set of reciprocally exclusive outcomes. But one could face the problem that sometimes the mutually exclusive outcomes of an action hinge on other people's performance and their activities related to the set. Sen basically gives precedence to choice with certainty instead of choice under deliberate uncertainty (Sen 1993a; Morris 2010). Sen's economic theory neither collides with rational choice theory nor is impregnated by preference-oriented certainty principle. The vital point is that an

agent's choice behavior gains adherent in supporting choice functions. The rational choice-based theory might have a universal set of alternatives that seems context-sensitive. Sen is hesitant to accept a theory of rational choice exclusively derived from the agent's choices and reliability conditions devoid of underscoring the agent's choices concerning their preferences or motivations. Sen rebuffs any internal consistency of choice as a testable empirical hypothesis because of the internal inconsistency that delimits the scope of an agent's preference. For him, a fasting person and a person starving because of poverty have the same functioning, but a difference emerges because of their capabilities and choices. Although there is a choice for the fasting person not to continue her fast, this choice is not available for the starving person. The capability approach holds moral values and normative laws as spheres of choice and freedom.

What kinds of freedoms are capabilities? A very satisfying answer is available in Sen's literature (Sen 1992, 2001) when he says that capabilities are freedoms that conjure up real opportunities, which bring up the *presence* of valuable freedoms or its alternatives, in connection to opportunities despite its formal or legal essence, but more morally, conceptually and effectively (pragmatically) accessible to the agent. Nussbaum enshrines a list of capability approaches (in actual, an open-ended ten capabilities – *Life, Bodily health, Bodily integrity, Senses, Imagination, and Thought, Emotions, Practical Reason, Affiliation, Other Species, Play, and Control over One's Environment*) that could be applied for every country's constitution regardless of their caste, race, and livelihood. Nussbaum thinks her universal human development approach of "central human capabilities" is a fundamental moral entailment of a *quality life* worthy of human dignity for every human being on the earth to attain their "minimum core social entitlements," justice, and human rights (Nussbaum 2011). Sen distinctively refuses to secure "one predetermined canonical list of capabilities, chosen by theorists without general social discussion or public reasoning" (Sen 2005, 158). Development prevails by undermining unfreedom that

confines humans' choice and opportunity within a minimal boundary. This parsimonious point gives an advantage over the moral behaviors of the others in cultural variation to promote a set of choiceable opportunities for the people.

## Cross-References

- [Adam Smith's \*Theory of Moral Sentiments\*](#)
- [Agency Theory](#)
- [Economic Efficiency and Socioeconomic Well-Being](#)
- [Equality of Opportunity](#)
- [Humanitarian Ethics](#)
- [Normative Ethics](#)
- [Rawls' Theory of Justice](#)
- [Utilitarianism](#)
- [Welfare Economics](#)

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## Servant Leadership and Internal Social Capital

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## Synonyms

Internal social networks; Organizational social capital; Servant management

## Introduction

In today's fast-changing business environment, having highly skilled individuals is an essential element in improving a firm's competitiveness. However, hiring the most talented people is not enough. Organizations need to develop structures and processes that enable employees to collaborate, cooperate, learn, and share resources. Therefore, research and business practice have focused on analyzing the effects of internal social capital, defined as the social relationships established within the organization that are based on information sharing, trust, and collective goal orientation (Leana and Pil 2006). Specifically, internal social capital is comparable to other forms of capital produced within the organization that brings multiple benefits (e.g., lower transaction costs, greater capacity for knowledge transfer) which improve business performance. Due to the importance of social capital for organizations, several studies have sought to understand the mechanisms that generate this valuable resource. In this regard, recent research has shown developing leadership that provides continuous support to employees

can improve internal social capital. Thus, managers that engage in servant leadership, and so display sincere and honest concern for the personal and professional growth of their followers, are likely to foster strong, quality social relationships within the organization. Hence, servant leadership may be an appropriate strategy for enhancing internal social capital.

## The Nature of Servant Leadership

Servant leadership has its origins in the essays of Greenleaf (1977), in which he develops the fundamental thesis: “The servant-leader is servant first [...] It begins with the natural feeling that one wants to serve, to serve first” (Greenleaf 1977: 27). Thus, servant leaders prioritize the needs of their followers before their own interests, helping them develop personally and professionally so that they can reach their maximum potential within the organization. Therefore, servant leadership, through its servant dimension, is highly moral and focuses on aspects of human nature itself.

Despite providing the basic premises of servant leadership, Greenleaf (1977) fails to establish a formal definition. For this reason, one of the first research lines aimed to establish a satisfactory conceptualization. The study by Eva et al. (2019) is significant in this regard, in that it carries out a systematic review of servant leadership, through which it provides an academic and rigorous definition: “Servant leadership is an other-oriented approach to leadership, manifested through one-on-one prioritizing of follower individual needs and interests, and outward reorienting of their concern for self towards concern for others within the organization and the larger community” (Eva et al. 2019: 114). Drawing on this definition, three fundamental characteristics that summarize the essence of servant leadership can be highlighted. First, servant leaders, as the name itself suggests, put the focus on the “other” (i.e., the follower). This distinguishes servant leadership from other styles (e.g., transformational leadership, authentic leadership) that focus primarily on the leader’s own

characteristics. Second, unlike other leadership styles oriented toward the fulfillment of organizational objectives, the servant leader’s primary motivation is to ensure at all times that the needs of each follower are met. These are not arbitrary desires, but genuine needs linked to followers’ professional and human development. Finally, the third characteristic is related to the sense of community, which shows that the service orientation of the servant leader has a broad meaning, being directed not only toward the follower, but also toward the organization and other agents, including the community and society in general.

A second line of research, parallel to the studies focused on conceptualizing servant leadership, has focused on analyzing the positive effects of this leadership style on employees and the organization, advancing the servant leadership theory (Eva et al. 2019). In this sense, several studies have shown that an organization headed by servant leaders creates a collaborative climate in the organization, fostering high-quality, supportive social relationships that can have an impact on greater individual and organizational effectiveness.

## What Is Social Capital?

Social capital has been addressed in different fields of study (e.g., education, economics, and demography). However, its origin lies in the field of sociology, where this phenomenon has been analyzed from the perspective of network theory and communities. In this sense, the works by Bourdieu (1986) and Coleman (1988) were key in promoting the concept of social capital. On the one hand, Bourdieu (1986) analyzes the benefits of sociability and explains how the construction of social networks, through collaborative strategies, allows agents to obtain mutual benefit in the long term. On the other hand, Coleman (1988) studies and defines social capital as a social network structure where individuals meet at the nodes, proposing that the degree of social interaction that occurs within the structure explains the differences in intellectual capital present among the various agents.

The studies conducted by Bourdieu (1986) and Coleman (1988) undoubtedly form the basis of modern social capital theory. However, those by Burt (1992) and Putnam (1993) brought a mature, global, and business-related vision to this concept. Thus, on the one hand, Burt's study (1992) is grounded in the thesis that agents compete in imperfect markets, where there is no homogeneous and strongly cohesive network. Through this idea, Burt (1992) develops the concept of structural holes, according to which an agent will possess greater social capital if they manage to better interpret the map of social relations and gain privileged access to areas where there is novel information and resources. On the other hand, Putnam (1993) demonstrated that organizations with quality social relationships based on trust obtain better results. These works were the basis for the study by Nahapiet and Ghoshal (1998), which provides one of the most widely used definitions of social capital in the field of business organization: "Social capital is the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit [...] It comprises both the network and the assets that may be mobilized through that network" (Nahapiet and Ghoshal 1998: 243).

## Perspectives of Social Capital

The social relationships that generate social capital can be developed inside or outside the organization, giving rise to the concepts of internal social capital and external social capital (Leana and Pil 2006).

From an external perspective, social capital is generated by the relationships the firm maintains with other agents or institutions. Under this approach, external social capital is defined as the set of resources a firm can access thanks to the establishment of inter-organizational relationships in a given network (Leana and Pil 2006). This perspective is useful for analyzing inter-organizational relationships and examining how the network provides access to valuable resources.

In this way, social capital emerges as a strategic resource that can explain differences in performance, even between companies in the same sector.

Internal social capital, meanwhile, refers to the social relationships (i.e., formal and informal) that are established within an organization. Through these relationships, resources are exchanged and information transferred, favoring the generation of new knowledge and the achievement of collective goals. Therefore, internal social capital is seen as a collection of resources that are available to the organization and that help achieve collective objectives.

## Dimensions of Internal Social Capital

The literature considers internal social capital as a complex and multidimensional construct (Leana and Pil 2006). In order to understand the concept, we must know the structure of the social network, the quality of the relationships established within it, and the resources available to the agents. In this sense, one of the most widely used classifications is that designed by Nahapiet and Ghoshal (1998), who propose that social capital is composed of three dimensions: structural, relational, and cognitive.

The structural dimension of internal social capital reflects the degree to which the members of the organization are interconnected. Thus, it comprises the network configuration through which employees share information and access valuable resources.

The relational dimension of internal social capital describes the nature and quality of the personal relationships that are established between members of the organization. Thus, two elements are essential for its formation: the trust established in relationships, and the social norms internalized by its members that define the patterns of behavior expected within the organization.

Finally, the cognitive dimension represents the common language used by employees in their interactions, with shared goals and identification with the organization being the key elements that allow employees to develop a common understanding and thus achieve collective goals.



## Servant Leadership and Internal Social Capital

Social exchange theory (Blau 1964) and social identity theory (Ashforth and Mael 1989) help explain the relationship between servant leadership and internal social capital in its three dimensions: structural, relational, and cognitive.

First, social exchange theory (Blau 1964) emphasizes reciprocity as a rule for the functioning of social relationships. Thus, when one person acts in favor of another, a feeling of gratitude is generated in the beneficiary which leads to tacit obligations to act in the same way. This feeling coincides with that expressed by followers toward servant leaders. Thus, servant leaders express genuine concern for the development of each of their followers, spending time and resources to foster interpersonal relationships that enable open and honest communication within the organization (cf., Eva et al. 2019). All these positive aspects toward the follower engender a feeling of gratitude and the need to reciprocate to the servant leader and the organization. In this way, it is possible to increase, on the one hand, the number of relationships within the organization and, on the other hand, the exchange of information, experiences, and resources that are available to all members of the organization. All of these are fundamental elements for the development of the structural dimension of internal social capital (cf., Leana and Pil 2006).

Second, regarding the relational dimension of internal social capital, servant leaders do not use coercive power in their interactions with followers, but a relationship of social exchange (cf., Eva et al. 2019). That is, these are relationships not based on economic exchange or contractual obligation, but on trust and reciprocity. Thus, drawing on the social exchange theory (Blau 1964), servant leaders, through their service dimension, achieve greater trust toward the leader and the organization among employees, which favors the cohesion and construction of strong and lasting social relationships within the organization.

Finally, the rationale for the relationship between servant leadership and the cognitive

dimension of internal social capital is supported by the social identity theory (Ashforth and Mael 1989), which argues that various organizational factors lead employees to put aside their personal interests, identify with the organization, and develop behaviors and relationships aimed at achieving collective goals. One of these essential factors is the presence within the organization of strong, proactive leadership, oriented toward the well-being of the organization's members. Therefore, the exercise of servant leadership can be responsible for generating in the employees this feeling of identification with the organization and making them feel the collective goals are also theirs. In fact, the servant leader, by providing care to followers, is considered highly attractive by the follower, helping them to give meaning to their work and to feel identified with the organization and its goals (cf., Eva et al. 2019). In addition, a servant leader, by promoting a shared vision among followers and a climate where employees can openly share their experiences and knowledge with their peers, favors the development of a common language and a sense of community within the organization (cf., Leana and Pil 2006).

## Conclusion

Servant leadership and internal social capital converge when emphasizing the importance of managers showing a genuine concern for meeting the needs of employees and thus achieving their full potential. In this way, first, servant leaders are seen as authentic ethical role models for all members of the organization who, through their social interactions, serve as an environmental stimulus to form frequent connections among them. Second, the presence of a servant leader within the organization ensures that, through their service dimension, the employees feel that they are treated as an end rather than a means, allowing for lasting and quality social relationships. Finally, positive affective feelings toward servant leaders activate the processes of identification with the organization and the way these leaders act. In

this way, employees are able to embrace the collective goals, commit to them, and develop a greater understanding of the organization's functioning. All these leads employees to mobilize their skills, abilities, and knowledge and put them at the disposal of the organization. Therefore, the presence of a servant leader enables followers to improve their social relationships, share information, deposit and access knowledge and experience in an easy and agile way, minimize transaction costs, improve coordination and knowledge, and ultimately achieve better organizational performance.

## Cross-References

- ▶ [Humanistic Management](#)
- ▶ [Leadership Theory](#)
- ▶ [Social Identity Theory](#)
- ▶ [Social Norms](#)
- ▶ [Transformational Leadership and Goal Setting](#)

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## Service Leadership in the Service Era

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## Synonyms

HKI-SLAM (Hong Kong Institute of Service Leadership & Management) Model; Service leadership education; Service Leadership Theory

## Background and Definition of Service Leadership

Throughout the past few decades, a transformation has been seen in advanced economies, whereby these economies are shifting from an industrial to post-industrial model. This means that service sectors are playing an increasingly important role in the global market while manufacturing industries are gradually shrinking in relative size. This is especially true in Hong Kong, where service economies accounted for 92.2% of the gross domestic product (GDP) in 2016 (The World Bank 2018). While manufacturing economies are characterized by mass-produced goods through standardized procedures, proficient task-related skills, and by using top-down leadership styles with highly-centralized decision making, the main outputs in service economies are personalized services that involve substantial interactions between service providers and recipients. Service economies favor a service mindset and “bottom-up” leadership style with distributed leadership and empowerment (Shek et al. 2018). Since interpersonal interactions play a key role in service delivery, “doing the right thing” by adopting “correct” values is more important than merely “doing the things right”

by following the proper procedures. Indeed, a leader's morality has been historically emphasized in Chinese communities, given the morals-oriented nature of Confucian values and collective Chinese culture.

The development of service economies calls for leaders who have humanistic orientation, ethics, and willingness as well as capability to satisfy a wide range of needs of different stakeholders. However, existing leadership models only partially address the leadership qualities most appropriate for service economies. For example, the transformational leadership model points to ethical concerns of leadership but rarely discusses as service leader's competence and service mindset (Shek et al. 2018). Hence, there is an urgent need for a holistic leadership model that can guide leadership education and practice in the service era. In order to address such need in Hong Kong, Po Chung, the co-founder of DHL International and Chairman Emeritus of DHL Express (Hong Kong) and Chairman of the Hong Kong Institute of Service Leadership & Management (HKI-SLAM), proposed the concept of "service leadership" and the Service Leadership Theory. Chung defined service leadership as a service "satisfying needs by consistently providing quality personal service to everyone one comes into contact with, including one's self, others, groups, communities, systems, and environments" (Shek et al. 2015a).

The Service Leadership Theory has been used to guide leadership education at the eight universities funded by the Hong Kong Government, with the aim of nurturing students toward greater effectiveness as service leaders (Shek and Chung 2015). We have further examined this Service Leadership Theory by investigating the "dark side" of service leadership and developing assessment tools measuring service leadership attributes (Shek et al. *in press*, 2017a; Shek and Lin 2017). In the following sections, we will outline propositions from Service Leadership Theory, the dark side of service leadership, education of service leadership in Hong Kong universities, and the development of service leadership assessment tools.

## Propositions from Service Leadership Theory

Service Leadership Theory shares some commonalities with some existing leadership models, such as ethical concerns and the concept of satisfying followers' needs in the transformational leadership model (Shek et al. 2018). Nevertheless, Service Leadership Theory has its distinct features, including the service mindset, a new paradigm for defining leadership, key determinants of effective service leadership, and the consideration of contextual values, particularly from Confucianism (Shek et al. 2015a).

First, Service Leadership Theory strongly emphasizes service orientation. Unlike traditional leadership models where a leader-follower relationship is hierarchical in nature and a leader holds high status and power to maximize personal interests, Service Leadership Theory regards leadership itself as a service that satisfies a wide scope of needs. These needs include the needs of the self, others, groups, communities, Societies, and environments (Shek and Lin 2015a). According to this, a good service leader collaborates with others, values others' and one's own well-being, and transcends self-interest to serve others. In other words, a good service leader is expected to have a service heart and willingness to provide high-quality service to others.

Second, Service Leadership Theory differs from other models that call for leading others as the main focus. Service Leadership Theory asserts that leadership manifests in three realms, including self, others, and systems. This reflects the multilevel and systemic approach to leadership (Shek and Lin 2015a). In fact, self-leadership in terms of managing and improving oneself in various areas is strongly emphasized. The underlying belief is that a person is unable to lead others well or contribute to society's well-being unless he or she can lead him or herself productively. This philosophy incorporates the Chinese Confucian thoughts holding that one should engage in constant self-evaluation and self-reflection in order to regulate oneself well and improve continuously. This subsequently results in interpersonal harmony and social stability, as *The Great Learning*

(“Daxue,” 大學) maintains that “only after cultivating yourself, can you manage your household; only after managing your household, can you govern the country; only after governing the country can you bring harmony to the world” (“shen xiu er hou jia qi, jia qi er hou guo zhi, guo zhi er hou tian xia ping,” 身修而後家齊, 家齊而後國治, 國治而後天下平).

Third, while the traditional belief portrays a leader as a superior, talented, and great individual, Service Leadership Theory claims that everyone can be and is a leader at any given moment (Shek and Lin 2015a). Primarily, this notion recognizes each individual’s potential to lead with his or her own strengths. With this in mind, a service leader is humble and open-minded, able to identify his or her followers’ potential and nurture them to become service leaders as well. In other words, good service leaders serve as mentors to their followers (Shek and Lin 2015c). Second, this notion appreciates distributive leadership in service economy in terms of encouraging everyone to optimize his or her competence for assuming a leading role. To achieve this goal, one should take the initiative to continuously improve and fully utilize one’s personal service leadership qualities. Thus, good self-leadership is the prerequisite to actualize the theoretical notion that everyone can be a leader.

Fourth, Service Leadership Theory asserts that effective service leadership is dependent on three fundamental components: competence, character, and care (i.e., the 3Cs) (Shek and Lin 2015a). Competence refers to both intrapersonal skills (e.g., resilience and emotional intelligence) and interpersonal skills (e.g., the ability to resolve conflicts and build positive relationships) that make a leader competent in fulfilling his or her duties and inspiring teammates to do the same. As for character, a service leader should demonstrate character strengths that are valued across cultures and philosophies. Strengths of character, such as integrity and trustworthiness, let a service leader “do the right thing” and lead in a moral way. The third C is care, as one should be sensitive and willing to meet others’ needs. A caring leader will not satisfy his or her own needs at the expense of others’ benefits. More than that, a caring leader

will sacrifice his or her interests for the benefits of others. By equally emphasizing these three essential leadership qualities, Service Leadership Theory addresses leadership ethics (“being”) in addition to leadership skills (“doing”), and establishes a holistic model to explain how to better oneself and others and ultimately build a harmonious and functional society in the service era (Chung and Elfassy 2016).

## The Dark Side of Service Leadership

As aforementioned, the “3Cs” are globally valued and indispensable for effective service leadership. Consequently, a weakness or lack of any of these attributes can give rise to the dark side of a service leader, which is considered a “virus” by Chung and Bell (2015). A software virus can infect a computer simply through an infected email or download, to then attack and corrupt the computer’s operation system by making numerous copies of itself. Likewise, a virus in leadership can start small but reinforces and replicates itself through repeated negative behaviors. This ultimately brings a corruption of a service leader’s “Personal Operating System” (POS), which then influences how a leader collects and processes information, uses resources, and takes action (Chung and Bell 2015). By this mechanism, even a minor service leadership virus can create personal failures and organizational ineffectiveness. Empirical findings support this idea by showing the negative impacts of the dark side of leadership in multiple areas, including the leader’s own life, followers’ working attitude, mental health, job performance, and organizational outcomes, such as climate, turnover rate, and commitment (Shek et al. [in press](#)).

Some scholars conceptualize the dark side of leadership as ineffective and destructive leadership, with the former associated with incompetence and the latter related to unethical and uncaring attributes (Shek et al. [in press](#)). This echoes Chung’s argument that a lack of any aspect of the 3Cs constitutes the dark side of service leadership. Chung further claims that viruses in leadership are “anti-virtues” (Chung and Bell

2015). In other words, viruses in service leadership are characterized by negative attributes that represent the opposites of virtues that reflect positive traits and high morality. With specific reference to Chinese tradition, viruses are antitheses of traditional Confucian virtues (Chung and Bell 2015; Shek et al. *in press*), such as kindness (“ren,” 仁), righteousness (“yi,” 義), respectfulness (“li,” 禮), wisdom (“zhi,” 智), and trustworthiness (“xin,” 信). The corresponding viruses would be unkindness, unrighteousness, disrespectfulness, being unwise and untrustworthy, respectively.

To achieve effective service leadership, being free of viruses is critical. This is particularly important in Chinese societies where Chinese people have the high tolerance toward and unwillingness to report unethical behaviors of leaders (Zhuang et al. 2005). To some extent, this makes leadership viruses more harmful in the Chinese context. Chung has recommended several ways to prevent and reduce viruses in service leadership, such as cultivating virtues by providing service leadership education and creating a positive environment, restoring moral strength through reflection, taking action to remove viruses, and repairing interpersonal relationships (Shek et al. *in press*). Among these, the key principle is that we should not do viral things like cheating and lying if we do not wish to have these things done to ourselves. As Confucius advocated, “do not do unto others what you do not want others to do unto you” (“ji suo bu yu, wu shi yu ren,” 己所不欲, 勿施於人, *The Analects* 15:23),

## Service Leadership Education in Hong Kong

Traditional leadership education highlights the importance of professional and leadership skills in the field. Such approach applies well in manufacturing economies, where operations require hands-on skills. However, in the contemporary service era, production-related skills are no longer the only qualities that make one an effective leader. Thus, leadership education in services societies like Hong Kong should include broader

concepts in response to the demanding call for effective service leaders. To this end, with the financial support provided by the Victor and William Fung Foundation, and the collaborative effort from HKI-SLAM, a multiyear project entitled “Fung Service Leadership Initiative” (FSI) was initiated at Hong Kong’s eight public universities since 2012. The initiative is a strategic attempt to strengthen service leadership education based on the Service Leadership Theory. The goal is to sustain Hong Kong’s competitiveness and keep its position as a leading service economy.

Since the start of the initiative, the universities have designed and implemented their own service leadership curriculum and programs to enrich university students’ knowledge of service leadership, help them cultivate their 3Cs, develop their service spirits, and improve leadership practice in their daily lives (Shek and Chung 2015). For example, The Hong Kong Polytechnic University (PolyU) developed credit-bearing subjects as well as noncredit-bearing training programs and carried out evaluation studies adopting different strategies. These have included subjective outcome evaluation, objective outcome evaluation, and qualitative evaluation (Shek and Lin 2015b).

With regard to the credit-bearing course, a subject entitled “Service Leadership” is embedded in the General Education curriculum and offered to students at PolyU. This classroom-based course helps students learn leadership models regarding the service sector; realize the importance of the 3Cs in determining effective service leadership; reflect on their own strengths and weaknesses regarding service leadership characteristics; develop and apply essential service leadership qualities; and understand the significance of effective service leadership to the well-being of oneself, others, and the society (Shek et al. 2015c). To date, approximately 1,000 students have enrolled in this subject. As reflected by the positive response, to evaluation studies, students were highly satisfied with their learning experience and the subject is effective in cultivating students’ service orientation and helping them improve core service leadership attributes (Shek et al. 2014, 2015b; Shek and Li 2015b). Additionally, a service-learning subject

entitled “Service Leadership through Serving Children and Families with Special Needs” is offered to undergraduates with the aim at helping them apply service leadership knowledge and skills through serving children with special psychosocial needs. These children include those with social and economic deprivation, behavioral and emotional problems, or developmental disorders (Shek et al. 2015c). This course is also helpful in enhancing service leadership qualities in university students (Ma et al. *in press-a*, *in press-b*; Leung et al. 2016). These subjects were awarded the Bronze Awards in the QS Reimagine Education Awards 2016.

Besides, a modified version of the above-mentioned “Service Leadership” subject was designed as an academic component of several leadership training programs, including “Silk Road Youth Leadership Programme,” “Global Youth Leadership Programme,” and “SOAR Youth Leadership Programme,” which were collaboratively organized by PolyU and higher institutions in China mainland, such as Xi’an Jiaotong University and Peking University. The modified service leadership course is offered to university students taking these leadership programs in an intensive mode (i.e., 3.5–4.5 days) with the purpose of promoting their understanding of service leadership concepts and enhancing their service leadership attributes. Evaluation findings also demonstrated that students were very satisfied with the innovative service leadership education programs (Shek et al. 2017d; Shek and Li 2015a). In addition, participants showed significant improvement after the completion of the intensive course in fundamental service leadership attributes, such as self-leadership, care, and character strengths (Shek et al. 2017c; Shek and Lin 2016).

## Assessment Tools

In Hong Kong, evaluation work has been done to assess the effectiveness of service leadership education. However, tools used in existing studies to measure service leadership qualities have not been

customized for the Service Leadership Theory (Shek et al. 2017c; Shek and Lin 2016). Effective measurement of service leadership qualities is not only vital to the legitimacy and future development of concepts and theories of service leadership, but also fundamental to scientific research. For example, it is important to investigate determinants and outcomes of service leadership qualities and evaluate the effectiveness of service leadership training programs (Slavec and Drnovsek 2012). We argue that the lack of validated assessment tools to measure service leadership qualities (i.e., knowledge, attitude, and behavior) has hindered education and research in service leadership in Hong Kong and other regions.

In view of this research gap, the research team at PolyU launched a research project entitled “development and validation of measures based on the service leadership model,” and designed as well as validated three related assessment tools. These included service leadership knowledge, attitude, and behavior scales with the involvement of seven other Government-funded universities in Hong Kong. To elaborate, the knowledge scale measures what one knows about service leadership in an objective way using multiple-choice questions. The original long-form knowledge scale for service leadership (i.e., SLK-LF-200) consists of 200 questions covering key points from the Service Leadership Theory, such as the core belief that “everybody can be a leader” and the three components of an effective service leader (i.e., the 3Cs). After initial content validation and criterion-related validation, a short-form knowledge scale containing 50 items (i.e., SLK-SF-50) was obtained (Shek et al. 2017b; Shek and Lin 2017). The attitude scale addresses one’s perceptions of service leadership as to what extent one agrees with the basic ideas of the Service Leadership Theory. A long-form attitude scale including 132 items (i.e., SLA-LF-132) was first designed and a short-form of 73 items (i.e., SLA-SF-73) was constructed after initial content validity test (Shek et al. 2017a). The behavior scale assesses whether one’s leadership practices



demonstrate leadership skills cherished in a service economy. The original long-form behavior scale (i.e., SLB-LF-97) had 97 items, among which 65 were retained in the short-form scale (i.e., SLB-SF-65) after initial validation studies.

To further validate the three assessment tools, a large-scale validation study was collaboratively carried out by the eight public universities in Hong Kong involving 4,486 undergraduates. Specifically, the three mentioned short-form scales (i.e., SLK-SF-50, SLA-SF-73, and SLB-SF-65) were administered via online surveys to those students recruited from the universities. For knowledge, attitude, and behavior scales, 40, 46, and 38 items were retained, respectively, in the finalized short-form scales (i.e., SLK-SF-40, SLA-SF-46 and SLB-SF-38). These finalized scales indicated good psychometric properties and can be regarded as valid, reliable, and robust measurement tools in assessing service leadership qualities. Related findings of the large-scale validation study are reported in a special issue.

## Cross-References

- [China and Business Ethics](#)
- [Chinese Approach to Business Ethics](#)
- [Destructive Leadership](#)
- [Economics, Ethics, and the Environment](#)
- [Ethical Leadership](#)
- [Future of Work: Values and Ethical Issues](#)
- [Humanistic Management](#)
- [Leadership Integrity](#)
- [Leadership Moral Foundations](#)
- [Leadership Motives or Intentions](#)
- [Leadership Theory](#)
- [Pseudo-Transformational Leadership](#)
- [Transformational Leadership](#)
- [Toxic Leadership](#)
- [Virtue Ethics](#)

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## Shareholder Theory

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## Synonyms

Business ethics; Ethical reciprocity; Moral conflict; Stakeholder theory

## Introduction

Business ethics is an island unto its own yet called upon by all disciplines, scholars, corporations, and executives to anchor in their harbor for moral support. Upon arriving to any seaport, ethical dilemmas, conversations of moral judgment, and threats of corruption dominate the scene. Despite the fact that scholars acknowledge the nexus of normative ethics as a “north star” to guide through calm and treacherous waters alike, the question surrounding the disposition of ethics as it relates to Shareholder Theory still remains.

Wading deeper into the murky waters of controversy encompassing such a noteworthy theory and integral contribution of the firm, the conversation and view of Milton Friedman's (1963) that “social responsibility of business is to increase profits” continues to be challenged. Shareholder theory dictates that managers of the firm prioritize the interests of the shareholders which equates to increasing their wealth by means of profit. As such being the mindset of the firm, all other

## Further Readings

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stakeholders are pushed to the wayside viewed as pawns only to further the purpose of profit. Being socially responsible includes addressing the ethical implications and consequences of elevating shareholders interests as the utmost importance. CEO’s, scholars, and boards are beginning to recognize the value that all stakeholders have and understand that the firm in the twenty-first century looks much different (D’Cruz et al. 2022).

Moving in a New Direction

Roundtable conversations continue to move towards accepting the new reality of what social responsibility means for the firm (Fitzgerald 2019). The CEO of Blackwell, Larry Fink, took action by addressing CEOs in an open letter to reconsider the purpose of the firm (George 2018). Ignoring the contributions of all stakeholders of the firm somehow seems irresponsible, unethical, and non-inclusive. A direction society has moved away from. Fink’s letter may have been the catalyst for CEOs of nearly 200 companies to acknowledge through a joint statement that “all stakeholders are essential.” Unlike other statements proposed by roundtable discussions, specific authorship was given by 183 CEO’s declaring (by attaching their signature) their commitment to all stakeholders (Harrison et al. 2020). Table 1 provides the details of the most important elements of the declaration.

Upon review of the CEO’s commitment objectives, it supports the scholarly perspectives that the firm in the twenty-first century is much different than defined over four decades ago (Alvarez et al. 2020). Alvarez and authors articulate the many moving parts of the business environment that dissuade the perspective that the firm exists solely for economic purposes and argue that all stakeholders bring value to the bottom line. The future of business ethics is also of great importance focusing on technology, megatrends, and work (D’Cruz et al. 2022). Big Business, the power of AI, and the role religion plays in the workplace highlight a few areas that clearly uncover the nuances influencing the re-imagining of the purpose of the firm. The

**Shareholder Theory, Table 1** Adapted from Roundtable Commitment (Harrison et al. 2020, p. 3)

| While each of our individual companies serves its own purpose, we share a fundamental commitment to <i>all</i> of our stakeholders. We commit to: |                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commitment                                                                                                                                        | Description                                                                                                                                                                                                                                                    |
| Delivering value to our customers                                                                                                                 | We will further the tradition of American companies leading in the way in meeting or exceeding customer expectations.                                                                                                                                          |
| Investing in our employees                                                                                                                        | This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect. |
| Dealing fairly and ethically with our suppliers                                                                                                   | We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.                                                                                                                                          |
| Supporting the communities in which we work                                                                                                       | We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.                                                                                                                                 |
| Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate.                          | We are committed to transparency and effective engagement with shareholders.                                                                                                                                                                                   |

terrain is clearly different from four decades ago and must be considered.

The Debate and Moral Conflict

The ongoing debate has conflicted scholars for decades. Moore (1999) proposed the idea of the tinged shareholder theory introducing the shared perspective of stakeholder and shareholder theory ensuring equity of both. Schafer (2008) argues that the stakeholder model of the firm is a more ethical approach inline with the idea of social

responsibility. He addresses that individual morality plays a part in managerial decision-making. The idea that humanity is left at the door and the best interest of all stakeholders is top of mind knowing allegiance is to the shareholder is quite the conflict. From a moral theories perspective of Kantianism, utilitarianism, virtue ethics, and Judeo-Christian ethics, being socially responsible favors stakeholder theory (Schafer 2008). Mansell (2013) research also addresses the idea of moral obligation to the stakeholder drawing on the moral philosophy of Immanuel Kant “duties of right” and “duties of virtue.” History confirms that ethics and moral obligation contribute to scandalous outcomes if ignored.

When corporate corruption is discussed or ethical indiscretions are referenced, it does not take long for Enron to surface in the conversation. It has become an iconic indiscretion that influenced change within the context of the firm’s ethical behavior. The adage that “Rome was not built in a day” so is the reality that corruption does not happen overnight. Ethical indiscretions start small and begin to fester throughout an organization. Ultimately unethical behavior becomes an acceptable practice that it is embedded within the culture of the organization. The collapse of Enron was a combination of unethical choses starting at the top e.g., misleading shareholders, moving assets around to show cashflow, creating a “rank and yank” system that created a climate for employees to lie and do anything to keep their job, along with many accounting indiscretions (Parboteeah and Cullen 2019). So how can corporations avoid scandalous outcomes? Is the idea of making profit above all else to satisfy the shareholders wealth create pressures to behave outside the margins of ethical practice?

### **Ethical Reciprocity as a New Perspective of the Firm**

Arriving 1 day in a world where no ethical conflict exists reflects a utopian society. Despite this reality ever coming to fruition, the task of ethical scholars and corporations must continue the

journey of uncovering efforts towards ethical and moral resolve of the firm. Salter (2019) shares many of the sentiments above particularly as it relates to shareholder theory. Answering the question of corporate corruption and indiscretions is not new to Salter. His prior work has focused on crony capitalism (2014), how short-termism creates corruption (2012), and invention corrupted (2008) insights from Enron. His working paper, *Rehabilitating Corporate Purpose*, uncovers the idea that shareholder value maximization has separated the public causing mistrust in capitalism as a system of economic governance. His insights surround the idea of capitalism and justice embedded with Aristotle’s theory of reciprocal justice, ultimately landing on the idea of ethical reciprocity as a focus of the firm.

The idea of ethical reciprocity suggests that there is an equal exchange or agreement between the firm and all stakeholders (shareholders included) to receive something of value in return for given contribution. A logical premise to propose if seeking a “new” meaning of the firm being “socially responsible.” This equitable exchange discourages any one stakeholder to dominate the firm’s attention (Salter 2019). This could be a potential resolve as it appears to align with the CEO Roundtable commitments (see Table 1 above). Building on Schafer (2008), Judeo-Christian ethics leans into this premise when discussing the “body of Christ” and its parts. The scripture in I Corinthians 12:12–27 (NCV) addresses the significance of each part of the body e.g., the arm, the hand, and the head, contribute to the whole of the “body” and its ability to function properly. The loss of any one part hinders the body’s ability to function as needed. The ability to achieve certain tasks is hindered or can no longer perform certain activities.

This parable is reflected throughout society and a fundamental philosophy. Consider team sports as one an example and the firm as another. Each are dependent on the defined foundational structure (team members and employees) to carry out their role to achieve success (winning and profit). Logic from this perspective would convince anyone that one entity, such as shareholders,

being elevated over the other would eventually cause conflict. Conflict not only with outcomes, but amongst “all” of the moving parts.

## Conclusion

Turning a “big” ship around is no easy task. Moving towards a new theory of the firm has been researched by scholars and discussed by corporate executives for decades. Now, discussion has finally moved towards action. Actions not only seen by the commitments of certain CEOs, but corporations taking action through their strategic planning efforts, changing their approach to the meaning of being socially responsible, and agreeing that “all” stakeholders contribute to the value of the firm. Ignoring the reality that being “socially responsible” in the twenty-first century for the firm looks different is a potential ethical hazard. The great historian, Arnold Toynbee, in his studies identified that societies have the capacity of their own destruction despite their success or sophistication (Toynbee 1934), “Great civilizations die from suicide, not by murder” (Salter 2019 p. 6).

It is no mystery that shareholders provide the needed capital for any firm to exist as intended. Yet without the other stakeholders’ contributions the firm would not exist. The idea of stakeholder value advancing in the ranks and CEOs encouraging its equitable value to the firm reflects societal changes in how business is now conducted. This positioning provides an opportunity for the firm to move further away from its own destruction.

Pushing for change and approaching the future of business with eyes wide open is imperative for the success of the firm. Friedman’s argument that being socially responsible is solely focused on profit would be detrimental to the firm and ultimately contribute to an unhealthy culture. Focusing on ethical reciprocity as the moral principle needed to move towards a more equitable and appropriate foundation for the twenty-first century firm is a notable approach to consider.

## Cross-References

- Capitalism
- Christianity and Business Ethics
- Ethical Dilemmas
- Social Responsibility and Business: The Milton Friedman Position
- Virtue Ethics

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## Shell Companies

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### Synonyms

Corporate vehicles; Dummy companies; Front companies; Holding companies; Hollow companies; Letterbox companies; Mailbox companies; Special purpose vehicles

### Definition/Introduction

A shell company is a legally incorporated entity that may consist of nothing more than a postal address of a registering agency and a contact person at that address.

### Description

Examples fitting our definition could be found in the 200,000 or more companies registered at 1209 North Orange Street in Wilmington, Delaware (Obermayer and Obermaier 2016). Findley et al. (2013) offered a crude definition of a shell company taken from the website of a firm in Wyoming that marketed and housed over 2000 shell companies. “A corporation is a legal person created by state statute that can be used as a fall guy, a servant, a good friend or a decoy... A person you can control... yet cannot be held accountable for its actions. Imagine the possibilities!” Obermayer and Obermaier (2016) quoted a former US tax investigator who said that “shell

companies are to a wide range of wily criminals what getaway vehicles are to bank robbers – they allow criminals to escape.”

Van der Does de Willebose et al. (2011) offered a somewhat more detailed definition based on what is not in such a company, namely, “...a shell company can be defined as a non-operational company – that is, a legal entity that has no independent operations, significant assets, ongoing business activities, or employees” (p. 34). When compared to the features of an ordinary, standard, or normal company, the term “shell” appears to hit the nail right on the head. Ordinary companies usually occupy some functional space (e.g., buildings with appropriate fixtures, furniture, machines, washrooms, dining halls, recreation centers) in which employees and/or machines perform some sort of economic activity (e.g., producing and marketing some goods and/or services, purchasing and consuming intermediate goods and/or services); employees may have unions or not, engage in intra- and/or intermural activities (e.g., singing groups, sports teams, community services, chambers of commerce, newsletters); personnel at diverse levels working on strategic plans, with formal and informal meetings with or without minutes and a hierarchy of offices (e.g., committee chairs, recording secretaries, foremen and women, consultants), producing financial and nonfinancial reports, interacting with financial service providers (e.g., banks, lawyers, management and accounting professionals). (For a thorough and provocative investigation of a central service provider and its enablers, see Obermayer and Obermaier (2016).)

The literature on the unethical and/or illegal functions of shell companies is certainly much larger than the literature on the ethical and/or legal functions. There are, however, a number of legitimate functions of shell companies. For examples, shell companies (1) might be created to provide a corporate vehicle for company mergers; (2) to provide a vehicle for a joint venture without a formal merger; (3) to provide a neutral jurisdiction to locate the home for a joint venture ensuring fair legal treatment of companies initiating the venture from different jurisdictions; (5) to create distinct entities transferring and



holding different assets or debts; (6) to function as a holding company; and (7) to meet the requirements and enjoy the benefits of non-resident investors in foreign jurisdictions (e.g., in free trade zones); (8) to represent the residual assets and/or liabilities of a company being phased out (Van der Does de Willebois et al. 2011).

Regarding the unethical and/or illegal functions of shell companies, in the broadest of terms, shell companies are used to hide or shelter some activities and/or assets (e.g., real estate, art works, jewelry, cash, gold, investments, stocks or bonds, relationships, taking bribes) connected somehow to some beneficial owner(s) from the view of legal authorities, e.g., tax collectors, creditors, potential biological or otherwise legal heirs, persons entitled to court-ordered compensation for misdeeds, marital or parental obligations. The term “beneficial owner(s)” is used to denote “the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement” (Van der Does de Willebois et al. 2011).

It is important to maintain the disjunction “unethical and/or illegal” because, unfortunately, legal procedures can be and routinely are exploited in ways that are certainly unethical and may or may not be illegal, depending on which jurisdictions are involved and how the laws in various jurisdictions are interpreted. Most notoriously, this can occur when shell companies are used to launder money, evade taxes, rob the public purse or facilitate exchanges among drug dealers, arms dealers, human traffickers, and terrorists. Van der Does de Willebois et al. (2011) noted that approximately two million companies are incorporated every year in the United States and “in virtually all cases, . . . without obtaining the names of the people who will control or benefit from those companies. . . . [This] is especially troubling given the huge number of legal entities formed in the United States each year – around 10 times more than in all 41 tax haven jurisdictions combined. Because so little information is collected on U.S. companies, it is impossible to tell how many are shell companies and not

operational companies, but U.S. law enforcement consistently has indicated that the number is high enough to cause grave concern.”

For the 150 cases of “grand corruption” (involving “illicit assets” totalling \$50 billion), that van der Does de Willebois et al. (2011) examined, they reported that “Companies were used to hide the proceeds of corruption in 128 [85% and] . . . In more than half of the cases analyzed that involved any sort of company, that company was a shell company.” In broad strokes, they concluded:

- “In cases where the ownership information was available, most cases of large-scale corruption involve the use of one or more corporate vehicles [companies, trusts, foundations and fictitious entities] to conceal beneficial ownership.
- The precise patterns of misuse vary from country to country, although the corporate vehicle most commonly used globally is the company.
- Shelf companies [relatively long lasting shells] pose a particular problem, as they provide criminally inclined individuals with a company history and set of company officials, all entirely unrelated to the corrupt individual.
- Most companies used to conceal beneficial ownership are non-operational [shells], although operational companies are also used, particularly for paying bribes.
- The use of professional nominees and front men increases the lack of transparency of corporate vehicle structures.
- Bearer shares [bearing no owners’ names], although still used to conceal beneficial ownership, are being used less frequently than they were in the past.
- A tiered structure of corporate vehicles owning or controlling others can be particularly effective in hiding beneficial ownership. . .
- To be able to identify suspicious, economically unsound structures, law enforcement needs to understand the rationale behind legitimate structures. At the moment, law enforcement’s understanding of corporate law is limited.”

Findley et al. (2013) undertook “the first international relations (IR) field experiment on a global scale” with a survey of 1,264 service provider firms in 182 countries. They found “In the overall sample, 26.2% of the service providers contacted and 48.9% of those who actually responded were willing to defy international standards in providing a shell company without

requiring certified proof of the customer's identity." About these percentages, they sadly remarked that "The relatively high rate at which service providers are willing to offer anonymous, untraceable shell companies is a sobering comment on the difficulties faced in combating money laundering, corruption, the financing of terrorism, and other related crimes."

To address the problem of shell companies being used to hide the ultimate owners and/or controllers of illicit activities, every source consulted for this essay strongly recommended that every country should create a national registry of companies that would, among other things, be available at least to law enforcement officers through an automatic exchange of information and include names of the beneficial owners, e.g., see Shaxson (2011), Zucman (2015), Obermayer and Obermaier (2016), Martini and Murphy (2018), Meunier (2018), and Comeau (2019). Van der Does de Willebois et al. (2011) provided the most detailed list of information required for such registries. Of their 14 recommendations, they included:

- (1) "Certain basic information on legal entities should be maintained in corporate registries... [e.g., entity name... date of incorporation... entity type... entity status... address of the principal office... particulars of formal positions of control]".
- (7) "Jurisdictions should ensure that all service providers to corporate vehicles – whether in establishing them, administering them, or providing financial services to them – collect beneficial ownership information when establishing business relationships" ... (8) Documented particulars of a legal entity's organization, including those details that indicate beneficial ownership and control, should be held physically or electronically within the jurisdiction under whose laws it has been created" ... (11) "Jurisdictions should ensure that financial institutions gather beneficial ownership information and develop and maintain complete beneficial ownership compliance files".

The public pressure for the creation of publicly accessible registries of the sort recommended in the previous paragraph is increasing. Deneault (2015) claimed that "Canada and the U.S. are the two most lax jurisdictions in the world when it comes to the rules for preventing the incorporation of anonymous shell companies." Martini and

Murphy (2018) reported that "15 G20 countries had weak or average frameworks" regarding registration of companies' beneficial ownership, a number that had dropped to 11 by 2018. According to Meunier (2018), "By early 2020, all 28 European Union members and a majority of FATF's [Financial Action Task Force] 37 members will be on track to implement publicly accessible registries of beneficial ownership... [and] More than 40 countries now have, or are committed to having, public registries." Because the UK's extensive array of overseas territories is by far greater than any other country, it is very encouraging to hear that "On May 1, 2018, the UK Parliament voted to require the UK's 14 overseas territories to publish public registers of company ownership by the end of 2010" (Meunier 2018). These territories include the notorious tax havens of Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, and the Turks and Caicos Islands.

## Cross-References

- ▶ [Financial Secrecy Index](#)
- ▶ [International Consortium of Investigative Journalists \(ICIJ\)](#)
- ▶ [Panama Papers](#)
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## Social and Economic Mobility

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### Synonyms

Class inequities; Socioeconomic status

### Introduction

Status hierarchies exist in human societies. People who comprise a society can be grouped based on the economic resources available to them, and a person's location in a particular group dictates the status they are accorded in that society. Various exclusionary mechanisms keep a society's economic and social status groupings intact (Banerjee and Mehta 2017); such mechanisms operate to keep people in the status groups where they are born. Nevertheless, our interest here is social and economic *mobility*. "Mobility" indicates the capacity for motion. While a society's economic and status groupings tend to remain fixed, the term *social and economic mobility* describes the phenomenon whereby individuals do not necessarily remain located within one particular group for their entire lifetimes. A person's socioeconomic standing can decrease;

so too can it increase. People tend to have considerable interests and exert considerable energies maintaining the economic and status resources they possess and finding ways to access more.

## Social and Economic Mobility

Upward mobility involves *adapting* oneself to the practices of the status group one covets. Certain human behaviors can be viewed as performative—as ways of enacting the desire to belong to a higher status group. Where one lives, the language one speaks, clothing one wears, and food one eats are examples of behavior associated with people's current and desired socioeconomic standing in societies the world over. For example, one's address, the number of storeys in one's home and the number of families living in it, the building materials used for its construction (e.g., bamboo or bricks), and whether home is rented or owned are among the observable indicators of one's current socioeconomic standing (Patel 2017). The language one speaks (and teaches one's children to speak) is also a performative behavior: styles of linguistic communication can be proud declarations of one's cultural belonging; they can also be viewed as parochial and "lesser than" the language of other, more economically affluent groups (Hicks 2017; Zaprudski 2007). The clothes people wear signal their economic means and strivings (O'Toole 2018), explaining why the brand labels on wealthy people's clothing are carefully watched and sought-after by people wanting to be seen as belonging to those wealthy classes. And the choice of foods to eat is also a performance; practices of "cultural omnivorism" demonstrate that people aspiring to higher socioeconomic classes will tend to conform to the eating practices of high-status reference groups (Domański and Karpiński 2018), hence connotations of caviar and champagne as indicators of status. Where people seek the esteem of people in higher classes, they will often disidentify with behaviors associated with the class of their birth, repressing experiences and memories associated with their pasts in favor of behaviors they

associate with increased social standing (Cahill 2018; O'Toole 2018).

One significant behavior illustrating the attempt to adapt to higher social and economic standing is the choice one makes about geographic location. Willingness to move can mean the opportunity to increase one's fortunes in comparison with those who remain stationary. Numerous examples throughout human history reflect this (Hatton and Williamson 1998). Moving away from the place where one is born is a way that people respond to being relegated to marginal positions in society (Ursin 2018); marginality and mobility are related concepts. When individuals' options to achieve increased financial resources or social esteem are limited, they may move to other parts of their home country (i.e., migrate), as seen in the movement of people from rural areas to cities for thousands of years. Similarly, people may leave their home country altogether (i.e., immigrate) in search of greater fortune. In either case, moving can enable an individual to attain greater access to property, income, education, and occupational status than those who remain in place (Alexander et al. 2017; Pérez 2017). Spatial mobility is no assurance of increased socioeconomic status (Fortunati and Taipale 2017); however, it is a behavior evidencing the human desire to compensate for limitations in one's financial and social resources or simply the hunger for more.

People from individualistic cultures tend to associate social and economic mobility with conscious choice: the assumed logic is that the talents people have plus the choices they make during their lifetime will dictate the social and economic status they achieve. Such emphasis on competence and agency obscures the influence of contextual factors on social and economic mobility. It is not always the case that the skills one develops and knowledge one acquires are transferable to more lucrative industries (Cassel et al. 2018); mobility varies by sector in an economy, and labor market conditions change over time. Furthermore, the initial conditions of one's life exert influence on a person's social and economic mobility and that of their children as well. The income level of one's family of origin has

intergenerational impact, according to longitudinal research. In the United Kingdom and the United States, in particular, income mobility is low – that is, people tend not to exceed the incomes achieved by their parents (Gregg et al. 2017). This empirical reality contrasts starkly with the mythology of “the American dream” – the assumption that the United States is a meritocratic society, wherein people willing to work hard will be rewarded financially and accomplish social standing exceeding that which their parents achieved (Carroll and Hoffman 2017; Ellis 2017; Swan et al. 2017).

The difference between myth and reality in the United States draws attention to the role of perception in the phenomenon of social and economic mobility. Human societies are held together by intersubjectively shared understandings about what it means to be part of a collectivity and about differences among people within that collectivity (Thompson 1985). People imagine how life would be in classes different than theirs. They develop beliefs about the potential for mobility in the society where they live and what it would take to move into a higher class. Some imagine an expanded identity for themselves personally, as future members of higher classes to which they aspire (Vokes 2018). Such imaginings and beliefs may be true or inaccurate; regardless, they influence decisions people make and behaviors they exhibit. For example, high school and college students who believe that higher grades will enable them to get good jobs exert greater academic motivation and persistence than those who don't hold this belief (Browman et al. 2017), regardless whether job prospects for such students are, in fact, greater. People's assumptions about the social mobility and economic rewards available to people of different genders impact the careers they will choose and whether or not they actively pursue higher salaries – even when actual opportunities for people of their gender differ from what they assume (Boyer et al. 2017). When citizens of a country believe that greater opportunities are available than those they currently possess, political discontent and protest are more likely (Healy et al. 2017), regardless whether that perception is accurate. Perceptions

about what is *true* exert strong impact on the phenomenon of socioeconomic mobility, so too do perceptions about what is *right*. Ethical complexities associated with social and economic mobility are many. Goals of greater social status can be held as ethical imperatives and thus help to account for the drive with which some people pursue higher stature in life. For example, when people raised in a disadvantaged area ascribe moral meanings to their future aspirations, those meanings can fuel powerful motivation to pursue goals, even in the absence of obvious advantage and presence of formidable obstacles (Baker 2017). Ethical considerations can also help us to understand why some people have not exploited economic opportunities throughout history. When, for example, “the city” has been viewed as a place of moral decay, impoverished people living in rural areas risk being condemned as sinful if they attempt to move into a commercial center to seek greater fortune (Greenfield-Liebst 2017). That dreams of greater status can be perceived as both ethically justified and morally bankrupt highlights something important. Where social and economic mobility are concerned, *facts* have impact, but the *narratives* people develop to make sense of themselves, their surroundings, and their potential futures are equally as potent in explaining the actions people take to change their standing.

Where the narrative “I can have more in life” becomes strong, an array of interesting facts comes into play. Formal schooling can be an effective path, given the strong correlation between education and increased economic and social mobility (Hacker and Hayes 2017). Indeed, some universities actively advertise their programs as mobilizing people for participation in higher socioeconomic classes (Beutell 2013; Leonhardt 2017). “I am escaping to a more promising future” is oftentimes grueling, evidenced by the levels of stress and other adverse mental health outcomes that can emerge by people striving to move into a higher social or economic class (Brietzke and Perreira 2017). At the personal level, narratives about increasing social and economic status can alter people’s lives in significant ways. It also alters the structure of a society,

changing the size of the various social classes, the dispersion of the population, and the distribution of its wealth throughout a nation’s geography (Du 2018).

Given the stakes, not only for an individual but for an entire society, it is unsurprising that governments through history have sought to control social and economic mobility.

Colonialism has been one practice whereby strategies are developed to limit the social and economic status accessible to indigenous peoples, relative to their foreign rulers (Schauer 2017). Today, calls for educating citizenry the world over are made by those who view it imperative for creating the conditions for wider public participation in governance (Natale et al. 2013). The United Kingdom created a Social Mobility Commission in a 2010 act of Parliament, seeking to monitor that nation’s progress toward increased mobility for its population. The German federal government has set liberal policies regarding economic immigration, though not without national debate (Mayer 2017). The costs and benefits of permitting people to move across borders in pursuit of greater economic and social opportunity are hotly contested among member nations of the European Union, and elsewhere, inspiring criticisms that efforts for territorial control impede people’s “right to mobility and a just share of the Earth’s resources” (Nevins 2017).

The structures of human societies tend to change slowly. The notion of social and economic mobility speaks to the phenomenon whereby individuals or groups change their financial standing and status more quickly, outpacing gradual forces of societal evolution. Social structures are amalgams of tradition that support human life; they can also act as the strongest forces for disparity and subordination (Barker and Feiner 2004) and the greatest barrier for improvements in the quality of life available to people (Natale et al. 2013). People in every society perceive possibilities other than the social and economic circumstances in which they presently live. Those perceptions, how available opportunities are avoided or exploited, and how adaptively certain behaviors are performed influence the ways in which people’s socioeconomic status moves during their lifetimes.



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- Education and Wealth Equity
- Impression Management and Business Ethics
- Individualism
- Protestant Work Ethic
- Social Identity Theory

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## Social Construction

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## Synonyms

Constructionism; Phenomenological Sociology; Social Process Theory

## Definition

Social construction refers to the processes that accompany the joint acts through which the social world is created. Social constructionism is one of the two main traditions within the sociology of knowledge (along with social determinism). Social constructionism attends to processes such as objectification, internalization, and reification as they relate to substantive areas such as social problems, gender, the medicalization of deviance, science, knowledge, and truth claims more generally. As Berger and Luckmann (1967: 1) assert, “reality is socially constructed and . . . the sociology of knowledge must analyze the processes in which this occurs.”

## Description

The social constructionist tradition is interested in everything that constitutes knowledge in any given society and the various subcultures therein. In this sense, social constructionism is a radical tradition, in that it does not give primacy to dominant ideologies, but rather attends closely and fully to the social processes that accompany the development, continuance, and potential rejection of various knowledge claims. Truth, therefore, is a quality attributed to an idea by some audience and is as fully a social construct as any other knowledge claim actors may make.

## Social Construction as Social Process

The social constructionist tradition focuses on how meaning is made. Sharing common ground with other interpretive traditions, people are understood to act toward the social world on the basis of the meaning it holds for them (Blumer 1969). While meanings arise through interactive processes, these processes themselves shape the qualities that are attributed to meanings and meaning sets. The social construction of knowledge, therefore, is an ongoing process whereby knowledge claims are advanced, challenged, objectified, internalized, and reflected upon. We may profitably distinguish between common sense

knowledge (shared understandings that facilitate everyday life), well-informed knowledge (a depth of understanding beyond everyday knowledge whereby ideas are accompanied by an analytical precision), and expert knowledge (those whose work makes a contribution to knowledge creation) (Schutz 1976). While all knowledge is social constructed, the norms for advancing knowledge claims vary considerably between everyday knowledge, well-informed knowledge, and expert knowledge. However, all are associated with the processes of objectification and reification.

## Objectification

The social world is comprised of culturally available typifications that are shaped by the here and now (Schutz 1976). The world into which the child, or the homecomer, or the stranger enters is made objectively available through the shared linguistically renderings of the world. While these constructs may have a taken-for-granted quality to them for everyday members, social constructionists draw out how everyday knowledge makes the world of social facts and thereby structure experience. As Berger and Luckmann (1967: 112–113) stress, “incipient legitimation is present as soon as a system of linguistic objectifications of human experience is transmitted. For example, the transmission of a kinship vocabulary *ipso facto* legitimates the kinship structure. The fundamental legitimating ‘explanations’ are, so to speak, built into the vocabulary. Thus a child learns that another child is a ‘cousin,’ a piece of information that immediately and inherently legitimates the conduct with regard to ‘cousins’ that is learned along with the designation.”

Therefore objectification is inextricably bound to language and other related sign indicators. We may use the indicator “dog” and convey to a child that the category of dogs is distinct from the category of “cat,” but at the very same time convey that the class of social objects understood as dogs may also be understood as companion animals, pets, service animals, farm animals, or food sources. That is, objectification needs to be understood in terms of the finite provinces of meaning

that sustain the objectification through both language and practice. If one alters the referential province of meaning the corresponding objectifications may also change.

## Reification

Reification is the social process through which human produced phenomenon are denied their humanness and viewed in nonhuman terms. That is, the products of human action are seen as being produced by some other non-human or super-human forces or entities. As Berger and Luckmann (1967: 106) note, examples here include facts of nature, cosmic laws and/or divine wills. Reification is a particular form of objectification, for the very social processes that create knowledge serve to erase, erode, or otherwise conceal the social processes by which knowledge is created.

Becker (2014) addresses a challenge in the study of the reification of ideas in his book *What About Mozart, What About Murder*. Therein he addresses a central critique of the constructionist position which I have framed elsewhere in this way: “It is all well and good to suggest meaning comes from some audience, but are there not acts that are so fundamentally offensive, abhorrent, and/or evil that they are inherently wrong? And if that is the case, one might make the leap in logic and assert that a central premise of (constructionist traditions) falls” (Grills 2016: 156). Becker’s answer to such challenges is instructive here.

The question of whether or not some aspect of the social world is considered deviant requires is an empirical one. It can only be answered by turning to the world of everyday life and attending to rule creation and the application of those rules to particular case at hand. However, the answer to the question “is an act evil?” does not rely upon empirical evidence, but rather is contingent on analysis from a defined set of moral principles. Therefore, the tasks of the philosopher and the sociologist are distinct ones. The study of reification is a decidedly empirical enterprise – one that is at odds with those who may have a variety of

interests in play to resist and silence such empirical work.

## Social Construction and the World of Facts

There is an cartoon where row upon row of filing cabinets drawers lament the state of the “fact” – they are labeled with names like “our facts,” “their facts,” “absolute facts,” “neutral facts,” “bare facts,” and so on (Frandon 1977). On Jan. 21, 2017, in a *Meet the Press* interview Kellyann Conway (Counsellor to the President of the United States) offered an additional modifier to the idea of the fact – the “alternate fact.” She said, “What you’re saying it’s a falsehood. And . . . our press secretary gave alternative facts to that.” This produced a media thunderstorm of critique – is not the world comprised of “facts” (i.e., that which is true) and the world of “nonfacts” (i.e., that which is empirically untrue). Was the crowd attending the inauguration of President Obama in Washington smaller than that for President Trump? In a world of alternative facts, the answer to this question became contested and contestable. At a first and somewhat naive glance, the world of empirical facts seems to resist and challenge the social constructionist position – after all it should be clear who won the election, if the temperature has increased, and which sports team won the series. But what we take as evidence to construct our collective facts is highly problematic. A small example illustrates the point here. Every Canadian of a certain age who was remotely interested in sport was enthralled by the Canada–USSR hockey series of 1972. What was advertised as a sure triumph of superior Canadian hockey skill over the less able “Russian” team turned out to be anything but. Yet in game 8, with a last moment goal that has become part of legend, Canada won the series five games to three. However, Pravda (the Soviet news agency) reported that the USSR had won the series on aggregate goals 32 to 31. Who won? To answer that question we need to attend to the social construction of various truth narratives.

The status of a measure as a fact has more to do with the meanings attributed to an idea (or measure or indicator) than it does the measure itself. Things we consider facts move in and out of relevance (e.g., gender was considered a salient fact in accessing the voting booth), and various segments of societies attempt to have their evidence taken as fact (e.g., efforts to establish the medical benefits of marijuana consumption). Blumer’s classic essay on the social construction of social problems is instructive here. He writes: “I want to stress that among the wide variety of social conditions or arrangements that are recognized as harmful by differing sets of people, there are relatively few that achieve legitimacy” (Blumer 1971: 302). That is, the social conditions necessary to make the recognition of the “fact” of the issue at hand has more to do with the social process of legitimizing, authenticating, and having one’s facts recognized as such than it does the “intrinsic gravity of the social problem” (Blumer 1971: 303).

## Summary

The social constructionist tradition contributes an important voice to the empirical study of ethics in the making. By attending to the social processes by which the worlds of truth, objectivity, reality, certainty, and uncertainty are created, the social constructionist tradition encourages an examination of the intersubjective provinces of meaning that we build with each other.

## Cross-References

- [Self and the Generalized Other](#)
- [Social Construction of Businesses](#)

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## Social Construction of Businesses

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### Introduction

Businesses come into and go out of existence on a continual basis, and they are protected by laws and regulations which delimit their powers in order to protect other businesses, persons, and nonpersons in the event that said businesses might wrongfully harm others. In the United States, there is an entire field of law, business law, which is devoted to addressing matters of business. While this essay is not devoted to the field of what business law says about how businesses are constructed, it is about how businesses are socially constructed. That is, this is an essay about the metaphysics and ethics of businesses as socially constructed entities. It is, in other words, a contribution from the perspective of social ontology (the philosophical study of social being) and

what some leading social ontologists have to say about how businesses are constructed and some of the ethical implications thereof.

Specifically, this essay shall appeal to the insights of three leading social ontologies, those of Margaret Gilbert, Raimo Tuomela, and John Searle, respectively, in order to shed some important light on the socio-ontological construction of businesses. Along the way, I shall make some critical remarks about each social ontology, though none is intended to undermine what each such ontology can contribute in illuminating the social ontological structure of businesses.

### Margaret Gilbert's Joint Commitment Theory of Groups and the Social Construction of Businesses<sup>1</sup>

Gilbert states that certain rights and duties (obligations) accrue to those in jointly committed plural subjects such that if a member of the group fails to fulfill her duty in congruence with the joint commitment, then other group members are in positions to confront (“rebuke”) her about said violation of the group norm in that commitment to said group norm constitutes a joint commitment to it as a body (Gilbert 2014: 8). A joint commitment is “a commitment *by* two or more people *of* the same two or more people” (Gilbert 2014: 7). More fully: “In the basic case, it is necessary and sufficient to conclude this process that, roughly, each makes clear to each his personal readiness to contribute to it, in a way that is entirely out in the open to all. Each understands that once this has happened, the process will have been concluded” (Gilbert 2014: 7). This amounts to what Gilbert refers to as the “common knowledge” criterion of plural subjecthood (Gilbert 2014: 29). Examples of plural subjects include informal joint commitments to walk or engage in a project together, as well as more formal ones such as a marriage (Gilbert 2014: 259 f.). It is not, on her view, that every such relationship constitutes a joint

<sup>1</sup>This section of this entry is based on Corlett (Forthcoming).

commitment. Rather, it is that many such relationships do. Gilbert provides more detail regarding the nature and function of plural subjecthood throughout her decades of voluminous writings.

It is important to understand how Gilbert's analysis can explain certain aspects of how businesses come into being. Typically, a group of persons form a joint commitment to start a business according to the business laws of their community(ies). And, on Gilbert's analysis, they do so with the understanding that the others in the business, the official leadership at least, do so and in accordance with the rules and policies that govern said institution. Once those rules and policies are agreed on by members of the business in congruence with the business laws governing the federal, state, and local laws according to which said business seeks to function, the business exists – it comes into being as a social construction. Although this is a rather basic understanding of how a business comes to be on a Gilbertian social ontology, it is sufficient to see that those human individuals who form a joint commitment in such a context seem to straightaway qualify as morally and perhaps even legally responsible agents as plural subjects. Together they form a decision-making conglomerate which generally can be held accountable for wrongdoing for which it is responsible (acts with intent, voluntariness, knowledge, etc.). Those business officials forming the joint commitment form collective beliefs which serve as a basis of some or all of the businesses charter, stated goals, and ideals. Such beliefs also provide insight into the manner in which the business regularly functions from day to day. This much about Gilbert's notion of plural subjecthood and how it can be applied to business ethics is both helpful and reasonable. But difficulties arise with regard to Gilbert's notion of how such joint commitments can be rescinded and the implications this idea has for business ethics.

Specifically, what concerns me most about Gilbert's analysis is her insistence that there is a symmetry between the formation of a joint commitment, on the one hand, and its dissolution, on the other. That is, Gilbert insists that both the formation and the rescission of joint commitments require permission of each party to the

commitment. In Gilbert's oft repeated words, "Just as the readiness of each is required to bring the joint commitment into being so the concurrence of each is required in order to rescind the commitment. No party can rescind it unilaterally. Nor can any one party rescind any part of it unilaterally, since it does not have parts" (Gilbert 2014: 32; also see Gilbert 2000: 17, 21–22, 26–27, 29–31, 53, 57–59, 82; Gilbert 2006: 142–143; Gilbert 2014: 40, 65, 87–88, 90, 138, 193, 218).

### **A Problem with Gilbert's Plural Subject Theory**

While my primary concern is with the rescission of joint commitments between group members and how that may adversely affect members' personal autonomy and self-respect, thereby questioning the reasonableness of someone's entering into joint commitments in the first place, this concern poses problems for Gilbert's discussion of rights and perhaps even the role of associative duties within members of jointly committed plural subjects. This is a particular problem concerning the implications which Gilbert's analysis might have for the nature and function of businesses.

Gilbert's requirement that the rescission of joint commitments be made jointly between each group member undermines personal autonomy of said members, especially in joint commitment-based marriages which are plural subjects. As we shall see, this Argument from Personal Autonomy seems to count against Gilbert's analysis of plural subjects in a roughly similar manner in which it counts against Tuomela's analysis of we-mode groups. What adult person with adequate self-respect would enter into such a commitment, thereby waiving her autonomy? Does not self-respect require that marital partners reserve the right to unilaterally rescind their joint commitment in marriage for any number of reasons, i.e., without the permission or approval of their jointly committed partners? Does she not have a right to do so without the sort of rebuke discussed by Gilbert when one member seeks to rescind the



joint commitment without such joint approval? Does not each party to a joint commitment possess a right to unilateral rescission from the group, a right which correlates with a duty of other group members to not interfere with her exercise of said right? Gilbert argues that each group member of a joint commitment possesses rights against other members of the group such that there is a legitimate expectation that each group member can be held responsible for her failure to abide by the terms of the joint commitment. However, what exactly grounds such claims? Furthermore, are these claims of sufficient strength to outweigh the claims to personal autonomy that each member of the group possesses just in case a member desires to exit the group unilaterally? The problem here is not that each group member always makes a good decision to exit the group. In fact, her decision might be a morally flawed one. But she still possesses certain moral rights to personal autonomy to make even precisely such poor decisions. This is in part what the right to personal autonomy protects. So while a Gilbertian analysis of social commitment might plausibly entail that group members are within their rights to rebuke the exiting group member, said group member ought to be construed as possessing a moral right to exit the group without their permission anyway – even if the decision to exit is a poor one. The right to personal autonomy is much like the right to freedom of expression in that each protects not only morally justified decisions but poor ones also.

Applying this matter to businesses, Gilbert's analysis appears to have the problematic result that no business official can rescind her joint commitment to the business absent the approval of the other officials of said business. But this neither matches the reality of how businesses function nor provides a favorable account of the manner in which businesses ought to function in that it would deny business leaders the personal autonomy required for their self-determination, self-respect, self-worth, and related factors. So it is unclear the extent to which Gilbert's analysis of plural subjects can serve as a fully adequate account of how businesses either function or ought to function insofar as the preservation and

promotion of personal autonomy and self-respect are core values of any plausible theory of how groups such as businesses do and ought to function. The fact is that business officials in the United States at least can depart or resign from the role in a business at will, and they ought to be able to do so insofar as personal autonomy is a moral value which should continue to be accorded to business persons. In this manner, Gilbert's social ontology and in particular her conception of joint commitment, while quite useful in general, has limited use in business ethics insofar as it does not seem to be able to account for the value and role of personal autonomy in business. But perhaps there are other social ontologies which can avoid this difficulty.

### Raimo Tuomela's "we-Mode" Theory of Groups and the Social Construction of Businesses<sup>2</sup>

Tuomela (2013) addresses the ontology of certain organized groups such as corporations and states. Given that his analysis of social entities uses corporations as examples of paradigmatic social entities which can form and hold beliefs, make decisions, etc., his account is especially relevant to and useful for business ethics. His account concentrates on institutional groups in which decision-making and acting are based on the authorization of some members to carry out one or more of the group's tasks (Tuomela 2013: 160). Tuomela's approach is based on the idea that the acting agent in central group contexts is the group viewed as an intentional agent and whose members are engaged in "we-reasoning" from the group's point of view (Tuomela 2013: 15). Most of the conceptions apply to a paradigmatic "we-mode" group, which is democratic and autonomous (Tuomela 2013: 17). The we-mode is the act of "we-thinking" by group members (Tuomela 2013: 2) with its central function being the collective acceptance of the group ethos with collective

<sup>2</sup>This section of this entry is a slightly revised version of Corlett and Strobel (2016) and Corlett and Strobel (2017).



commitment and entailed mutual belief about collective acceptance (Tuomela 2013: 29). It is based on notions of group reason, collective commitment, and the collectivity condition (Tuomela 2013: 7).

A we-mode group exists if and only if (i) it has accepted a certain ethos as a group for itself and is committed to it (Tuomela 2013: 27); (ii) every member of the group normatively ought to accept the ethos as a group member, at least in part because the group has accepted the ethos (Tuomela 2013: 27); and (iii) it must be a mutual belief in said ethos that (i) and (ii) apply (Tuomela 2013: 27). A group agent is a collectively constructed functional social action system (Tuomela 2013: 51). In general, the behavior of the group agent is similar to the behavior of individual agent (Tuomela 2013: 22). The group agent conception omits qualitative sensations and emotions. But groups share similar intentional features with individual agents (Tuomela 2013: 23). Despite having a fictitious structure, a group agent can have an epistemically objective existence which gives the group agent system the power to act (Tuomela 2013: 51). Tuomela's we-mode account explicates the group's attitudes in terms of the members' reflexive performative collective construction of contents for the group, as we-mode beliefs and goals differ from I-mode beliefs and goals. It also creates more collective order, stability, and persistence than the I-mode in certain situations (Tuomela 2013: 16).

According to Tuomela, individualism is a doctrine which stresses the individual over the group and emphasizes individual autonomy and self-determination. Simply put, individuals are in charge of what they do (Tuomela 2013: 9). This view is compatible with existence of irreducible groups (Tuomela 2013: 8). However, methodological individualism is not. Methodological individualism "makes stronger claims, consisting of property-expressing predicates that refer to an individuals' psychological or physical properties of the kind that do not involve or presuppose irreducible groups or their properties" (Tuomela 2013: 9–10). It holds that the conceptual understanding of an individual's action is based on his or her own attitudes and reasons, which may

concern other agents' attitudes and reasons. This includes reducible group attitudes or reasons, or other nonsocial reasons. Its ontology consists only of the activities and properties and interactions between individuals, and it may contain groups and group properties that are reducible to the individualistic basis of (i) and (ii), above (Tuomela 2013: 10).

On Tuomela's view, an individual who performs a joint action should base her reasons for participatory action on the group, and the good of the group overrides members' individual, private reasons. The we-modal structure is top-down, which the group taking precedence over the individual group member. The I-modal structure, by contrast, is bottom-up, with the individual taking conceptual importance over the group (Tuomela 2013: 5).

An I-mode group is collective consisting of individual agents in an I-mode group if and only if (i) the members of said group privately accept some goals, beliefs, standards, etc. for the collective, forming the privately shared ethos, and accordingly are committed to the group's ethos at least because others privately accept the group's ethos and that they are so committed is mutually believed in the group and (ii) the members of said group believe that they themselves are group members and they need not believe of all of the other members that they are also members (Tuomela 2013: 33). Tuomela recognizes that there are other forms of I-mode groups (Tuomela 2013: 6). Members can perform tasks in either the we-mode or I-mode. However, Tuomela claims that the best functioning groups occur with a substantial number of we-moder in the base (Tuomela 2013: 26). A we-moder is a person who predominantly functions as a group member in the we-mode (Tuomela 2013: 24) and ideally can think and act only for group centeredness rather than from a sense of self-centeredness (Tuomela 2013: 38). This distinction is the basis of Tuomela's claim about the irreducibility of groups (Tuomela 2013: 91). This irreducibility is due to the members' interdependencies and interactions, as well as changing membership within the group. If the group is regarded as an intentional group agent, then members identify with its

goals, views, and norms. Members relinquish their independent reasons to act in favor of acting for the group's reason (Tuomela 2013: 22).

The notion of acting for reasons is generally regarded as a central notion in accounting for attitudes and activities of agents (Tuomela 2013: 98). In general, a person acts for a *we-mode* reason if she takes as a central reason for that action that which her group wants, intends, believes, etc. and in general is something that requires his or her participation (Tuomela 2013: 102). Social reasons stem from conformative or non-conformative attitudes and dispositions that human agents have as well as the need and desire to cooperate with intentional states of their peers (Tuomela 2013: 101).

The collectivity condition is satisfied simultaneously and interdependently for all members, rather than as individuals (Tuomela 2013: 8). The collectivity condition for the group states that, necessarily, based on group acceptance, a group's goal is satisfied for it if and only if said goal is satisfied for any group member *qua* group member. This condition ties together a group's goals and members' goals (Tuomela 2013: 41).

Furthermore, Tuomela states that groups can operate in a logical space of reason and justification because members can make intergroup promises and commitments and at least on some occasions can be held responsible for their own actions (Tuomela 2013: 25). There are three basic features of collective commitment. First, *we-mode* collective commitment is based on a group agent's commitment, either due to an internal or external leader or the members' collective acceptance. Next, *qua* being collectively committed, the members of a *we-mode* group are a group normatively committed to one another to perform their parts of the required collective activity since the group agent's intention cannot typically be satisfied by a single member. Finally, *qua* being based on the group's commitment, a member is accordingly committed to the group and to its members to further the group's interests and perform her part (Tuomela 2013: 44).

*We-mode* commitment to the group's ethos amounts to the commitment on the member level. The starting point is acceptance of the

ethos and commitment to satisfy and maintain it. Members must jointly bound themselves to the ethos. Collective commitment is required to effectively coordinate activities (Tuomela 2013: 45). On a member level, group members are disposed to create group reasons for their participation. There is a difference between a group agent's reasons and group reasons. A group agent's reasons are the reasons of the group itself, whereas group reasons are the reasons of the individual members for their participatory actions (Tuomela 2013: 39). Group reasons are desire-independent and help form normative expectations (Tuomela 2013: 40). The connection is the "*we-reasoning*" in which the members engage when they act as members, creating the group's point of view and using it to construct authoritative directives, entailing the change from the *I-mode* to the *we-mode*. Tuomela notes that members do not have to have the same motivation or reason that the group agent has (Tuomela 2013: 39).

Collective acceptance is arrived at via *we-reasoning* (Tuomela 2013: 125). If group members collectively agree on an attitude toward a content for the group, they have collectively accepted that attitude. This involves acceptance of a content in a certain attitudinal mode, requiring members to have sufficient reliance on the other members' functioning in an equally group-oriented manner (Tuomela 2013: 124). Members become obligated to promote the ethos and act accordingly within group contexts through acceptance of group membership and, most centrally, its ethos (Tuomela 2013: 26). It presupposes the members' understanding that they, by their acceptance, are making an agreement to go along with the resulting joint decision (Tuomela 2013: 137).

*We-mode* proposals entail a pre-commitment from members, an obligation to accept and promote the group's attitude, which is arrived at after the group's decision-making (Tuomela 2013: 125). A *we-mode* proposal that is accepted may be only some members' decision. However, all that is required is that the accepted proposal belongs to a well-informed and a sufficiently mature member's goal set (Tuomela 2013: 140).

After acceptance, an attitude is formed. A shared *we-attitude* is a possible social reason

for which the participants perform their parts of a collective social action (Tuomela 2013: 103). There are two types of we-attitude. The first is a plain we-attitude, which is similar to a we-want situation. An agent has the attitude and believes that others have that attitude as well as the belief that there is mutual belief among group members that that attitude should be held. The second is a reason-based we-attitude, in which the agent has the attitude in part because other agents in the group have the attitude and it is mutually believed that the members of the group have or ought to have that attitude (Tuomela 2013: 102).

We-thinking expresses collective intentionality, or what Tuomela refers to as “aboutness.” Intentions are used analytically as pro-attitudes, the content of which describes what the agent intends (Tuomela 2013: 64). The content of any pro-attitude can be characterized in terms of satisfaction (Tuomela 2013: 66). Further, a collective intention refers to beliefs or wants ascribed to a group or to a collective and to the group members collectively, as a group (Tuomela 2013: 63), and it includes collective intentional states and activities (Tuomela 2013: 6). Intentional states such as beliefs or wants can be either mind to world, world to mind, or mind to mind when dealing with relationships between the group and the external world, as well as interrelationships between its own intentional states (Tuomela 2013: 22). Group intention obtains when the group intends to perform a collective action (Tuomela 2013: 88).

We-intentions are intentions that one has in virtue of functioning as a group member. In we-mode intention, the intending subject must be we, not I (Tuomela 2013: 67). We-intention entails a participant’s intention to participate in their performing X together, either in an actional sense or in the sense of taking part in the group’s responsibility for X (Tuomela 2013: 73). In we-mode intention, the satisfaction of the intention is for the goal of the group. For we-mode, there must be joint intention. Members must participate in joint intention, either directly or indirectly (Tuomela 2013: 68), through contribution, not necessarily action (Tuomela 2013: 69). A joint

intention is ascribed to several individuals collectively. The participants of joint intention are assumed to act as group members and thus to comply with the group’s ethos (Tuomela 2013: 74).

We-mode joint intention presupposes that the participants understand that a joint action is involved (Tuomela 2013: 75). We-mode intention involves collective commitment, the collectivity condition, and group reasoning. The group reasoning condition is addressed by both acceptance of a particular belief as content and the acceptance of the goal of the acceptance of that belief. It requires committing oneself to the intention of the action, and the collectivity condition involves the joint intention to complete this goal for the group (Tuomela 2013: 69).

We-mode cooperation depends on full collective intentionality that involves joint goals and intentions, joint actions, and group reasons (Tuomela 2013: 147). Any group action must in general be based on or involve at least a sufficient amount of intragroup, intentional cooperation between members (Tuomela 2013: 152). As we-mode is intrinsically cooperative, agents need not reflect on their private goals and performances (Tuomela 2013: 156). We-mode group action requires cooperation between the members for satisfactory performance of its actions and is therefore intrinsically cooperative (Tuomela 2013: 148). Thinking and acting in the we-mode is to see one’s activities essentially as part of what the group is doing (Tuomela 2013: 153). To think and act in the we-mode is to think and act fully as a group member (Tuomela 2013: 37), which means that the member is not necessarily fully aware what is required of him or her (Tuomela 2013: 153).

Members give up or delegate part of their authority and autonomy to an authorized operative in the group and so are normatively bound to comply with the group’s directives (Tuomela 2013: 115). However, a leader’s power holds only so long as the members give it to her (Tuomela 2013: 161). Authorized operatives ought to act as the group requires, with accordance to preemptive, normative group reasons.

There is an assumed quasi-moral commitment to not disappoint other group members (Tuomela 2013: 116). As Tuomela puts it, a strong we-mode group exemplifies the slogan of the Three Musketeers: “One for all, and all for one!” (Tuomela 2013: 254). Moreover, he claims that the most efficient groups are autonomous (Tuomela 2013: 53). Group authorization can be internal, in which case the members give the authorization. Alternatively, authorization can be external wherein such authorization originates from an outgroup agent. Ideally, we-mode groups should be internally authorized (Tuomela 2013: 160).

According to Tuomela, hierarchal relations are sometimes a more efficient way to organize a group. Authority relations within a group in general center in part on the distinction between operatives and non-operatives (Tuomela 2013: 161). The task of authorized operative members is to create normatively and publicly binding decisions and to act for the group in light of the collective acceptance of members (Tuomela 2013: 164).

Another of Tuomela’s main claims is that groups that function on the basis of we-thinking are solidary groups (Tuomela 2013: 244). A we-mode group is solidary in the intragroup sense of its members being pro tanto required to cooperate with each other in group affairs when acting to promote the group’s ethos (Tuomela 2013: 16). Solidarity includes acting and thinking cooperatively, fairly, helpfully, etc. (Tuomela 2013: 242). There is solidarity on the member level, or within the community, and on the group level, or within structure of the group. It can also be internal or within the group or to another solidary group (Tuomela 2013: 242–243).

While Tuomela’s analysis represents an important breakthrough in social ontology, there are problem areas. First, a paradigmatic group (on his view, such as a corporation) is both democratic and autonomous. By “autonomous” he means “free from external domination” (Tuomela 2013: 17). In his discussion of collective commitment within we-mode groups, Tuomela claims that “a member cannot unilaterally rescind her commitment to the ethos without

the others’ permission.” “This is because,” he asserts, “she has given up part of her authority to act to the group and needs the others’ permission to get it back” (Tuomela 2013: 43). This is what he means when he writes that paradigmatically, group members “may also, perhaps upon satisfying some special conditions, in principle enter and exit such a group freely without internal or external coercion that compromises their free agency” (Tuomela 2013: 27, emphasis provided). By “special conditions,” Tuomela means that “autonomous” group members must have “others’ permission” in order to exit the group for reasons stated. He continues: “More concretely put, a member participating in collective commitment does not have the right to leave the joint project under way, because that might harm the other participants, as it might not be possible to complete the project as well, if at all, without the member in question, and because, in any case, the member has bound herself more strongly to the group than in the I-mode case” (Tuomela 2013: 27). The group ethos is paramount to we-mode groups, and such would be threatened if group members were permitted to decide on their own to depart such groups’ absent permission from other group members or if a group member dissented from the group ethos. But it is unclear how many or what percentage of group members must grant one the right to depart from the group. Must it be, for instance, a simple majority, a particular minority, or all members of the group who must grant such permission? And what precisely would serve as the plausible, non-arbitrary standard in the answer to these questions?

Furthermore, as Tuomela states, “if there indeed objectively are persons who accept the same E [ethos] and mutually correctly believe that E has been accepted but are completely mistaken about who the other members are, one may still say that they have created a group” (Tuomela 2013: 29). While Tuomela’s point is well taken, it might be plausibly argued that such a group lacks a level of solidarity that one might reasonably ascribe to a well-organized, decision-making group such as a strong we-mode group. Moreover,

it is even unclear that Tuomela's claim that "they have created a group" is plausible insofar as the group was "formed" accidentally instead of with the knowledge of group members of the group's membership which in turn makes group decision-making, planning, and action more solidary. How is it reasonable to ascribe to a strong we-mode group ontological status insofar as members of the group do not know or truly believe who the other group members are? While it is reasonable to do so in terms of vague groups such as anonymous donors to a particular cause or charity, it makes less sense to do so in terms of ascribing membership to corporate boards of directors or governments which Tuomela has identified as paradigmatic examples of we-mode groups. It seems more reasonable to say of the former groups that they have created a group than it does to say that the latter individuals have done so, assuming, of course, that intention to form a particular group is relevant to the establishment of groups. Otherwise, it might be difficult to distinguish between the actual formation of a group and the mere desire to do so or between the cooperative intentional formation of a particular group and the accidental formation of one. The implications of Tuomela's we-mode group analysis of groups such as corporations for businesses is important in that it is unclear, not unlike Gilbert's theory of joint commitment of groups, that personal autonomy and self-respect, two core moral values, can be accommodated by such a philosophical account.

### John Searle's Realist Theory of Groups and the Social Construction of Businesses<sup>3</sup>

In Searle (2010), Searle reiterates the importance of our ability to impose certain functions and statuses on brute reality which these objects do not possess in light of their intrinsic physical

structures (Searle 2010: 7). These functions only work by way of collective acceptance of the functions imposition on the object, and without this collective recognition, the status functions would be nonexistent (Searle 2010: 8). All of these status functions carry deontic powers which give us rights and obligations. Because of these deontic powers, humans can act in direct contrast to their desires and even certain instincts (Searle 2010: 9).

Furthermore, according to Searle, institutional facts, as we know them, are created by special speech acts known as declarations (Searle 2010: 12). Perhaps Searle's favorite example of socially constructed reality is that of money: Currency is created by people in society agreeing by way of speech acts on what counts as money for exchange purposes. With these speech acts come a direction of fit. Word-to-world direction of fit is that of a downward direction in which something is seen as fitting or failing to fit how the world really is at a brute level (Searle 2010: 13). When something is attempting to change how the world is and not merely representing how the world is, it is said to have a world-to-word direction of fit, which is an upward direction of fit (Searle 2010: 12). The most interesting cases are the ones which have both directions of fit simultaneously. These would be in the form of declarations because the declaration creates a state of affairs that is then brought into existence by the speech act itself. These special cases are what Searle thinks creates social reality and institutional facts (Searle 2010: 13–14).

Finally, institutional facts which do not require a community to collectively recognize them cause somewhat of a problem for the ontology of social reality (Searle 2010: 21–22). These facts are discovered by social scientists. While they may seem like they do not require actual institutions, they bottom out in institutional facts about the system of which that they are a part. A recession requires no immediate institution for it to exist, but without the trade cycle that is evident within the institutional structure of economics, there would be no such recession (Searle 2010: 22–23).

Having recounted some of the basics of Searle's social ontology, it is important to consider one of its weaknesses especially relevant to

<sup>3</sup>Most of this section of this entry is based on a more detailed versions found in Corlett (2016) and Corlett (2017a, b).

businesses. One such weakness in Searle's account of social reality stems from the absence of one fundamental feature: the lack of an ethically normative property. By this I mean that Searle's account fails to capture something basic concerning us as social beings, namely, that we often function as those who behave according to what we believe we ought to do or what ought not to be the case in this or that circumstance. This does not in itself provide a refutation of Searle's account, but it does suggest that the strength of Searle's epistemic justification is limited insofar as it fails to address competing views of human rights. While I recognize that there are a host of critics of Searle's social ontology and on a wide range of philosophical issues, I note that Searle's social ontology lacks a concept of moral normativity aside from what is institutional or what he refers to as "informal."

One implication of my critique of Searle's social ontology is that it fails to provide an ethically normative component which would ground values based in normative concepts, ethically speaking. This means that, while Searle's social ontology might explain part of what transpires in the social construction of businesses or businesses as social constructs, it omits the crucial ethically normative component of how such institutions ought to behave, and why, ethically speaking.

## Conclusion

Some basic relevancies and implications for the respective social ontologies of Gilbert, Tuomela, and Searle are clear. In the case of Searle's theory of social being, businesses are made real by way of social agreement by way of speech acts on the status functions of such organizations. But Searle's view lacks ethical normativity and thereby does not, for all he states, serve well for purposes of doing normative business ethics. In the case of Tuomela's social ontology, not much attempt is made to address ethical concepts and especially normative ones. Thus, somewhat like Searle's social ontology, Tuomela's is less relevant to and helpful for the aims of ethically

normative business ethics than one would desire. And Gilbert's theory of social reality is specifically intended to address matters of social and political philosophy. However, somewhat akin to Tuomela's social ontology, group members such as business officials cannot on their respective analyses exit the businesses to which they belong unless and until they receive permission from others in the business, presumably other business officials. But this restricts personal autonomy in important ways, making these conceptions of business group membership untenable. Gilbert's social ontology is the one most amenable to ethically normative business ethics. It is suggested that Gilbert and Tuomela each omit the requirement of a group member's having to receive the permission by other group members to leave the group in order to preserve the importance of personal autonomy in businesses. If this is done, then their respective theories can serve the basic interests of ethically normative business ethics rather well, other relevant things considered.

## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Corporations as Moral Entities](#)

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## Social Identity Theory

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### Synonyms

In-group/out-group; Social categorization theory

### Definition

Social identity theory is concerned with intergroup relations. As individuals learn to identify as members of particular groups, they may then favor their in-group (the group with which they identify) or discriminate against an out-group (groups to which they do not belong but to which they compare their own groups). If an individual finds him or herself in a group with low status, social identity theory posits the various ways in which an individual may respond, either by attempting to disentangle oneself from the group or to mobilize toward ameliorating the status of the group. Social identity theory lends itself to the study of cognitive categorization processes, stereotypes, and favoritism (in-group bias), although it has also been used to explore the deeper meaning of identity (individual vs. group) (Burke and Stets 2009; Stets and Burke 2000), the self in multicultural settings (Brown 2000), and group roles (Tajfel 1974).

### Description

Although the concept of racial prejudice as a result of group categorization and positionality, i.e., as a result of group process rather than an individual process, was presented by Herbert Blumer as early as 1958, social identity theory as its own entity emerged in the 1970s from the field of psychology and quickly extended into social psychology. Its focus was the role of “men in groups” (Tajfel 1974:65) rather than

the roles of individuals in groups. Studies initially sought to understand what the minimal conditions would be for intergroup discrimination to manifest itself (Brown et al. 1980; Tajfel 1974; Tajfel and Turner 1979). As the theory developed, in-group bias, “the tendency to favor the in-group over the out-group” (Tajfel and Turner 1986:13), gained attention as a key factor in intergroup relations. In the mid-1980s, Henri Tajfel and John C. Turner published a chapter in a psychology textbook which became the benchmark for social identity theory (Tajfel and Turner 1986). Although Tajfel is often acknowledged as the father of this theory, Turner and Rupert Brown were also key figures.

Social identity theory rests on the assumption that as people categorize others, and themselves, into groups, those group memberships form the basis of their social identity (Brown 2000). People act and react to people based on their own social identity and that of others. Tajfel and Turner define a group as “a collection of individuals who perceive themselves to be members of the same social category” (1986:15). Group membership, and the status and relational hierarchies of groups, impacts how we treat each other and is, therefore, particularly relevant as we consider discrimination and in-group bias.

Tajfel and Turner present three basic principles:

1. Individuals strive to achieve or to maintain positive social identity.
2. Positive social identity is based to a large extent on favorable comparisons that can be made between the in-group and some relevant out-groups.
3. When social identity is unsatisfactory, individuals will strive either to leave their existing group and join some more positively distinct group or to make their existing group more positively distinct (Tajfel and Turner 1986:16).

From these principles, they conclude that people will work at differentiating themselves by differentiating their social groups (Tajfel 1978)

either by stressing similarities within the group or differences from out-groups.

Overall, social identity theorists stress that the real world is messy and that people will fall along a continuum of acting as an individual and acting as a member of a group according to the “level of self” and the salience of group membership which the context engages (Tajfel 1974; Turner et al. 1987). Tajfel demonstrates that the two conditions which determine action “in terms of self or group” (1974:88) are the categorization of the social world into “clearly distinct and non-overlapping categories” (Tajfel 1974:88) and the firm placement of one’s social identity in a social group with no flexibility or opportunity for movement. The more these two conditions hold true, the more one acts in terms of group membership.

After a lull in the 1990s, social identity theory and the role of groups have rebounded in the last 20 years. The argument has been made that social identity theory and identity theory could be merged into one cohesive framework for understanding roles in society (Stets and Burke 2000). While Hogg et al. (1995) are skeptical and argue that these theories cannot be merged as the way roles and groups are treated is different, Stets and Burke (2000) view these theories as merely having a different emphasis, the first on groups and the later on roles, both of which implicate the other.

## Fundamental Concepts in Social Identity Theory

Scholars have organized their discussions of the concepts emerging from social identity theory around two areas: social categorization and its connection to self-esteem, and in-group bias and out-group discrimination.

### Social Categorization and Self-Esteem

Rather than study intergroup relations by studying the views and treatment of various groups toward each other, social identity theory recognizes that before these beliefs and behaviors develop, people must first “have acquired a sense of belonging to a

group which is clearly distinct” (Tajfel 1974:66) from themselves. There are three key phases: categorization, social identification, and social comparison (Tajfel 1974).

First people categorize, i.e., “segment, classify, and order” (Tajfel and Turner 1986:15), people into groups to make sense of our social environment. Stets and Burke point out that categorizing (2000) can lead to group polarization (Wetherell 1987) or group cohesiveness (Hogg 1987). Once people categorize themselves and others into in-groups and out-groups, their social identity is rooted in this categorization. Next, as people come to understand their social world as a constellation of social groups, they take on a social identity according to their group membership(s). Lastly, attributes are ascribed to groups through comparison with other groups. Categorization, then, eventually leads to stereotyping (Brown 2000). Members within a group are understood as more similar to each other than to those in other groups (Tajfel 1969 cited by Brown 2000), emphasizing intragroup similarity as much as the homogeneity of other groups (Brown 2000). Status is then “the *outcome* of intergroup comparison” (Tajfel and Turner 1986:19) and follows after categorization. Attending to distinctiveness among groups, creating difference among groups, provides order and meaning (Tajfel 1974).

People will then work toward a positive image of himself or herself (Tajfel 1974) from the vantage point of their social identity (Brown 2000), seeking a positive social identity. Within this literature, this is often framed as working toward positive self-esteem. High self-esteem is correlated with positive social identity. There are two ways to increase self-esteem. First, one can increase or emphasize the positive status of one’s own group. Second, one can discriminate against other groups. The results of this can be minimal or far-reaching in cases such as genocide (McLeod 2008). “The aim of differentiation is to maintain or achieve superiority over an out-group on some dimensions” (Tajfel and Turner 1986:17).

### In-Group Bias and Out-Group Discrimination

Following up on the self-esteem argument, the argument that individuals will act in ways which

increase positive social identity, in-group favoritism has garnered attention. Tajfel (1982) discusses this as ethnocentrism. In the initial studies, there was a surprise at how minimal the conditions needed to be for in-group bias to manifest (Brown et al. 1980; Tajfel 1974). Considering, however, the push for positive distinctiveness, the presence of in-group bias makes sense.

Studies find that individuals feel “better about themselves” (Brown 2000:747) after engaging in in-group bias which differentiates among groups and increases a sense of positive social identity in the individual (Rubin and Hewstone 1998), reaffirming for him or her that he or she is a member of the positively perceived group. Brown (2000) points out that this explanation of in-group bias helps to explain it when other theories around resource distribution fail. He also points out that motivation does not always equal the intended results (Brown 2000).

Should one have the misfortune of being categorized as a member of a lower-status group, keeping in mind that hierarchies of groups are relational, the permeability of the group membership sets the conditions for their response. If the individual has some opportunity for mobility among groups, he or she may try to distance him or herself from the original group (Tajfel and Turner 1986). If there is no opportunity for mobility, “no cognitive alternatives of any kind available to challenge the existing reality” (Tajfel 1974:77), then the individual must push for collective action by the group. They may try to compare groups along new dimensions or to compare their group with a different group where the outcome will be more favorable. They may also try to push for a social movement which would elevate the group’s status (Tajfel and Turner 1986). If, however, even a few are able to disengage from the group and become aligned with another, more successful, group, then the conditions for collective action do not hold (Brown 2000). Brown (2000) thus argues that group identification, rather than relative deprivation, can best predict collective action.

## Summary

At its heart, social identity theory is “a theory of group differentiation: how group members can make their ingroup(s) distinctive from and, wherever possible, better than outgroups” (Brown 2000:757). Social identity theorists focus on the conditions for in-group bias and out-group discrimination, starting from the point of categorization of groups, the consequential acquisition of a social identity (self-categorization), and the resulting social comparison among groups. Social identity theorists have worked primarily on categorization, self-identification, in-group bias (self-esteem and/or favoritism), stereotyping, and discrimination.

## Cross-References

- [Gender-Based Violence Against Women and Girls](#)
- [Impression Management and Business Ethics](#)
- [Racial and Ethnic Diversity in Business](#)
- [Racism in the Workplace](#)
- [Self and the Generalized Other](#)
- [Social and Economic Mobility](#)
- [Social Construction](#)

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## Social License to Operate

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### Synonyms

Continuous acceptance

The social license to operate concept originated in the mining industry as a metaphor, which

compares the power of communities with the power of governments.

During the 1990s, the mining industry found itself under close public scrutiny following a series of well-publicized chemical spills, tailings dam failures, and increasing conflict with local communities around exploration and development projects (see Thomson and Joyce 2006, for a review of this time period). In 1996, a Roper opinion poll showed mining to rate last among 24 US industries in terms of public popularity, behind the tobacco industry (Prager 1997). Internationally, mining became a pejorative term in many circles and widely regarded as a problem industry that was the cause of unwanted pollution and undesirable social impacts. This reputation was deeply rooted in the general public and widely shared by opinion formers and constituted a liability to the industry (Schloss 2002). At the same time, in the rapidly emerging process of globalization, local communities were increasingly able to mobilize support and assistance from influential allies at home and abroad. Mining companies could no longer ignore the concerns of communities and their supporters without risking local conflict with consequential financial and reputational damage.

It was within this context that, at a meeting with World Bank personnel in Washington in March 1997, Jim Cooney, then Director, International and Public Affairs with Placer Dome, noted a structural shift in the nature of political risk and that going forward mining companies would have to manage two complimentary dimensions. One dimension would be the management of conventional political risk through compliance with permits and regulations backed by cultivating a positive relationship with governments to obtain and maintain the government-granted legal license to operate. The second dimension would be the management of the rapidly rising risk of conflict with local communities. To successfully address this dimension, it would be necessary to engage with local communities and other stakeholders affected by a mining project. By building and maintaining a positive relationship with them, it would be possible to gain their approval (or at

least acceptance) to establish and operate a mine: a parallel “social license to operate” (Cooney 2017).

The concept of a social license to operate surfaced in May 1997 in discussions within a conference on Mining and the Community in Quito, Ecuador, sponsored by the World Bank (G. McMahon personal communication), and soon entered the vocabulary of the industry, the civil society, and the communities that host mines and mining project. The concept of a social license to operate and its role in reducing the risk of social conflict at mining projects first appeared in print in the June 1999 issue of *Mining Journal* (Joyce and Thomson 1999).

At the level of an individual mine or mining project (including exploration projects), the social license is rooted in the beliefs, perceptions, and opinions held by the local population and other stakeholders about the mine or project. It is therefore “granted” by the community. It is also intangible, unless effort is made to measure these beliefs, opinions, and perceptions. Finally, it is dynamic and nonpermanent because beliefs, opinions, and perceptions are subject to change as new information is acquired. Hence the social license has to be earned and then maintained (Joyce and Thomson 1999, 2000; Business for Social Responsibility 2003; AccountAbility and Business for Social Responsibility 2004; Nelsen and Scoble 2006; Thomson and Joyce 2008; Thomson and Boutilier 2011).

The most fundamental meaning of the social license is *continuous acceptance* (Business for Social Responsibility 2003; AccountAbility and Business for Social Responsibility 2004) or *approval* (Nelsen and Scoble 2006) or *both* (Joyce and Thomson 1999, 2000; Thomson and Joyce 2008) of a project by the local (host) community and other stakeholders. The usage of the term “social license” has now spread from mining to infrastructure projects, business activities, and industries such as adventure tourism (UNWTO 2014), aquaculture (Leith et al. 2014; Quigley and Baines 2014), farming (Berger 2011; Martin and Shephard 2011), forestry (Wang 2013), fracking (Smith and Richards 2015), oil and gas exploration and production (Thomas 2013),

pipelines (Tertzakian 2012), ports (Ircha 2012), pulp and paper (Gunningham et al. 2004), renewable energy (Corscadden et al. 2012; Hall 2014), retailing (Graafland 2002), stem cell research (Raman and Mohr 2014), and water use (Shephard and Martin 2008). Barreiro-Deymonnaz (2013) expects that the social license will become a key concern for the construction industry as social pressures increase on governments worldwide to raise environmental and social standards for construction projects.

While there are many issues that generate conflicts with stakeholders, the social license to operate concept narrows the perspective to the most basic challenge of obtaining the acceptance of a community to initiate or continue an activity. The social license is a complement to regulatory licenses and cannot be delivered by any formal political or legal authority. Indeed, Morrison (2014) contends that the concept of social license is relevant to all organizations in society, including governments and non-governmental organizations (NGOs). He notes that while governments draw considerable legitimacy from their sovereign power and recognition among the community of states this does not mean they will have de facto legitimacy (and hence acceptance) in the eyes of all communities and other stakeholders (Morrison 2014, page 60). Similarly, the legitimacy (and hence acceptance) of non-governmental organizations cannot be assumed either (Morrison 2014, page 60).

What makes the social license different from exhortations to stay within the ambit of socially acceptable activities is the recognition that stakeholders can have power (Boutilier 2014). When a social license is withdrawn, stakeholders can use that power to obstruct a project making continuing operations more costly or even shut them down. Obstruction tactics have included the blockade of roads, the withholding of vital supplies and services through strikes, the restriction of market access through boycotts, and even direct violence through armed robbery, sabotage, kidnapping, and murder and have resulted in the withholding of legal licenses and demands from financiers for a risk premium.



The academic pedigree of the concept of “social license to operate” comes from the resource dependence theory (RDT) of the firm and stakeholder theory. The RDT has been prominent among organizational theories addressing the changing nature of struggles for power, autonomy, and, ultimately, resources broadly defined (Pfeffer and Salancik 1978; Wernerfelt 1984; Barney et al. 2001; Casciaro and Piskorski 2005; Gulati 2007). The basic insight is that companies depend on external parties for the resources they need to operate and therefore are motivated to reduce uncertainty in resource access through practices that reduce its dependency or reduce the uncertainty associated with its dependency. The theory accounts for corporate strategies that cannot be explained by the quest for efficiency or economic rationality, such as some instances of interlocking boards of directors, mergers and acquisitions, outsourcing, joint venture subsidiaries, joint research and development, shared marketing arrangements, minority investments, equity swaps, and licensing and franchise agreements. Because investments in stakeholder relations are examples of uncertainty reducing activity, the concept of the social license can be viewed as a RDT project management tool.

The concept of social license also integrates concepts from stakeholder theory (Freeman 1984). The original definition of stakeholders is those groups or individuals who can affect the firm or who can be affected by it. A common mistake in identifying stakeholders is to assume that the company can decide unilaterally who its stakeholders are (Boutilier 2014). It is more accurate to say that a company tries to discover who all its stakeholders are. In the process the company must be careful to include those who are at risk of being affected even if they have not yet experienced impacts. Likewise, those who have not yet taken any action but who could impose an impact on the firm must also be counted as stakeholders. Companies can then decide which stakeholders to prioritize for initiatives that will raise or maintain the level of the social license.

Thomson and Joyce (2008) applied a grounded theory approach (Glaser and Strauss 1999) based

on a large number of interviews to identify the normative components of the social license as comprising the community/stakeholder perceptions of the legitimacy and credibility of the mine or exploration project and its operator and the presence or absence of true trust. Further, they suggested that these elements are acquired sequentially and are cumulative in building toward the social license. The mine or project must be seen as legitimate before credibility is of value in the relationship with the operator of the project, and both must be in place before meaningful trust can develop. As a consequence, the social license can be thought of as having distinguishable levels (Thomson and Boutilier 2011). At the same time, the process of moving from one level to another can be thought of as a smooth gradient of continuous relationship improvement through increasing social capital, which opens the opportunity to measure the relative level of the social license granted by the community and other stakeholders at any given project (Boutilier and Thomson 2011). Black (2013) has developed a measure of the social license for the mining industry, which, in turn, enhances an instrumental approach to managing company-community/stakeholder relationship and sociopolitical risk (Demuijnck and Festerling 2016).

The social license concept has been the subject of numerous studies and guidelines that give concrete advice about how to improve relations with stakeholders, which amounts to raising the level of social license. For example, Deephouse and Suchman (2008) offer an analysis of legitimacy perceptions that can be used as a for guide action aimed at recuperating a social license. Similarly, Mele and Armengou (2016) illustrate how moral legitimacy can become significant in controversial projects. In the construction industry specifically, Smyth (2008) has argued the benefits of empowering community stakeholders as a way of dampening the outrage factor and engaging stakeholders in constructive collaboration. Working together (a) has been shown to increase social capital in its sense of creating high trust network ties (Brown and Ashman 1996), (b) has long been recognized as a method for reducing intergroup



conflict (Sherif 1966), and (c) has proven its effectiveness in gaining stakeholder acceptance for projects (Zandvliet and Anderson 2009). Although there are many frameworks for improving stakeholder relations and thereby improving the level of social license, these are not part of the social license concept itself. By itself, the social license focuses attention on monitoring the quality of relationships with stakeholders who control or influence access to vital resources.

## Cross-References

- [Economics, Ethics, and the Environment](#)
- [Resource Extraction and Indigenous Community Consent](#)
- [Resource Extraction, Ethics, and Social Capital](#)

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## Social Media Screening and Privacy Issues in Recruitment

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## Synonyms

Cyber vetting; Preemployment inquiries; Privacy issues; Talent acquisition

## Introduction

The pervasive use and engagement with the Internet and social media has become an integral part of both our personal and professional lives. Social media are defined as Internet-based applications and platforms which allow users to create new content such as Wikipediaes, blogs, social networking profiles, and personalized websites. These can include both personal (e.g., Facebook) and professional (e.g., LinkedIn) social media platforms. Statistics show more than two billion people worldwide use social media daily. Social media platforms facilitate exchange of information and building of relationships by reducing the barriers to communication that existed before the advent of the Internet. However, challenges emerge when the traditional boundaries between personal and public networks and relationships are blurred, and information may be accessed during the job search that the individual intended to keep private.

Social media increasingly serve an essential communication channel in the workplace and can support, as well as undermine, many human resource functions, such as recruitment and initial screening of candidates. Technology has given employers significant control over access to information about employees and job applicants.

Unfortunately, the adoption of social media for a wide range of human resource (HR) processes has far outpaced the evidence-based justification for these emerging practices. In fact, most of the empirical research to date on the use of social media in the workplace focuses on respondents' reactions to the use of it, rather than the reliability, validity, utility, and/or efficacy of its use in HR practices such as recruitment, screening, and selection. Therefore, it is important for users to understand both the current and potential benefits of accessing social media for HR practices such as recruitment, as well as the clear challenges and risks of doing so. What follows is a summary of many of the key concerns and issues related to using social media for employment screening and recruitment in organizations and teams.

### **Identifying and Attracting Job Applicants Through Social Media**

Employers in the twenty-first century have the option to post open positions on a wide variety of social media platforms. Employers often favor certain platforms over others to identify qualified candidates for open positions. For example, employers seeking to attract candidates from an international audience are more likely to use globally recognized social media platforms, whereas domestic or regional employers rely on national or regional social media platforms. Limiting recruitment by using specific social media platforms could have important implications for the diversity of the applicant pool obtained.

Recruiters may also be more active, rather than passive, by using relevant search terms on social media platforms to directly reach out to potential job applicants. However, being more active could also lead to unearthing potentially irrelevant information that could affect the employment processes in unintended ways. In addition, applicants may misperceive the level of control they have over the information available on the Internet related to them. For example, friends and colleagues can "tag" individuals in ways they are

not aware of on social media posts, which could negatively impact the applicant's online presence in the eyes of recruiters and HR managers.

### **Cybervetting**

Cybervetting is increasingly used to review applicants' online profiles and Internet activities. These electronic, often unsystematic, employment-screening procedures are typically applied at the initial stages of the employment process after candidates apply for an open position. This is based on the rationale and hope that such screening can ensure that applicants who are ultimately selected are more productive, are less likely to leave, and have a temperament and work ethic that will be a good match for the employer and culture of the organization. In addition, some organizations operate from the perspective that one's off-work behavior is important in that it can impact the image of the organization and how well employees are deemed to represent the organization. With this perspective, they hold the belief that accessing the private social media of applicants is their right and responsibility to preserve their image. However, as noted above, there is yet little empirical evidence that supports using social media in a valid way to make accurate interpretations of the information for selection purposes. In addition, employers may not be using a systematic procedure to gather and evaluate the online information. Without using clear criteria when reviewing online information, the ratings of candidates are likely to reflect the biases of the recruiter or HR manager rather than provide an accurate picture of the talents, abilities, and character of the individual applicant.

Note that applicants can also cybervet potential employers during the application and recruitment process by reviewing social media platforms such as Glassdoor. Thus, cybervetting is clearly a two-way street, where the tech savvy applicant may be able to unearth a treasure trove of information on a potential future employer, from official company documents to Yelp type reviews of what it is like

to work for a given employer. As with employer's cybervetting potential applicants, the potential applicant needs to be wary of the authenticity and veracity of the information obtained from various social media websites about future employers. Use of tenuous information on social media platforms by potential recruits could significantly alter their decision-making process with regard to future job offers.

Given the exponential growth in available social media data, many employers are increasingly using artificial intelligence (AI) to screen potential applicant's social media profiles. AI may miss common synonyms for key terms in social media information. For example, someone may note that they are *flexible*, but the AI algorithm used may be searching for the term *adaptable* instead and thus miss an otherwise qualified potential applicant.

Another potential issue is that professional social media platforms such as LinkedIn are likely to be populated with white collar professionals, more than blue collar-skilled crafts people or laborers. They are also likely to be more prominent in some professions more than others. In addition, many individuals may have a nonlinear career or change career paths multiple times during their career. As a result, their digital footprint may not be as relevant to their current career pursuits as someone who has followed a more traditional, linear career path.

## Privacy, Ethical, and Legal Issues

Traditionally, the job applicant has been able to control the type and amount of information that employers see about them via submitting résumés and job applications. However, job applicant's digital footprint on the Internet continues to grow as their career unfolds, and for workers early in their career their digital history starts at younger ages than just a decade or so ago. Thus, employers using AI to recruit and screen potential job applicants may see social media posts and other online activities that the applicant would

rather the potential employer not see. Unfortunately, it can be extremely difficult to delete, let alone permanently erase, such unwanted information on social media web site.

Additionally, there are many ways to include information in one's profile to aggrandize and put one's best foot forward. What is posted online may be done with the intent to impress hiring managers and highlight the positive experiences, backgrounds, talents, and skills of the individual. There are many available resources online that provide suggestions and recommendations on how to enhance your profile and online presence. The consultants and practitioners who provide coaching and recommendations have integrated the best practices of optional profiles and guide job seekers to create a positive image. While this is part of the interview process (putting your best foot forward), recruiters and hiring managers cannot make the inaccurate assumption that what is online is in some way more accurate or a more complete picture of the job applicant. Impression management and the desire to share only specific information need to be an important consideration when information is gathered about job candidates via online data sources.

The power imbalance between job applicants and employers can also raise privacy, ethical, and legal concerns regarding using social media for recruitment and initial screening of job seekers. For example, there have been reports of employers demanding job applicants provide the employer with login credentials for their social media accounts so that the employer can access all information regarding an applicant's private social media profiles, not just what is available publicly about the individual. Access to demographic information, such as age, race, gender, marital status, number of children, religious affiliation, and disability status, clearly raises legal concerns about inappropriate data being used in the employment process. This is a legal issue (in terms of protected classes under US Federal and State laws), as well as a process which can severely impact diversity and inclusiveness of hiring and onboarding practices.

When using any data to evaluate job candidates, relevance to the position and the work the individual is being hired for is essential. Without clearly established criteria for the position, applicant data viewed on social media is evaluated through the biases of the individual recruiters who are screening candidates. Using AI, as an initial screening tool, can help reduce bias if the screening algorithm is carefully developed and directly linked to the selection criteria.

## Conclusion

While the ever-increasing popularity of both personal and professional social media tools has made it much easier for employers to both actively and passively recruit potential job applicants, it has also opened a Pandora's Box of potential legal and ethical concerns regarding screening job-relevant information on job applicants. However, when recruitment methods and evaluation approaches gravitate away from validated selection processes toward unvalidated approaches such as using social media to screen applicants, it is not clear how the approaches meet established standards of ethics and professional codes of conduct. To meet established standards, training is essential to ensure that an ethical and valid recruitment and selection process is utilized that minimizes bias and reduces adverse impact. When applicants are asked to provide access to private social media accounts, they may feel vulnerable and are not able to refuse these requests for fear of putting their chances of getting the job at risk.

Employers are in a position of power to make these requests and access the information as they see fit in the recruitment and selection process. Often, managers and recruiters believe that they can discern more specific information about a candidate's personality and character through information posted on social media. Believing that they are a good judge of character can cause managers and recruiters to misinterpret the information posted on social media sites. In addition, this belief masks the likelihood that individuals

may indeed behave very differently in the context of work versus the actions in interactions that they focus on when posting on social media sites that highlight outside work relationships and events. Without clarity on the criteria and completion of validation research about the specific information obtained from social media and how it is related to performance on the job, the ethical use of social media data is questionable at best.

## Cross-References

► [Social Media Speech and the Workplace](#)

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## Social Media Speech and the Workplace

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### Synonyms

Business reputation; Employees' free speech; Online speech

### Introduction

Social media platforms offer individuals an unprecedented opportunity to express themselves. Individuals choose not only what to post, but also the audience to which they are posting. Comments, photos, videos, and stories may be shared with selected individuals, or they may be made public so that these remarks show up through random online searches. Overall, social media has had a profound cultural impact (van Dijck 2013). Social media speech, however, poses significant challenges for workplaces in democratic jurisdictions.

Free speech remains a championed value in many democratic countries (Milo 2008). And yet, the value of free speech is not necessarily as warmly embraced within the walls of the workplace. Social media has further complicated the concept of the workplace by adding an online dimension to the physical. This topic draws from legal analyses where attention is focused on the competing interests of employers and employees.

### The Force of the Employment Contract

The terms of an employment contract may constrain employees' freedom to express online. This situation is attributable to the subordinate nature of employment. Employers benefit from their (or their legal representation) drafting of contract

clauses regarding social media use. These provisions vest employers with the unilateral authority to determine whether online remarks or activities harm their business interests. This power includes an assessment of whether employees' online comments reflect negatively on employers' business reputation. These clauses also expand the bases for which workplace discipline (up to and including termination) may be levied. The breadth and strength of these contracts derive from the frequency with which courts or arbitrators enforce these social media provisions. In effect, the scope for workplace discipline extends beyond the physical location of work to include online activity, and beyond the workday to include off-duty conduct.

### Balancing Employers' Business Interests and Employees' Free Speech

The task for courts and arbitrators is to balance employers' and employees' interests. The power vested in employers by employment contracts is not of itself a matter for opposition. Rather, the question is whether these contract clauses create a chilling effect by policing behavior that is unconnected (or of arguable connection) with employers' businesses, through the prospect of workplace discipline.

Protection of business interests is a legitimate aim. Social media usage connected to work poses practical concerns to business reputation stemming from the potential for remarks on the Internet being shared. The assessment of harm, however, remains ambiguous where employers are not required to establish actual harm to business interests. The interpretation of the negative potential effect on business reputation of employees' social media remarks stands out as a particularly challenging, yet salient, issue. Moreover, the capture area for perceived harmful remarks by employees extends well beyond comments made at the workplace on social media and includes statements outside of work that employers determine to be embarrassing to their interests.



Employees' free speech forms the other competing interest in this balancing exercise. Taking instruction from the spectrum for interpretation of employees' remarks above, employees' free speech can be a contingent concept. There are different forms of speech which may be connected, in some manner, to work, including whistleblowing, political speech, principled dissent, and general comment (Vickers 2002). Employees' free speech, though, contains several considerations that render it a more complicated point of analysis.

One factor is that social media comments have been situated within a hierarchy of speech. Political speech has a prominent place (sometimes classified as high-level discourse), but protected speech consisting of it alone seems to be too narrow a construction of free speech. The language of low-level speech has been applied to social media remarks (Rowbottom 2014). By way of example, the UK Supreme Court has characterized online speech as warranting less scrutiny: that "it is wrong to engage in elaborate analysis of a tweet . . . The imperative is to ascertain how a typical . . . reader would interpret the message. That search should reflect the circumstance that this is a casual medium" (*Stocker v Stocker* (2019) UKSC 17, para.43).

The importance of expression to the individual forms another consideration that creates tension with the place of social media remarks within a hierarchy of speech. Employees' expression has been set within a self-development context that has garnered legal protection. Decisions of the European Court of Human Rights illustrate this point (see *Lingens v Austria* (1986) 8 EHRR 407).

The self-development dimension of employees' speech requires some nuanced treatment. Motive is one consideration. Employees' social media postings aimed at ridiculing employers are not treated in the same manner as similarly intended social media postings about government. The former attracts a duty of loyalty and fidelity that tempers employees' freedom to express, when weighed against employers' interests. Whistleblowing is another example drawing from motive. An individual posting comments first on social media, without making the

employer aware of the issue, may not easily fit within the whistleblowing framework. If attention has been drawn to the employer without any subsequent action taken and the individual acts in the good faith belief that the information in question is true, then there may be a public interest in disclosing it where no other more discreet means of addressing the matter is available (see the European Court of Human Rights in *Heinisch v Germany* (2011) ECHR 1175).

A matter adjacent to the present topic but still of importance, social media companies have become powerful entities themselves that can limit social media speech in relation to the workplace. The more users that have signed up to a particular platform, the more important that medium becomes. This "network effect" of social media platforms has also precipitated a less idealistic outcome that has attenuated the breadth of topics for communication. The triggering of a "report and takedown" protocol has provided a unique means of stifling commentary by making false accusations about commentators. As an example, Tufekci (2017) explored the strategic use of such protocols in relation to the "Arab Spring."

## Surveillance of Employees' Online Speech

How do employers learn of employees' social media remarks?

In some instances (where employees provide some indication of their employment and their comments are made public in some way), employers are notified of online remarks by other workers or even members of the public. This form of reporting is a by-product of the facilities provided by social media. The ease in this form of reporting can also be seen in platform work or "gig work" where the assessment of work completed has been outsourced to consumers. Reporting online remarks by employees conveys a conformity dimension since co-workers or the public are judging the speech to be inappropriate. In this context, the act of reporting these employees is a significant step.

Computer software is available that enables employers to view employees' online activities. This has been largely done onsite where employees use employer-provided computers, though technologies such as GPS permit location monitoring. With the Covid-19 pandemic, there have been reports of such surveillance being undertaken by employers while employees have been working from home.

Scrutiny over the intrusion into workers' privacy rights by the ways in which the information comes to employers' attention (particularly employers' active surveillance measures) has been curbed. Part of the reason has been a perception that if comments are made on social media, then any privacy right has been waived. The premise remains a matter of debate (Finkin 2018). The supposition relies on the assumption that all comments made online are public, ignoring the possibility of privacy settings (for example) or more directed communication to a select audience. Recalling the last section, in the employment setting, it is the potential not the actual detriment that is the basis for discipline.

### **Social Media, Speech, and the Toxic Workplace**

Social media offer businesses both possibility and peril. On the positive side, social media represent an opportunity for consumer engagement. These media present service providers and manufacturers of goods with a unique possibility of building a relationship with consumers (even goodwill) by regular social media postings. This same possibility also poses a risk that requires attention.

Social media extend the physical workplace to the online domain. If social media is akin to a conversation, then unsavory remarks orally made in workplaces can now often be viewed online (Mangan 2018). Even if it is posted outside of work hours and away from the physical workplace, the remark can contribute to a toxic workplace. Employment contracts likely contain provisions that touch upon employers' having a workplace which promotes respectful interactions and is free from discrimination and harassment,

thereby granting employers the authority to take disciplinary steps for such remarks.

The toxic workplace is not simply a matter of managing the workforce. A business' social media presence that is interactive with the public would need to also be a space free of racist, sexist, homophobic, and otherwise offensive language. This means that if consumers interact with business personnel and a consumer (for example) posts a sexist remark about a female employee to the business' Twitter feed, the business may be responsible to that female employee if it does not remove the remark. Imbuing social issues with legal implications by way of social media speech may be one of the most engaging, controversial, and important matters to be taken up by the intersection of user-generated content platforms and employment.

### **Social Media Speech as Work**

The focus to this point has been on social media speech as a source of contention within the workplace, as well as the extended notion of what affects the workplace with social media platforms. Another aspect of this topic is that social media speech may itself constitute work. The following paragraphs consider two examples: social media influencers, and social media as an additional facet of existing work.

Social media influencers are individuals who produce content for social media (Goanta and Ranchordás 2020). Often, they have a presence on the most widely used platforms. This content consists of short videos or photos that speak to an audience in a personal manner. Through this content, influencers grow in popularity (measured by the number of followers they have). The most well-known influencers have followers numbering in the millions. The capacity to influence a large following is the essence of being a social media influencer because influencers earn income for their postings from manufacturers and retailers.

Influencers may also be employees. Public-facing businesses may tap into their existing workforces by setting up social media accounts

featuring their own employees speaking about goods. The perceived appeal is that these employees are relatable to consumers. These employees may also have their own social media accounts that combine with the company's online profile. Significant questions arise about the boundary between work/private life.

Social media may have also intensified existing jobs. Some positions now entail a social media presence as part of the work. In addition to the physical work of a job, such as meetings, report writing, and maintaining up-to-date knowledge, employees may additionally need to have an online presence which is facilitated by social media postings. These individuals need not necessarily be at the level of social media influencers, but part of their work may obligate these employees to be seen within the spectrum of online commentaries. Social media speech as an additional facet to a job speaks to the embedded nature of social media within day-to-day life.

## Cross-References

- [Contract Theory](#)
- [Harassment in the Workplace](#)
- [Individualism](#)
- [Racism in the Workplace](#)
- [Whistleblowing](#)
- [Work-Life Balance](#)
- [Workplace Bullying](#)

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## Social Norms

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## Synonyms

Collective normative behaviors

## Introduction

The social norms approach is an emerging field of research with a wide interdisciplinary scope. Areas such as psychology, economics, philosophy, sociology, health sciences, information science and marketing have used this approach to understand and diagnose collective behaviors. This kind of approach is based on the premise that certain behaviors are determined by normative attitudes and expectations shared among individuals of a social group in a particular context. The central problem of social norms theories is to understand how these sociocultural determinants affect collective behaviors. The correct understanding of these determinants can be useful to design better and more efficient models of intervention that aim to modify social behaviors.

## Social Norms, the Grammar of Society

Social norms are usually defined as the “grammar of society.” As a grammar, they are publicly shared informal rules that express acceptable and prohibited behaviors in social groups or society.

The normative aspect of this grammar is established through a continuous process of social interaction. Over a period of time, these interactions incorporate society's desires and values forming rules of collective behavior without prior or conscious design. The distinctive feature of social norms is the way they regulate our behavior through a dynamic of sanctions and normative expectations. (Bicchieri 2006, p. 1)

Some social norms maintain prosocial behaviors, reinforcing essential values for society, such as tolerance and mutual respect, trust, cooperation, and justice. However, others can foster harmful and discriminatory behaviors toward certain individuals or minority groups by imposing stigma, stereotypes, or limiting their liberties. In the latter cases, social norms may have consequences on participants' health and well-being (Edberg and Krieger 2020; Cislighi and Heise 2018).

Despite a wide variety of social norms theories, there are some consensual points in the literature on the concept of "norm." Social norms and similar concepts are not mere behavioral regularities. In this purely statistical sense, the description of what is familiar and common in a society or group is disregarded in the investigation, when they lack influence or normative content. Social norms are not instinctive behaviors or reactive natural attitudes such as sneezing, yawning, or running away from something we fear. Nonetheless, researchers tend to agree that social norms, as the name suggests, should be somewhat social, that is, shared by groups or society (even if there is a disagreement about the meaning of "social"). These rules of behavior emerge from social interactions among human beings; they are not considered as natural or divine commandments (Legros and Cislighi 2019).

We can find further disagreements on relevant topics of the theory of social norms. There are discussions on the proper definition of social norms, their dynamics, and evolution, the different pathways of influence from norm to behavior, and the different types of agents that should be regarded in the studies (Legros and Cislighi 2019; Edberg and Krieger 2020). For the purposes of this entry, we shall focus on the theoretical

framework established by Cristina Bicchieri (2006, 2017). Other approaches are suggested in the Reference section.

The main goal of the social norms approach is to understand the nature, structure, and dynamics of collective behaviors. Nonetheless, not all behaviors are governed by social norms or trigger social sanctions. Their nature is determined mainly by how individuals relate to them and their reasons for establishing such relationships. Therefore, there is no way to identify the type of behavior if we do not know the (explicit or implicit) reasons why individuals engage in it. According to a classic example from the philosopher Gilbert Ryle, a wink can be interpreted both as a natural reflection of the human body (an involuntary twitch) or as a means of communication (a conspiratory winking to a compliance). In the latter case, we must acknowledge that the signaler deliberately winked to send a message according to a code mutually known (Ryle 2009)

Bicchieri's theory offers analytic tools to assess and evaluate the nature and dynamics of collective behaviors, which ones are decomposed into four main elements: preference, expectation, context, and reference network. Since all these elements refer to social agents, not groups or social structures, this approach reduces patterns of collective behaviors in terms of properties of social agents (Brennan et al. 2013, p. 22).

Preferences are dispositions to act in a certain way in similar contexts. They are highly correlated to the choice of doing something based on the comparison of available options. I have a preference for A over B or C if, in a situation of choice, I choose A, not B or C. Preferences are classified according to two dichotomous factors (individual/social and conditional/unconditional). Strictly individual and unconditional preferences are not influenced by other people's behavior or expectations, whereas social and conditional preferences are (the other two pairs of preferences are irrelevant for this entry). (Bicchieri 2017)

Beliefs and expectations are also classified into four types. Factual beliefs are related to states of affairs or how the world functions. Personal normative beliefs express an individual's opinion about how the world should function. They

generally indicate the individual's normative attitudes toward something. The other two types of beliefs are social expectations about other people's behaviors and beliefs. Empirical expectations are defined as social beliefs about how people mostly behave or will react in certain situations. Finally, normative expectations are expectations about other people's normative beliefs. In other words, they are expectations about how other people will judge our behavior in normative terms (appropriate or inappropriate, right or wrong). Therefore, normative expectations are considered second-order beliefs and are usually accompanied by an indirect evaluation.

The theory of social norms distinguishes preferences and choices from attitudes. Attitudes are personal dispositions to evaluate something as good or bad. They are usually measured along a scale of favor/disfavor, like/dislike through a neutral point (Fishbein and Ajzen 2010). In many cases, a person may negatively evaluate a social practice, but simultaneously engage in it because she has conditional social preferences. Her behavior is conditioned by second-order beliefs, which concern other people's normative beliefs toward her. Classical research focused on alcohol consumption by college students, the practice of female genital mutilation, child marriage, and corporal punishment used against children by parents share these characteristics. The prevalence of the practice does not reflect the support of the practitioners.

Social norms do not always require rational deliberation to their application. They are triggered through salient clues that indicate to the agent the appropriate behavior for a given situation. Thus, social norms are embedded in contexts. The right interpretation of a series of clues and cognitive shortcuts are paramount for the correct categorization of the situation and the activation of the correspondent beliefs, schemas, and norms. Once this interpretation or the lack of salient clues fail, norms may not be perceived by the agent and the situation may be erroneously categorized (Bicchieri 2006, Chap. 2). Different approaches call social norms with a slightly different nomenclature: injunctive norms (Cialdini et al. 1991).

Reference networks express the set of individuals whose preferences and expectations matter for the decision maker. These individuals vary from merely local and close or even spread and not directly related persons. Depending on the context, relatives, neighbors, friends, co-workers, television artists and influencers, politicians, and religious or community leaders may be part of someone's reference network. In a research, it is a must-step that identify the corresponding reference network of relevant persons whose behaviors and expectations the decision maker cares about.

Thus, depending on the type of preference, expectation, context, and reference network, we will have different patterns of collective behaviors. Bicchieri (2006, 2017) develops a taxonomy that includes four main types of behaviors: customs, moral norms, descriptive norms, and social norms. It is important to note that these concepts are built for identifying and measuring the main social determinants of collective behavior. These static notions are not directly observable in reality. Usually, social practices are constituted with a variety of reasons to conform to it and their dynamics may change over time and space.

Consider, for example, the use of umbrellas (Bicchieri 2017, p. 15). Why do people use umbrellas? Indeed, we find no moral imperative for their use nor moral emotions (like resentment or anger) toward people who do not use them. At the same time, umbrellas are handy and almost everyone regularly uses it in rainy weather. The satisfaction of individual personal needs justifies its use: not getting wet in the rain. People do not care so much about what others will think about it or the regular and massive use of umbrellas. Therefore, people who use it sustain unconditional individual preferences. In other words, their behavior is not conditional to the behavior of others or their expectations. This individual habitual behavior will generate a custom, since people have the same necessity (in this case, not getting wet in the rain). Thus, *customs* are patterns of collective behavior sustained by unconditional individual preferences that satisfy individuals' needs. As counter-intuitive as it may seem, in light of Bicchieri's theory, customs are understood

as independent behaviors whose individual practices may lead to a collective pattern.

*Moral norms*, as well as customs, are independent behaviors. Moral norms are often defined as impartial and universal imperatives. From Bicchieri's perspective (2017, p. 31; Brennan et al. 2013), this means that a subject which follows a moral norm acts according to unconditional preferences and normative personal beliefs. The context and the reference network are suspended, because it does not matter with whom or on what circumstances we are facing to act morally. Someone may prefer not to eat animals under all circumstances, even if people around her are doing it. Someone may refuse to act unfairly, even if she fears punishment from her corrupted peers.

The situation is very different when it comes to interdependent behaviors. Unlike customs or moral norms, there are social practices that only exist due to conditional preferences. An individual may conform to a particular pattern of behavior only upon the belief that others behave just like that. These empirical expectations are expectations about what others are doing or how they behave that justifies someone's behavior. When we condition our preference only to the extent that we believe that people in our reference network conform to it, we have a situation where the leading social determinant is *descriptive norms*.

Imitation is a particular kind of descriptive norms. Someone expects that others will act in a certain way and thus conditions her behavior to them. However, the opposite is not the case. Trendsetters or social media influencers are followed by thousands and millions of people, without coordinating their actions or their expectations with their followers. The dynamics of imitation function through these unilateral expectations. In more trivial and day-to-day situations, descriptive norms relieve the costs of knowledge acquisition when we face new or unexpected situations. By observing others behavior and imitating them, we gather rapidly and almost costly guidance of what to do.

It is not the same when collective behaviors require mutually known expectations across all

agents (or, at least, a large group of participants). Traffic rules, use of language or signaling systems, dress codes, and meetings are classic examples of coordination problems. These multilateral expectations must match and be mutually known. Remember the conspiratory wink example above. Both the signaler and his compliance must know the same code and this understanding must be mutually acknowledged. Otherwise, the signal would be empty or misunderstood as a twitch. The same happens with traffic and signal rules, the epitome of coordination situations: everyone wants to coordinate with each other, since the consequences of failure may result in serious accidents.

Finally, *social norms* are the last collective behavior analyzed by Bicchieri (2017, p. 28, 2005, p. 8). Social norms are very similar to descriptive norms, but they have a crucial additional element: normative expectations. Individuals condition their preference upon expectations about how most people in their reference network act *and* expectations about how most people in their reference network believe they must conform to a particular action. Therefore, as we have seen above, the distinctive feature of social norms is this kind of "second-order expectation": the belief we have about other people's expectations about our behavior. Occupying a priority seat on a crowded bus without the proper requirements may attract many angry looks and verbal warnings from the bystanders. The anticipation of this unfortunate situation restrains our bad behavior.

Generally, social norms are enforced in contexts where individual actions negatively affect others or society, generating social dilemmas. Classic problems in game theory, such as prisoner's dilemma, the tragedy of the commons, and problems of collective action are extensively discussed in the literature and elucidate this point. Individuals face a conflict between collective rationality (the common good) and individual (egoistic) rationality. Therefore, social norms guarantee social cooperation and inhibit the temptations of transgression through sanctions and internalized negative emotions. According to



Bicchieri (2006, p. 26), social norms transform social dilemmas into situations of coordination, because they are a strong incentive for compliance with acceptable behaviors of common interest.

However, it is important to realize that social norms have a distinct dynamic from descriptive norms. Deviations in descriptive norms result in communication failures or risking one's life or the others. In situations where we have a descriptive norm in place, everyone will have a reason to conform to it because non-coordination has a high cost. Thus, descriptive norms are self-reinforcing. On the other hand, the transgression of social norms implies the application of sanctions, since they are linked to a system of shared values and emotions. To curb the consequences of generalized transgressions, individuals have an incentive to enforce social sanctions on deviants. Individuals may be punished with verbal warnings or even with more severe punishments, such as social ostracism, bad reputation, stigmatization, or physical aggression.

Notice that normative attitudes do not necessarily accompany normative expectations. This situation occurs when agents erroneously infer that conforming to a social norm is consistent with the belief that everybody believes that this rule ought to be followed. Nonetheless, for shame or fear, agents do not express their disapproval toward the social norm. This state of mind reaches each participant, who is trapped in a state of pluralistic ignorance. Although each participant of the reference network believes that their peers support that "this is what must be done," they secretly believe that only they disapprove it. There is a mutually collective mismatch between one personal normative attitude and the normative expectations of her reference network.

Despite their role in guaranteeing the common good of a society by means of a vocabulary of prosocial behavior, social norms also have a dark side. They can maintain and enforce oppressive practices. Female genital mutilation, child marriage, corruption, discrimination based on gender, race, or sexual orientation are social practices maintained through social norms. They are the expression of the prejudices and stereotypical images that a society or a group shares among its

members. This system of social oppression can lead to "social traps," in which oppressed individuals cannot modify the collective behavior unilaterally or deviate without punishment. In such cases, social pressure may impair participants' well-being and health behaviors (Cislaghi and Heise 2018; Edberg and Krieger 2020).

Understanding the structure and dynamics of certain collective behaviors is essential for effective interventions that seek social change. Thus, not all collective behaviors are equal or respond equally to the same incentives. Descriptive norms may change quickly with external interventions (like the enactment of a law or the spread of public information). A much-celebrated example is the change of hand in the Sweden traffic system in 1973. Drivers rapidly got used to driving on the right-hand side of the road, since all wanted to avoid accidents. However, laws may be ineffective against social norms. Anti-corruption laws, policies promoting health behaviors or laws prohibiting well-established social practices (such as child marriage or female genital mutilation) are examples that have been widely studied by governmental and international organizations. From these studies, we can learn at least three things: (1) to extinguish (or change) a specific social practice enforced by social norms, it is necessary to modify social values and expectations collectively; (2) even legal norms require social norms of legal obedience among citizens (otherwise, they will not be applied or recognized as legitimate); (3) to be effective, interventions must be anchored locally, taking an anthropological perspective of the agents and their cultural and social context (Mackie 2018; Bicchieri 2017, Chap. 3; Edberg and Krieger 2020).

## Cross-References

- ▶ [Free Rider Problem During the Covid-19 Pandemic](#)
- ▶ [Social Identity Theory](#)
- ▶ [Tragedy of the Commons and the Lifeboat Metaphor](#)
- ▶ [Trust and Institutions](#)

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## Social Responsibility and Business: The Milton Friedman Position

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## Synonyms

Corporate social responsibility critique; Social responsibility as anti-capitalist and anti-freedom

## Introduction

Milton Friedman (1912–2006) was primarily known for two well-known positions: one monetarism, as a leader of the Chicago school and as an anti-Keynesian critic and another position which is usually interpreted as his Political Philosophy. In this article, the focus is on the latter. In an article published in the *New York Times* in 1970 entitled, “*The Social Responsibility of Business is to Increase its Profits*,” Friedman (2005, 18) presented his theory about the purpose of business. In that article he argued that those who advocated for activities that engage executives in corporate social responsibility (CSR) on the part of those executives **qua executives** or on behalf of the corporations that employed them were “preaching pure and unadulterated socialism.” Further, business executives who advocated social responsibility or CSR were “unwitting puppets of the intellectual forces that have been undermining the basis of a free society for these past decades.”

## Overview

His arguments are basically as follows:

1. Corporations as artificial persons can only have artificial responsibilities but business cannot be held to have responsibility in any complex social manner or in any general sense.
2. Executives as employees of the business are responsible solely to be loyal agents of the owners (principals) of the businesses or its stockholders or shareholders.
3. The purpose of business is to make profit for the owners and stockholders or shareholders.
4. The principals to whom the executives are loyal agents want the executive to serve their interests which are solely to make as much money as possible as long as their interests are pursued in a manner consistent with law and local social norms.
5. If the executive makes choices that are not aimed at profit maximization, it is like taxation without representation because the executive was chosen to make money not give money

away for social ends. The executive should not choose to divert money for profits because stockholders or owners did not elect the executive to do so. By doing so, the executive starts taking on jobs that are in the domain of the government without being duly elected.

6. The executive is an expert at the business, not as an agent of socially responsible choices so may make the wrong social or moral choices.
7. The ends of socially responsible choices are uncertain and cannot be predicted with accuracy.
8. If executives decide to make choices that are not narrowly constructed and solely profit-oriented choices, they may start adopting socially responsible choices that negatively impact the business (e.g., choosing long-term unemployed workers as a good social aim rather than the best person for the job in terms of qualifications).

Further, as an underpinning assumption of Friedman's arguments is grounded in the Adam Smith theory of the Invisible Hand. In Smith's [2007 An Inquiry into the Nature and Causes of the Wealth of Nations](#) (Book IV, Chap. 11, paragraph IX), he famously wrote the following oft quoted passage:

As every individual, therefore, endeavors as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce maybe of the greatest value; every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in them from it.

There have been numerous critiques of Friedman's arguments over the years as well as of Smith's assumption concerning the invisible hand.

Many of the critiques of Friedman's article argue that all of Friedman's arguments are question-begging, that is, Friedman assumes what he is trying to prove. Other criticisms claim that there is overwhelming empirical evidence, counter-evidence to many of Friedman's assertions (e.g., that stockholders would always and only pursue profit-maximization as their single and only goal in business). Other criticisms attack the inadequacy of Friedman's arguments on moral grounds that have been previously tested. Michalos ([2005](#), 42–43) discusses the inadequacy of claiming to be a loyal agent pursuing the aims and goals of the principal (i.e., I was only following orders defense) which was found to fail the personal responsibility test for moral agency most notably during the Nuremberg trials, following World Wide II. Persons are not merely agents of principals but rather are moral agents who can and have been held to be individually responsible for participating in illegal and unethical actions on the part of corporations, government, and institutions. Other arguments are seen as just not reasonable to assume. For example, even if one assumes that executives do have the authority to pursue other than merely profit-driven goals as senior employees of companies, why would you assume that socially responsible choices would trump all business types of decisions in hiring and that an executive would consequently feel compelled to hire the hardened, long-term unemployed rather than qualified workers? Considering some socially responsible choices within business does not entail that these choices are always ultimate arbiters directing action, especially given that always choosing the seemingly most moral decision may result in the failure and consequent extinction of the company.

With respect to the belief in the so-called Invisible Hand, economists, such as Stiglitz ([2002](#)), have argued for many years that it is an implausible fiction.

So, why, if Friedman's article is so flawed, has it been the source of so many articles and critiques over the years? One reason may be because it served as an excellent foil for those who wished to make a case for the importance of businesses being socially responsible. For another, it was received by a community of consumers who were becoming concerned about and aware of the negative impact of companies that did not want to be concerned with the so-called externalities, such as air, water, and the general environment in calculating the cost of their business operations. In the economic climate of the 1970s and 1980s, it has also been argued that the article was well-received by corporate conservatives. As Denning (2013) put this perspective,

The success of the article was not because the arguments were powerful, but rather because people desperately *wanted* to believe. At the time, private sector firms were starting to feel the first pressures of global competition and executives were looking around for ways to increase their returns. The idea of focussing totally on making money, and forgetting about any concerns for employees, customers or society seemed like a promising avenue worth exploring, regardless of the argumentation.

The debate continues but suffice it to say, Friedman's article was not determinative for many concerned with the topic.

## Cross-References

- [Capitalism](#)
- [Corporate Social Responsibility](#)
- [Socially Responsible Investment and Corporate Engagement](#)

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## Socially Responsible Investment and Corporate Engagement

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## Synonyms

Corporate engagement; Responsible investment; Shareholder rights; Socially responsible investment

## Definition

Responsible investment (RI) brings environmental, social, and governance factors (often referred to as ESG) into investment decision-making. Proponents of responsible investing suggest that over time taking these considerations into account can lower risk in an investment portfolio and may contribute to the financial performance of these investments. They believe companies that behave with certain environmental, social, or ethical standards maintain and even gain value over the long run (Clark et al. 2014). Given that institutional investors are increasingly long-term investors, we are now seeing responsible investing as part of mainstream finance. In fact, the UN-backed Principles for Responsible Investment with signatories managing over \$60 trillion of assets (PRI 2017) represents almost a third of the investable assets in the world and is a testament to the growing importance of responsible investment.

Responsible investment uses the legitimate rights of shareholders to influence company standards. It does not ask companies to sacrifice long-

term profitability. It seeks higher corporate standards in order to reduce risk over time. Though such corporate standards are often referred to as corporate social responsibility or CSR, it is important to note that responsible investment concerns itself solely with the long-term interests of shareholders. It aligns corporate managers with shareholders' long-term interests. CSR suggests that companies respect all their stakeholders including clients, employees, community, governments, suppliers, and customers as well as its shareholders. In contrast, many institutional investors argue that greater regard for the long-term and increased corporate social responsibility reduces risk, adds share value, and in the long run serves shareholders' interests (Dimson et al. 2015).

Socially responsible investing (SRI) adds an additional layer of consideration to investment decisions, that is, ethical considerations. Generally, we associate SRI with individual investment choice, as individuals are able to exercise their own ethical standards in their investment selection. Most institutional investors restrict themselves to ESG considerations. For these investors an ethical position must often become a societally accepted norm or code to warrant consideration. Avoidance of the production and use of land mines and cluster bombs, use of forced labor, and avoidance of conflict zones are examples of ethical considerations that have made their way into broad acceptance by both individual and institutional investors.

## Understanding Responsible Investment

Responsible investing stands in sharp contrast to the more traditional capital asset pricing model (CAPM) that is drawn from the efficient market hypothesis (EMH) where all available information on a company's stock is embedded in its current price. In the past, ESG factors were deemed nonfinancial and therefore were not taken into consideration. But a significant amount of research now points to the fact that companies with higher ESG standards improve their financial performance (on this point see Clark et al. (2014) for a meta-study of over 100 studies).

When investors own a company over a longer period of time, they face greater risk and uncertainty. No risk is hotter than the environmental risks companies are currently facing. With each of the last 3 years up to and including 2016 declared as the hottest years ever recorded globally, it is not surprising that investors are asking companies how they plan to manage climate change risk over time. The same is true for social risks such as exposure to conflict zones as in the Sudan or the reputation risk of unsafe and unfair labor practices in a company's supply chain.

When faced with company behavior deemed unacceptable by shareholders, investors have two decisions, either sell their shares and walk away from the investment or maintain their shares and engage with the company to raise its standards. Increasingly large institutional investors<sup>1</sup> are choosing to maintain their ownership of companies and engage with them in an effort to raise their environmental, social, and governance standards.

In the past many socially responsible investors chose to divest their holdings, often excluding whole sectors of the economy such as alcohol, gambling, nuclear, and weapons from their portfolios. More recently we have seen this approach advocated for fossil fuels. But while exclusion means the investor no longer owns the stock, it also means that the investor has lost his or her ability to influence the company and raise its standards. When one investor sells, another investor buys, and often the new investor is indifferent to the ESG or ethical standards of the firm. The second option is to maintain ownership of the stock and engage the company through a variety of mechanisms to raise their standards. Such corporate engagement is the preferred strategy for responsible and many socially responsible investors, and its influence has grown over time.

Corporate engagement is the term used to describe the use of legally defined corporate ownership rights by shareholders to raise the standards of firms. It can be active or passive, private or

<sup>1</sup> Institutional investors include investment funds (including mutual funds), insurance companies, pension funds, banks, and foundations.



public, reactive or proactive, and quiet or noisy. It can be used across all asset classes. Passive strategies include proxy voting, for example, while quiet strategies can be behind the scenes (private meetings and letters). Noisy and active corporate engagement strategies include placing minority shareholder resolutions at company annual meetings and developing public focus lists of poor performing companies. In general, corporate engagement is designed to leverage the power of shareholders within the corporate structure.

Several forces converged in the early 2000s that strengthened the ownership role of institutional investors. The first was the combination of increasing managerial excesses coupled with falling share values. Nowhere was this more evident than through the global financial crisis of 2008! Absentee owners were seen as part of the problem, with calls on shareholders to provide stronger influence on corporate governance and managerial oversight. In the widely held capital markets of today, such oversight is only possible when large institutional investors aggregate the authority of previously dispersed beneficial owners.

Institutional investors' newfound willingness to act in coalition was a second force at play in the early 2000s. In the past, the cost of corporate engagement when measured against possible gains meant that few minority shareholders were willing to monitor corporate management. Previously owners have been assumed to be widely dispersed and therefore essentially powerless in control of corporate managers and boards (Berle and Means 1933). But today's institutional investors hold such large stakes in individual firms, they are able to bear these costs alone and, more important, act in coalition with other institutional investors. As a result, corporate engagement has become a potent force in representing owners' interests in today's companies (Clark and Hebb 2005; Hebb 2008).

Such coalitions are possible because changes in securities laws allow for easier communication between shareholders and because transaction costs of both monitoring and coordinating responses have been lowered when measured against the increases in share value such activity generates. In the past pension funds, in particular,

were deemed ineffective as corporate monitors and were identified as "lone wolves" in their attempts to provide oversight of corporate decision-making. In the early 1990s, this tendency toward isolation was seen as the major drawback to institutional investors' effectiveness as corporate monitors (see, e.g., Coffee (1991, 1997) and O'Barr and Conley (1992) on this point).

There are, however, an increasing number of effective investor-led coalitions that provide models for corporate engagement. These new coalitions cluster around environmental, social, or governance issues of concern. The Principles for Responsible Investment addresses all three areas and provides a platform for collective action (Gond and Piani 2013). The Carbon Disclosure Project representing \$100 trillion in assets (as of March 2017), the Institutional Investors for Climate Risk, and CERES are three examples of effective coalitions working on environmental standards. Coalitions addressing factory conditions in Bangladesh demonstrate investor engagement focused on social issues. The Council of Institutional Investors and the International Corporate Governance Network are two long-established corporate governance coalitions. All of these investor-led coalitions have strong records of success in influencing companies to raise their standards. Most use some form of corporate engagement to achieve their goals.

## Drivers of Corporate Engagement

Four drivers propel institutional investors toward corporate engagement. In the 1980s and 1990s, most institutional investors behaved no differently from the rest of the financial market. These investors pushed companies to deliver a steady stream of quarterly earnings in order to meet standard industry benchmarks. But as institutional investors' assets grew, they lost their ability to simply sell stock when dissatisfied with performance (a practice known as the Wall Street Walk). Their sheer size means they hold large equity positions that make them increasingly vulnerable to the performance of the market as a whole. This phenomenon is known as the universal owner



(Hawley and Williams (2000, 2007) on this point). In OECD countries, pension funds, investment funds, and insurance companies have doubled since 2000 growing from \$36 trillion (US) to \$73 trillion by 2011 (Celik and Isaksson 2014).

In addition, during the 1990s many institutional investors began to use passive stock indices (such as the Standard and Poor's 500) for their equity investments. Over time it has become increasingly difficult for active money managers to "beat" the market as a whole, particularly once their fees are taken into consideration. The trend toward indexing grew during the 1990s and 2000s. In 1984, the 200 largest DB pension funds in the United States held only \$50 billion in passive index funds; by 2016 this amount had grown to almost \$800 billion (Kilroy 2017). As a result, they could no longer simply sell stock, as it was now part of a broader index in their portfolio. Paradoxically, the trend toward passive investment meant greater company engagement. As Bob Monks (1995) said, "If you can't sell, you have to care."

Corporate engagement's third driver is found in the growing evidence of financial value out-performance from ESG (Clark et al. 2014; Eccles et al. 2014). Increasingly institutional investors look to environmental, social, and governance indicators as proxies for long-term performance. Previously, measuring extra-financial corporate behavior was the domain of a few boutique-rating agencies. But interest in these aspects of corporate behavior is becoming increasingly mainstream with rating agencies such as Standard and Poor's, Bloomberg, and MSCI all establishing metrics by which to measure corporate governance, social, and/or environmental standards of firm behavior. Not only do institutional investors rely on rating agencies for analysis of the risks from these extra-financial indicators, they also use rating agency reports to indicate opportunities for corporate engagement.

The fourth driver of corporate engagement is the increasing amount of international equity held by institutional investors. For example, a recent Willis Towers Watson global pension fund survey (2017) found that in 1998 the funds surveyed held

31% of their assets outside their home country, and by 2016 this figure had almost doubled to 57%. With increased international exposure, institutional investors are becoming sensitive to the need for companies to conduct business in the framework of global standards. Equally dramatic is the increase in investment in emerging markets around the world where environmental, social, and governance risks are often greater than in more developed markets.

Given the growing power of international investment flows, it is little wonder that global activists see institutional investors such as pension funds as potential points of leverage to reach global equity and social justice goals. A new generation of international activists is drawing the world's attention to the deepening divide between developed and developing nations and, more explicitly, the growing gap between the world's wealthy and the world's poor. For many the goals of social justice, equality, human rights, labor rights, and environmental standards are seen to be pushed aside in the rush to serve the needs of global capital. However, there has been a growing realization that global capital flows can indeed become a useful tool if investment is harnessed to meet demands for sustainability and global social justice.

## Conclusion

Responsible and socially responsible investment have the ability to draw on enormous assets as leverage to raise the environmental, social, and governance (ESG) standards of the companies in which these funds invest. Long-term investment horizons mean that these investors are increasingly sensitive to the risk in their investment portfolio brought on by poor corporate behavior. But such activity is not driven by utopian views of capital markets but rather by enlightened self-interest on the part of these investors. By maintaining ownership in these companies and engaging them to raise their ESG standards, institutional investors can be a force for positive change around the world.

## Cross-References

- [Emerging Trends in Socially Responsible Investment](#)
- [New Models of Finance](#)
- [SRI's Normative and Ethics-Based Rationales](#)

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## Society for Business Ethics

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## Synonyms

Business ethics organization; Organization for issues on social responsibility of business; Professional business ethics organization; Social responsibility of business organization

## Definition/Introduction

This is a brief description of the history of the Society for Business Ethics.

## Description

The Society for Business Ethics (sbe) is the first professional organization focused on business ethics or the social responsibility of business. It has a somewhat unclear origin but seems to have been nominally founded in 1991, and its first president was William Frederick. The president at this writing for 2016–2017 is Heather Elms.

The objectives of the sbe as specified on its website include promotion of “the study of business ethics,” providing “a forum in which moral, legal, empirical, and philosophical issues of business ethics may be openly discussed and analyzed,” publishing the journal *Business Ethics*

*Quarterly*, improving teaching of the subject, and developing “ethical business organizations.”

Celebrating its 25th anniversary in 2005, apparently assuming that 1990 was the appropriate starting point of the Society, Richard T. DeGeorge (2005), “as an early member and unofficial historian of the Society,” wrote and presented a brief history of the sbe at its annual general meeting. As he described it, “the business scandals of the day” in the early 1970s provoked him to publish “what was the first text in the area, *Ethics Free Enterprise and Public Policy*” (1978). The following year, three other anthologies appeared, Beauchamp and Bowie (1979), Donaldson and Werhane (1979), and Barry (1979). The “first single-authored books in the field appeared” in 1982 (DeGeorge 1982; Velasquez 1982). He neglected to notice that the most frequently cited scholarly journal in the world devoted to business ethics, the *Journal of Business Ethics*, also appeared in 1982.

Interestingly, while DeGeorge wrote that “the Society for Business Ethics appeared on the world scene in 1980,” his history does not include any information on its development from 1980 to its official establishment in 1991. However, the Society website provides some useful milestones sketching activities in the early years. It begins sometime in July 1978 with Tom Donaldson composing “the first known extant document of the society – a letter inviting Richard T. DeGeorge ‘to participate as a founding member in an organization for professional ethics or business ethics which is presently being developed’.” In December 1978, “a small number of philosophers meet at the Eastern Division of the American Philosophical Association annual general meeting” and propose a workshop on business ethics. In December 1979, the workshop takes place and “the group decides on the name ‘Society for Business Ethics’.” In January 1980, Donaldson “sends out letters inviting people to join the new Society and pay annual dues of \$5.00.” By April that year, “the Society had 185 paid members,” and in December, an executive group is defined with Donaldson as chair, Werhane as secretary-treasurer, and DeGeorge as “the third member.”

By July 1983, the Society has over 500 members. In September dues were raised to \$40.00, and “only about 100 of the Society’s more than 500 members pay on time.” Finally, for purposes of this entry, “in the January [1990] Newsletter the new President (now so-called routinely, despite the lack of any such office in the By-Laws) calls for volunteers for a committee to rethink the Society’s organizational structure.”

The sketch ends in 2005, but it provides anyone interested in the Society up to that point in time with quite a remarkable story.

Other professional organizations mentioned by DeGeorge include the European Business Ethics Network established in 1987; International Society for Business, Economics, and Ethics in 1992; the Japan Society for Business Ethics in 1993; the Latin American Business Ethics Network in 1997; the Business Ethics Network of Africa in 2000; and the Australian Business Ethics Network in 2010.

## Cross-References

- [Business and Society](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [European Business Ethics Network](#)
- [Journal of Business Ethics](#)

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## Spirituality at the Workplace

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### Synonyms

Faith at work; Faith in the workplace; Religion in the workplace; Spirituality at work; Workplace spirituality

### Introduction

Spirituality in the workplace is a multi-dimensional concept, involving both spirituality and religion. Many refer to the phenomenon as Faith at Work, where the term faith encompasses conceptions of both religion and spirituality, as well as atheism and agnosticism, as they too, represent a *Weltanschauung*, i.e., a way of perceiving reality and filtering meaning and purpose. The words work and workplace typically refer to locations and activity involving paid work. Together, the faith at work or spirituality in the workplace phenomenon explores the individual, organizational, and social ramifications of integrating one's personal spiritual, religious, or faith *Weltanschauung* with one's work.

Religion and spirituality have extensive intellectual traditions, research, and resources within their respective disciplines of theology, religious studies, psychology, sociology, philosophy, ethics, and more recently, behavioral economics. Yet the consideration of the integration of religion and spirituality within the workplace, with the corresponding impact on individuals and organizations, has only recently been explored in the emerging field of research commonly regarded as spirituality in the workplace. This field considers how religion and spirituality contribute to individual and organizational identity, meaning, purpose, ethics, performance, well-being,

diversity, and development of interconnectedness and community. This field has developed its own growing body of literature, methodologies, and set of measurement which considers adherence, development, and manifestation of religion and spirituality in the workplace.

Finally, the workplace spirituality movement is not a geographically limited or religiously specific phenomenon. It can be found in people and societies shaped by religious and philosophical traditions, such as but not limited to Buddhism, Christianity, Confucianism, Hinduism, Islam, Judaism, and Sikhism. Both scholarly and practitioner interest in the faith at work movement can be found in both advanced and emerging economies. And as one might expect, in different countries and cultures, it has varying characteristics, accents, and manifestations.

### Definition

Spirituality has multiple definitions, but within the workplace context, it often references an individualized experience of transcendence through the work process, either of the self or one's relationship to God. The transcendence can focus on self-nurturance, meaning of work, involve greater care for others, a focus on important shared humane values, or a connectedness to others. Commonly held definitions of religion in the context of the workplace include work as a means of worshipping God, imitating God, serving others, discovering meaning and purpose in one's work, exercising one's God-given gifts, doing work ethically and excellently, and obeying God's commands to care for and be a steward of the wider community and environment.

### Description

For some, this desire to integrate their faith and work is a private and often subconscious activity. For others, there is greater intentionality and awareness of how their religious or spiritual tradition shapes and informs their decisions and actions at work. Shared by both religion and

spirituality is an embrace that one can and should be welcome to bring their whole self to work and not leave essential parts of their humanity and identity, including their faith, at home or in the parking lot. So vibrant and widespread is this interest by practitioners that scholars have deemed this spirituality at work phenomenon a bona fide social movement with a potential long-term impact on its actors and context, having as a common organizing principle the desire to integrate faith and work.

Religion and spirituality have extensive research within their respective disciplines of theology, religious studies, psychology, sociology, ethics, philosophy, and behavioral economics. Theologians and religious scholars have considered the importance of work for the life of the believer. Each of the major world religious traditions to some degree regard work as an important aspect of daily life imbuing it with sacred meaning, purpose, rights, and responsibilities. Many of the world's faith traditions have prescriptions or guidance regarding how tenants of faith are to be expressed or lived out in and through one's work. For example, Judaism stresses a commitment to honest and ethical behavior in business dealings and also a commitment to help heal or repair the world (*Tikkun olam*). Catholicism has ancient and modern accents, ranging from Saint Benedict's sixth-century motto of *Ora et Labora* (pray and work), which sought to integrate and balance prayer and work in monastic communities, to several modern papal encyclicals that guide laity in their work, stressing, not only the dignity of work and worker, but also a spirituality of work, based on a sense of co-operation to the Creation and working in union with Jesus Christ and the importance of faith, hope, and charity in human work and in economic matters. Protestantism naturally draws on Jewish and Catholic work-related teachings, but also accents how work itself can be a divine calling, to be done honestly, excellently, as if working for God; it also stresses the theme of stewardship, recognizing that God is owner of all and humanity is charged to be trustees or stewards. Islamic teachings seek to guide all domains of economic life, such as forbidding the charging of interest (*Riba*), while also accenting the theme

of stewardship (*Khalifa*). Non-Abrahamic traditions also guide practices and attitudes toward work, such as Hinduism that prescribes the type of work based on who a person is (*Purusha*) and working in accordance with universal order (*Dharma*).

William James, in 1902, offered a psychological synopsis of different religious experiences and their impact on engaging life, including work in his classic study, *Varieties of Religious Experiences*. About the same time, Max Weber, one of the first to employ novel sociological techniques, considered how Protestant beliefs impacted workplace practices in his iconic study, *The Protestant Ethic and the Spirit of Capitalism*. And modern economists, such as Nobel Laureate, Robert William Fogel (*The Fourth Great Awakening and the Future of Egalitarianism*), and Robert Nelson (*Economics as Religion: From Samuelson to Chicago and Beyond*), reflect on the role of religion and spirituality in economics.

The field of Spirituality at the Workplace acknowledges but moves beyond identifying spiritual and religious prescriptions. It also considers personal and organizational strategies for integration and the corresponding impact religion and faith have on the workplace. This field has emerged due to multiple forces which include an increased awareness of individual religious rights and accommodations, increasing global religious diversity in the workforce, and economic changes which have both harmed and benefited workers in varying ways, causing new and lost opportunities, inspiration and demoralization, and hope and despair. And even for those fortunate to have employment, they find themselves technologically tethered to their work even when at home or leisure. This often causes employees to seek deeper meaning for their lives and community from work and correspondingly from society.

## Spirituality Dimensions

The integration of faith and spirituality can be seen at the individual, organizational, and societal levels. Individually, workers are expecting employers to respect and in some cases, embrace

or enhance their personal spiritual and faith practices. This involves going beyond religious accommodation requests (e.g., prayer, attire) to facilitate religious expression (e.g., Google provision of meditation space or Tyson Food's multi-faith chaplaincy program). Organizationally, some companies now consider the faith and spirituality of the employees as part of their commitment to well-being and diversity and inclusion programs. They institutionalize workplace policies to respect faith traditions, including such things as religious holidays, attire, prayer practices, and dietary considerations. Some of this is driven by a desire to treat employees holistically, and some is driven by utilitarian self-interest. Increasingly, organizations see potential bottom-line benefit in matters of attraction and retention of talent, organizational citizenship, and avoidance of legal risk associated with violating employees' religious rights (e.g., Title VII in the United States). And the potential impact on society, while more abstract, might steer corporate behavior towards questions of social responsibility, ethics, environmental stewardship, and sustainability. Moreover, the individual, organizational, and societal levels of interest in spirituality and religion will only increase with continued employee diversity and pluralization, driven in part by globalization, immigration patterns, and legal rulings.

This field also considers how spirituality and religion contribute to individual and organizational identity and meaning. Individuals use work as a vehicle to demonstrate their religious identity and/or as a means to foster inner altruistic others-centered values. Research has determined a person who identifies with religious or spiritual orientations prioritize their personal identities and their spiritual and religious identities being among them. The significance of their inner spiritual or religious identity is valued because it enables a deep sense of meaning for their work. This intrinsic connection to work, especially regarding an individual's faith, has been identified as a sociological phenomenon. This emerging field also considers how religion and spirituality impact the performance and related ethics of individuals and organizations that embrace or are inhibited in

expressing or developing religion or spirituality in the workplace.

Specifically, those organizations that accommodate or welcome an employee's faith or spiritual practices do so both to respect the individual and enhance the employees work-life balance, but may also do so to enhance organizational commitments from the employee towards the organizations, empowering them to engage more fully in their work, increasing performance, and fostering job satisfaction. Organizational support of individual religious and spiritual expression also emboldens employees' ethical commitments, since ethical commitments are often motivated or strengthened by the person's spiritual or religious traditions and teachings.

Some of the researchers in the field regarded religion as being pejorative and spirituality as being positive. Yet sociologists and scholars of religion would generally agree that such judgments demonstrate a shallow understanding of both religion and spirituality, often setting up a false dichotomy between different modalities of belief systems and practices. Scholars from many disciplines recognize that both spirituality and religious traditions often positively shape and inform the aforementioned individual and organizational/societal views of ethics, moral reasoning, fairness and justice, and well-being. And more recently, both religion and spirituality research has indicated that religion and spirituality have positive impacts on ethics, leadership, citizenship, organizational outputs, and work life balance.

Diversity and human rights are also considered within this field of research, considering both the positive and negative impacts of religion in the workplace. The positive impacts of religious integration are focused on increased organizational commitment, and the negative impacts typically pertain to religious harassment or discrimination claims, commonly regarding accommodation requests for issues pertaining to garb, time for prayer or religious holiday observance, dietary needs, or restrictions on permitted job activities. This tension in the workplace occurs as religious and spiritual expression is also regarded as a universal human right and in many cases is protected (or restricted) by national laws. A proposed



solution is for individuals and organizations to practice respectful pluralism, which seeks to find shared values and common ground while also acknowledging and respecting differences in beliefs and practices.

## Measurements

Following social scientific research practices, in recent years researchers have sought to develop scales to better analyze the impacts and expression of spirituality and religion in the workplace. While there are numerous scales which measure spirituality and religiosity more generally, or more specifically for medical, psychology, or ecclesial purposes, fewer scales have been designed to consider the impact, existence, expression, or development of religion or spirituality in the workplace. These scales and measurements generally fall into three categories: adherence, development, and manifestation of religiosity and spirituality. Instruments that measure adherence consider the degree to which religion is manifested and believed by an individual are regarded as religiosity. Instruments that measure development consider the growth of an individual from nascent to mature belief. Finally, scales that measure manifestation consider how a religious or spiritually oriented person manifests or expresses their faith or spiritual identity.

## Managing Workplace Spirituality

With the rise in employee interest in bringing their whole self to work, including their spirituality, companies can no longer ignore this subject or view it as taboo. There are different organizational attitudes towards this field of Spirituality in the Workplace. One framework refers to them as faith-avoiding, faith-safe, faith-based, and faith-friendly. As the names of the categories suggest, some companies think spirituality at work is overwhelmingly problematic and should be avoided; others will accommodate requests but not proactively embrace it; some, usually privately held companies, will base their identity and core values on a particular religious

tradition, and finally, there is increasing interest by large publicly traded corporations in the faith-friendly model that not only accommodates but also embraces the individual and organizational value of spirituality in the workplace, with an inclusive attitude that respects all traditions while privileging none.

This field has application to the practice of management in the workplace, whether the individual manager's own personal attitude toward spirituality and religion or how the manager considers that of their employees. Applications of the field of faith and work to the workplace to the practice of management also consider the importance of personal ethical probity as well as wider organizational behavior, diversity in how people express various beliefs or practices, experience their work to have meaning and purpose, and the personal enrichment and growth that spiritual practices bring employees. Spirituality, when applied to the practice of management, emphasizes humane treatment of people, respect for the environment, building communities with common bonds and values around a higher purpose and mission, and fostering intrinsic motivation. Finally, the practice of "presence" (or awareness or consciousness) is also a common application and focus of spirituality to management and human relations policies.

## Summary

Spirituality in the workplace is a multidimensional concept, involving both spirituality and religion, with extensive historical research within their respective disciplines of theology, psychology, ethics, sociology, philosophy, and behavioral economics. There is a historical and more contemporary body of scholarship considering the integration of religion and spirituality within the workplace and their corresponding impacts. This research considers how religion and spirituality contribute to individual and organizational identity, meaning, ethics, performance, well-being, and diversity. Finally, this field has developed its own set of measurement which considers adherence, development and manifestation of religiosity and spirituality in the workplace.

## Cross-References

- [Buddhism](#)
- [Catholic Social Thought](#)
- [Christianity and Business Ethics](#)
- [Confucianism and LGBTQ+ Rights](#)
- [Diversity, Equity, and Inclusivity \(DEI\)](#)
- [Islam and Business Ethics](#)
- [Meaningful Work](#)
- [Religion](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Religiosity](#)
- [Work Ethic](#)

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## Spirituality Versus Unethical Business Practices

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## Synonyms

Ethics; Loyalty; Transcendence; Value Congruence; Values; Workplace spirituality

## Introduction

Workplace spirituality is a configuration of values operationalized in the workplace that facilitates the feeling of individual transcendence through one’s work. Feeling that one’s daily efforts have a meaning beyond the mere production of products or services connects the individual to others, offers a sense of contributing to a larger cause beyond profit, and elevates one’s personal sense of value and purpose. It has no connection to any religion or existential dogma but is rather a strategic tool that offers benefits to the organization and the employee.

## Workplace Spirituality

Workplace spirituality, a term often misunderstood and assumed to advocate religious practice in organizations, is wholly separate from any theology or lack thereof. Religion in the workplace is

divisive as it exercises an inherent bias against individuals whose beliefs differ from whatever religion is advocated, as well as those who are agnostic or atheist; in many cases it is also illegal. Spirituality in the workplace does not require a belief in a power beyond humanity nor adherence to a sacred dogma (Giacalone and Jurkiewicz 2010). Even those employees who do not self-identify as spiritual prefer to work in organizations that exhibit workplace spirituality characteristics.

Workplace spirituality entails the translation of values into organizational practices such as opportunities for employee development and growth, sharing of information and resources, truthfulness, openness, forums for employees to connect beyond goal attainment, and discussions of the purpose of one's individual work and how it fits within the larger picture of the business' operations. As many countries' residents become increasingly mobile and family structure is likely to become separated both within the home country as well as across countries and continents, individuals increasingly rely upon the workplace structure to provide that sense of connectedness essential for human psychological health. Additionally, organizations exhibiting workplace spirituality are supportive of their employees, welcome divergent opinions increasing the sense of individual belongingness, and provide adequate and fair compensation that demonstrates respect for the employee and their unique value; they encourage calculated risks supporting the growth of the individual employee, demonstrate respect for employees' health and quality of life through their policies and practices, engage in effective conflict resolution to ensure a sense of cohesiveness and group identity, and have appropriate degrees of participative decision-making (Kolodinsky et al. 2008). Additionally, they are considerate of the environment and community in which they operate and display regard for their clients and vendors through fair and equitable business practices.

The benefits of workplace spirituality to the organization and its employees are many. There is a strong person-organization fit that flows from the existence of workplace spirituality, and such

value congruence leads to higher levels of intrinsic motivation. Employees are healthier (both physically and psychologically), more loyal, experience higher levels of job satisfaction, and more closely identify with the organization. Employees make better decisions and are more engaged in attaining the goals of the organization; achieving organizational goals effectively is internalized as a personal objective, and employees take pride in meeting the expectations of their employers. Employees' self-esteem and self-image are connected to their positive participation in their jobs, and they tend to psychologically identify with the company – both conditions that contribute to enhanced creativity and motivation. Employees report high levels of psychological rewards and less frustration and stress, which spills over into and amplifies their personal life satisfaction (Kolodinsky et al. 2008). Further, organizations that practice workplace spirituality are also more profitable.

## Unethical Business Practices

Unethical business practices, alternatively, damage reputations, harm careers, deter potentially valuable employees from seeking a position there, negatively impact earnings in the long term, and can lead to litigation and potential bankruptcy. Employees subject to unethical business practices have reduced motivation, can feel dehumanized and under-appreciated, suffer from negative psychological and physical health effects, experience high levels of stress, and are more prone to engage in workplace violence and theft. They are often disloyal in response to the unethically, more likely to sabotage the organization's efforts, more likely to steal from the organization, and are less loyal; the more valuable employees are prone to leaving the organization, discourage others from working at the location, and seek employment elsewhere. Further, they experience a higher level of substance abuse which leads to forced errors and absenteeism and are less likely to get adequate exercise and eat healthily. They experience depression and suicide, poor personal relationships, and increased

violence; they also suffer from post-traumatic stress disorder and have shortened life spans (Promislo et al. 2012). The list of negative consequences continues, and none result in positive outcomes for the employee, his/her family, or the organization.

There are three categories of organizational indicators that underscore unethical business performance: structure, culture, and leadership (Jurkiewicz 2013). Structurally, the elements most often associated with unethical business practice are a strict vertical hierarchy with authoritative reporting relationships, lack of interdepartmental communication and cooperation leading to increased dysfunction and conflict, unclear job descriptions and performance expectations, lack of accountability mechanisms, and a geographical location with lower levels of resident education. Negative cultural indicators include a high incidence of groupthink and a discouragement of voicing contrary opinions that are important for an organization's creativity and effective problem-solving; an unclear and unarticulated reward system leading to aberrant and unhealthy task confusion; strong pressures toward short-term goal attainment at all costs, including harm to the organization and employees; and a disparity between the stated organizational values and how leaders actually operate within the system. On the leadership dimension, characteristics correlated with unethical performance involve leveraging organizational authority for personal gain; fostering in-groups and out-groups among employees which fuels conflict and prevents effective collaboration; unequal disciplining of undesirable employee behaviors; and blaming others for their mistakes.

## Conclusion

The implementation of workplace spirituality has significant long-term benefits to the organization, its employees, the community, and the stakeholders/shareholders. It is a strategic cultural tool for effective organizational performance and job satisfaction. Unethical business practices, on the other hand, are associated with negative organizational and employee outcomes, ranging from

increased stress to suicides and bankruptcy. Both approaches to organizational management center on a set of operational values, both explicit and implicit, which constitute the culture of the organization. Deloitte, Wegmans Food Markets, and Capital One Finance are three examples of companies that embody many of the qualities of workplace spirituality. As a counterpoint, Xerox, DISH satellite television and internet provider, and Family Dollar are three examples of companies that rank low on workplace spirituality (Lallitto 2017). The companies with the reportedly most unethical business practices (Hunt 2018) include Amazon, Walmart, and Coca-Cola.

## Cross-References

- [Enron Scandal](#)
- [Global Corruption](#)
- [Meaningful Work](#)
- [Organizational Culture and Corruption](#)
- [Religion, Spirituality, and Business Ethics](#)
- [Spirituality at the Workplace](#)

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## SRI's Normative and Ethics-Based Rationales

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### Synonyms

Ethical investment; Fiduciary; Influence; Law;  
Social licence

### Introduction

Socially responsible investment (SRI) has a long lineage. Faith-based investors practised it for centuries to ensure they did not invest in “sin.” In recent decades other types of investors have embraced it, challenging apartheid, tobacco, and fossil fuel industries. The SRI sector has grown dramatically, and with this growth its rationales have changed. While some investors embrace SRI as a matter of ethical compulsion, many act for other reasons including their financial self-interest. Some may even no longer speak of SRI or “ethical investment,” but instead refer to “environmental, social and governance” (ESG) issues as “financially material” (Ransome and Sampford 2011). This article evaluates the principal rationales for SRI, namely legal compliance, to avoid complicity in undesirable activities, to use leverage to enable positive change, and to accrue financial advantages.

### Legal Compliance

Social behaviour is often shaped by legal norms, and SRI is no exception (Richardson 2012). The legal responsibility of investors to consider ESG issues is primarily a matter of interpretation of existing fiduciary and trust law standards (in common law jurisdictions), and to a lesser extent legislative prescription. Advice commissioned by the United Nations Environment Programme's Finance Initiative (UNEP-FI) concluded that

consideration of ESG issues is “clearly permissible and is arguably required in all jurisdictions” (Freshfields Bruckhaus Deringer 2005, p. 13).

While individuals can freely invest in accordance with their moral scruples, legal restrictions apply when a financial agent acts on another's behalf. Fiduciary law obliges the trustee to act loyally towards the beneficiary (e.g., pension fund members) without any conflict-of-interest or bias. The trustees of a philanthropic fund such as a university endowment, without beneficiaries, owe this duty to the organization's mission. Affiliated trust law posits standards of care to invest with skill and diligence, as typically shown by a diversified investment portfolio. Banks do not generally owe such responsibilities to their clients, whether depositors or borrowers.

Fiduciary and trusts law may allow, and sometimes oblige, SRI in several contexts. First, the duty to promote beneficiaries' “best interests” may include investing for social and environmental gains if these dovetail with their best interests. Even if their interests are couched narrowly in financial metrics, ESG issues may still be considered where ESG issues affect investment performance (Sullivan et al. 2015, p. 9). Nonetheless, these conclusions do not necessarily dictate any specific *form* of SRI: taking into account climate change might involve divesting from fossil fuel companies or using shareholder rights to exert influence. Second, SRI may be allowed where rival investment options offer comparable financial rewards, in which case the “more ethical” option can be the “tie breaker.” Financial research suggests that SRI sometimes matches conventional investments (Orlitzky et al. 2003), although it is difficult to apply the “tie breaker” given that investments are typically managed holistically within a single portfolio of many financial assets where comparisons between two options are hard to determine. Third, the trust deed or equivalent constitutive instrument, such as a mutual fund prospectus, may allow or require SRI, and many mutual funds now sell boutique portfolios to ethical investors. Fourth, the law may allow financial managers to practice SRI if their beneficiaries consent, which could be given through consultation procedures or beneficiaries voicing their

opinion through nominated representatives (if any) on a board of trustees. But rarely in any large fund would beneficiaries be of one mind, and because of the fiduciary duty of impartiality, trustees cannot make investment decisions that prefer the view of one group of beneficiaries over another.

Only rarely does legislation explicitly authorize SRI practices. The United States' Sudan Accountability and Divestment Act 2007 allows financial managers to divest from Sudanese oil, minerals, and other prescribed sectors, without risk of financial liability, so long as they publicly disclose their position. The Ontario South African Investment Act (now repealed) authorized trustees to divest from any South African investment, provided that a majority of the fund's beneficiaries did not object. In 2015 California enacted the Investing with Values and Responsibility Act, which obliges the state's largest public pension plans to remove all holdings in companies that earn at least half of their revenue from coal mining.

## Complicity and Social Licence

In addition to their legal licence, many companies and other economic actors need a social licence to operate, and it provides another normative rationale for SRI. Social licence means the tacit permission that communities may give an entity to engage in an activity, such as mining, based on the perceived impacts and benefits of the industry (Yates and Horvath 2013). An enterprise's social endorsement can motivate it to improve its social and environmental performance even though its legal licence remains unchanged. The discrepancy between the social and legal licence may arise because of new environmental information, shifts in social values, or the behaviour of the company itself. A firm losing a social licence risks community protests, customer and investor boycotts, or alienation of suppliers and employees.

Unlike typical challenges to a social licence that directly target the offending business activity, such as factory farms or sweatshops, financial investors in such an activity can also be tainted. Investors in problematic industries such as tobacco or fossil fuels may lose their social licence because

they are *complicit* in the associated social or environmental harms. Most investors speak of "reputational risk" to describe this risk to themselves.

"Complicity" is a long-standing concept of moral accountability, encompassing abusive conduct where one party causes harm with the knowledge or support of another (Moore 2010). Infamous examples include Swiss bankers handling Nazi gold and weapons producers selling to corrupt dictators. Faith-based investors such as the Quakers who pioneered ethical investing centuries before it became mainstream relied on complicity as the moral touchstone for their practices (Ransome and Sampford 2011, pp. 57–62). Today, complicity informs the SRI policy of the Norwegian Government Pension Fund-Global (NGPF-G), the world's largest SRI investor (Nystuen et al. 2011). It excludes companies that produce dangerous wares such as land mines, as well as companies engaged in activities with harmful sequelae such as severe environmental damage.

Complicity is not easily identified because of social disagreement on the level of facilitation, knowledge, or benefit to trigger blame. As Kutz (2011, p. 74) explains, "given the complex intertwining of capital in a globalized world, it is inevitable that any investment decision would link one to wrongdoing in some form." Furthermore, complicity has a negative orientation, focusing on *avoiding* association with specific actors who perpetrate harm rather than encouraging investment that supports good behaviour. Complicity may also set the threshold for SRI actions such as divestment too high, but much harm such as greenhouse gas emissions accrue incrementally which, in isolation, might seem trivial.

## Leveraging Positive Change

For some social investors, the goal is not simply to avoid sin but to ensure less sin. They see their moral duty as to leverage positive change, an approach that has been an important dimension of corporate social responsibility and moral philosophy. Leverage-based responsibility means "in some circumstances [an entity] has a responsibility to exercise its leverage over actors with whom



it has relationships in an effort to improve that state of affairs” (Wood 2011, p. 13). It thus links morality to investors doing good. It was a powerful argument for the South African divestment campaign, behoving investors to use their power to help topple the racist regime (Dembinski et al. 2003), and since then leverage-based responsibility has figured in divestment campaigns against the tobacco industry and fossil fuels.

The moral responsibility to exercise leverage requires that the actor have some capacity to wield influence, either alone or in combination with others. This usually requires a material connection, such as investors affecting the behaviour of companies by withholding or providing finance, or engaging with companies through shareholder activism. Such a material connection may be hard to discern as investors participate in financial markets through many chains of intermediaries, and even the very largest actors, sovereign wealth funds like the NGPF-G, typically own only a tiny fraction of the shares of any individual company. A more concrete connection exists where a bank lends for a major development project such as a coal mine or oil refinery. Besides such bilateral ties, leverage-based responsibility might flow from a more diffuse web of relationships; an investor might be judged by its peers and wider society on whether it has issued press releases to shape public opinion or lobbied authorities for better regulation. This wider view of leverage dovetails with the “sphere-of-influence” theory, as acknowledged in the preamble of the United Nations’ Global Compact of 2000 and draft Norms on the Responsibilities of Transnational Corporations of 2003. However, it wasn’t embraced by John Ruggie, Special Representative of the UN Secretary-General for business and human rights, who believed the theory represents “a useful metaphor for companies in thinking about their human rights impacts” but “a more rigorous approach is required to define the specific parameters of [their] responsibility” (Ruggie 2008, p. 19).

The actual influence of social investors on corporate social and environmental behaviour has not been closely researched and remains quite speculative. Corporate finance theory predicts that such influence is limited if the selling pressure on

targeted companies lacks an underlying business case (Loderer et al. 1991). In such circumstances, the company’s share price may remain unaffected. But markets can function unlike textbook models for a host of reasons including actors’ imperfect information and market regulations, which may give social investors opportunities to influence share price especially if the company is particularly unique (i.e., there has been few substitutes for investors) or trades in small, restrictive markets (Rivoli 2003). While companies can also borrow money, banks can be even more influential for clients seeking large project loans. Banks’ influence over clients extends to holding loan security, supervising compliance with loan conditions, selling insurance and giving general business advice – all situations where banks may consider social and environmental issues in their due diligence. One example of lender influence was the decision of an Australian bank to deny a A\$1.5 billion loan sought for a giant pulp mill in Tasmania, a decision that killed off the pulp mill and ultimately its proponent, the forestry company Gunns. Its shares were also subjected to selling pressure by antipulp mill proponents, which had a measurable impact (Lewis et al. 2015). On the South African boycott, studies found divestment announcements had a modest, short-term negative effect on stock returns for some corporations (eg Meznar et al. 1998). University of Oxford researchers who developed a theoretical framework to predict the effects of fossil fuels divestment concluded that its direct effects are minor and short-term, such as on share price and borrowing costs (Ansar et al. 2013).

Finally, in gauging the utility of leverage-based responsibility, some social investors believe they can wield more influence by staying with companies rather than selling out. Retaining shares can allow investors to exercise leverage through shareholder rights such as filing resolutions and informal dialogue with corporate management. Indeed, engagement has become the dominant method of SRI generally, as it not only allows for a diversified portfolio – as aligned with fiduciary responsibility – but the activity of engagement itself demonstrates fiduciary stewardship.

## Financial Motivations

Although SRI was once known as “ethical investment,” today its principal *raison d’être* is financial advantages to investors. The advantages coming from greater due diligence on the financial risks and opportunities associated with corporate social and environmental performance. Business tabloids increasingly proclaim the profitability of the green sector, such as renewable electricity generation (Neslen 2016), while specialist SRI funds that target green businesses have won praise for their financial benefits (Watson 2016). Conversely, social investors seek to avoid the financial downside such as industry sectors affected by more stringent environmental regulations (e.g., carbon taxes). In the case of fossil fuel industries, the downside is sometimes characterized by the “stranded assets” metaphor – namely, that oil refineries and coalmines will eventually become economic dinosaurs.

With increasing emphasis on SRI's business case in order to attract mainstream investors such as pension plans and insurance companies, researchers have sought to quantify the financial merits of SRI. Research generally suggests that SRI offers comparable or superior risk-adjusted financial returns relative to conventional investments (Orlitzky et al. 2003). Nonetheless, the survey methodologies can be faulted for their inconsistent definitions of “socially responsible,” and some research makes contrary findings (Copp et al. 2011). Corporate finance dogma predicts that SRI will financially underperform the market if it leads to less diversified portfolios given that modern portfolio theory holds that a diversified investment universe produces optimal returns (Rudd 1981). On fossil fuels specifically, Fischel (2015) found that over the past 50 years since 1965 a divested portfolio would have yielded a 23% lower return on investment.

While the business case for SRI has become the dominant incentive for most investors, SRI has not yet achieved widespread market influence because many fund managers still see

environmental and social issues such as climate change or human rights as too nebulous for financial quantification (Solomon 2009, pp. 21–23). Investment professionals accustomed to cues such as sales growth, return-on-equity, and price/earnings ratios may ignore ESG issues except when quantifiable, such as a pollution liability sanction imposed by a court. Furthermore, the financial materiality of ESG may not accrue except over the long term, even several decades, beyond the periods by which investors typically measure performance such as quarterly financial reports (Richardson 2008, pp. 120–158).

In sum, SRI spans a diversity of normative rationales, ranging from ethical compulsion to financial advantage. No single rationale offers a complete explanation for the motivations of all social investors, and in practice SRI in any context likely reflects the influence of several interwoven rationales.

## Cross-References

- [Emerging Trends in Socially Responsible Investment](#)
- [Socially Responsible Investment and Corporate Engagement](#)

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## Standardization and the Governance of Artificial Intelligence Standards

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## Synonyms

Ethics and AI; Knowledge engineering; Machine intelligence

## Introduction

The topic of trustworthy artificial intelligence (AI) has attracted wide attention from governments, companies, and international bodies as they strive to address the ethical and societal risks that emerge as performance of data-driven machine learning scales and improves at pace. Rapid and disruptive advances are evident across a range of applications including digital content search and selection; business data analysis and decision-making; natural language understanding, generation, and translation; and speech and video processing. Concerns include the disruption caused by automation of tasks previously requiring human intelligence and communication skills, the ability to produce previously unattainable insights from integrating large data streams monitoring human behavior, and the dangers of automated decisions persisting or magnifying socially unwanted biases. These concerns are exacerbated by the opaque nature of modern deep learning systems that renders their internal decision-making unintelligible even to practitioners and poses significant challenges in attempts to provide clear human-understandable explanations of AI decisions. Well-publicized episodes have already highlighted existing problematic applications of AI and eroded public trust. These include the profiled individual targeting of online content and advertising, decision

recommendations in the criminal justice system, performance drift in medical diagnosis, and safety critical automobile and airplane management. The ethical and societal implications of these episodes have amplified the call for common international approaches to the development, operation, and governance of trustworthy AI systems.

The explosion of interest in trustworthy and ethical AI was heralded by the publication of the Asilomar AI Principles resulting from an assembly of academic and industry actors organized by the Future of Life Institute at the Asilomar Conference Grounds in California in 2017. At the time of writing in autumn 2020, an online tracker of AI initiatives provided by the Council of Europe counts over 350 different initiatives, dominated by national authorities, international organizations, and the private sector.

To date, influential international contributions include the following:

- The report on Ethically Aligned Design (EAD [2019](#)) from the Global Initiative on Ethics of Autonomous and Intelligent Systems of the Institute of Electrical and Electronics Engineers (IEEE), which presents a wide-ranging international expert review to provide a set of principles for such design, as well as discusses the influence of classical ethics and professional ethics and the role of different moral worldviews or value systems such as Western ethics, Buddhism, Ubuntu, and Shinto
- The European Commission's High-Level Expert Group's Ethics Guidelines on Trustworthy AI (HLEG [2019](#)), which is informing the EU's declared drive to become a center for trustworthy AI development and to legislate on the topic
- The OECD Council on AI's Recommendations (OECD [2019](#)), which were adopted by the OECD Council of Ministers on 22 May 2019 as the basis for further collaboration on AI policy
- HLEG's ([2020](#)) Assessment List for Trustworthy Artificial Intelligence (ALTAI) which develops principles of HLEG ([2019](#)) into a checklist for self-assessment by practitioners

To date however, most similar proposals offering guidance on trustworthy AI and its ethical dimensions have focused on defining overriding principles that organizations, governments, or societies may apply to the problem or reflective questions to aid deliberation with organizations. Jobin et al. ([2019](#)) identify that there is an apparent consensus on the importance of ethical principles of transparency, justice, non-maleficence, responsibility, and privacy across 84 such policy documents, whereas other common principles of sustainability, dignity, and solidarity in relation to labor impact and distribution garner far less attention. Other smaller analyses have also identified gaps in ethical reasoning. One example is the Access Now ([2018](#)) program which analyses and identifies a lack of attention by national authorities to the use of AI by governments and in weapon systems. In addition, Hagendorff ([2019](#)) notes a general focus on individual rather than collective harms such as loss of social cohesion and harm to democratic systems. Among private sector proposals, Wagner ([2018](#)) notes a tendency to diminish the need for government regulation, while Calo ([2017](#)) warns that ethical principles may present barriers to market entrants. Furthermore, Whittlestone et al. ([2019](#)) note the lack of analysis of the tensions between stated ethical principles and commercial imperatives.

## Trustworthy AI Standard Development

Given these natural differences, continued work on normalizing principles internationally may not serve to advance international consensus in a practical way. Instead, many organizations and governments are shifting focus from the identification of principles to the means for turning those principles into practice. As with the development of trustworthy and ethical AI principles, approaches to related practice are also very diverse and often reflect the capabilities and positions in power structures of those considering specific approaches. Understanding existing standardized information and communications technology (ICT) development and organizational management practices offers insight into the

extent to which they may provide a basis for standardizing practice in governing the development and use of trustworthy AI.

Standards developing organizations (SDOs) are themselves very diverse and vary in their attitude to addressing specific ethical issues. The IEEE's Global Initiative on Ethics of Autonomous and Intelligent Systems has spawned the IEEE 7000 Standards Working Group that places ethical issues at its heart (Adamson et al. 2019). The working group is already addressing ethically aligned standards including ethical design processes; transparency for autonomous systems; algorithmic bias; children, student, and employee data governance; AI impact on human well-being; and trustworthiness rating for news sources. Data governance, of a series of standards development activities.

A different approach is taken by the ISO/IEC Joint Technical Committee 1 (JTC1) which was established by the International Standards Organization (ISO) and the International Electrotechnical Commission (IEC) in 1987 to develop, maintain, and promote standards in the fields of information technology (IT) and information and communications technology (ICT). Expert contributions are made via national standards bodies, and documents (over 3000 to date) are often used as technical interoperability and process guideline standards in national policies and international treaties, as well as being widely adopted by companies worldwide. Statements of relevance to UN Sustainable Development Goals (SDGs) and Social Responsibility Guidelines are an inherent part of all new standardization projects proposed in JTC1. AI standards are addressed together with big data technology standards by the JTC1 subcommittee (SC) 42 which was formed in 2017 and first met in spring 2018. In common with other JTC1 standardization activities, this places a strong emphasis on ensuring consistency with existing process and interoperability standards as well as reuse of existing terms and concepts to provide industry with a consistent body of applicable standards. JTC1/SC 42 is therefore addressing AI-related gaps within existing standards for management systems, risk management,

governance of IT in organizations, IT systems and software quality, etc.

## Characteristics of Trustworthy AI

JTC1/SC 42 has developed a technical report that sets out some of the core concepts and issues for standardization related to trustworthy AI (ISO/IEC 24028:2020). Trustworthiness is defined as the ability to meet stakeholders' expectations in a verifiable way. When applied to AI, trustworthiness can be attributed to services, products, technology, data, and information as well as organizations when considering their governance and management. Characteristics we might expect a trustworthy entity to exhibit could be related to technical characteristics such as reliability, robustness, verifiability, availability, resilience, and quality; bias and robustness; stakeholder-related ones such as ethics, fairness, and privacy; and management- and governance-related characteristics such as transparency, explainability, accountability, and certification.

The remainder of this chapter considers the prospect for international standards development related to these different characteristics of trustworthy AI.

## Technical-Related Characteristics

A wide range of technical characteristics relate to trustworthiness; however, these can to some extent build on existing standards related to software development, testing, quality, and safety. The specific technical characteristics of modern AI such as machine learning, deep learning, and neural networks raise novel technical concerns that are being addressed in new standards. These forms of AI are developed through assembling a dataset related to a problem domain that is used to train a model that can exhibit effective and reliable behavior when presented with similar data in an application. This therefore raises the need to test both datasets and the behavior of models to identify and rectify unwanted biases where certain



groups of people are treated differently to others, e.g., people of color in judicial decision-making or women in processing job applications. New testing standards are also needed to ensure the performance of AI models is robust when the data being processed starts to diverge from that used to train it. Further, the opaque nature of decision-making of many deep learning AI models requires new standards to explain automated decisions in a human-understandable manner.

### Stakeholder-Related Characteristics

Stakeholder engagement is already well established in the design of human-computer interaction through frequent engagement with the intended users to develop and test through prototypes their interaction with the design. Such user engagement on AI application design will be important, especially in relation to the design of mechanisms for interacting with users via any natural language interface and when providing explanations of AI decisions. For AI however, the focus on ethical issues requires engagement with stakeholders that are more broadly considered than immediate users or customers of an AI system. Appropriately therefore, ISO standards define a stakeholder as any individual, group, or organization that can affect, be affected by, or perceive itself to be affected by a decision or activity or more broadly as any entity with an interest in an organization's decisions or activities. The ISO standard for social responsibility places recognition of and engagement with stakeholders at the center of its guidelines (ISO 26000:2010) and is therefore referenced in SC 42 standards activities related to governance, as well as other ethical and societal issues. Social responsibility guidelines are structured in relation to how stakeholders are classified in relation to established legislative and regulatory structures. These social responsibility stakeholder classes can be characterized as people in general in relation to human rights issues; workers in relation to labor practices; future generations in relation to environmental issues; value chain partners, i.e.,

suppliers and customers, in relation to fair operating practices; individual users in relation to consumer issues; and people in locales where organizations operate in relation to community involvement and development. Social responsibility issues therefore provide a good basis for exploring common approaches to issues that have not yet attained widespread consensus as ethical principles, including fairness in distributing the benefits and harms resulting from the use of AI, global considerations of operating in locales with differing levels of protective legislation for stakeholders, labor displacement through automation, and the carbon and pollutant emission growth associated with some AI use.

One area where stakeholder considerations are leading to standards relevant to trustworthy AI is in data protection. Existing data protection and privacy laws, such as the European Union's General Data Protection Regulation (GDPR) and the California Consumer Privacy Act, already support common development practice in privacy by design and data protection impact assessments and common operational practices through obligations to data subjects related to notification of and consent to processing of an individual's data. The transparency and accountability required regarding information retained by organizations, either directly or indirectly in trained AI models, have the potential to support new approaches to detecting and mitigating AI bias. Work toward machine-readable privacy policies and interoperable data processing consent receipts demonstrates paths to standards in this area. Obligations related to automated profiling and algorithmic decision-making may also motivate standardization on the capabilities of AI training datasets and AI models, as well as on explainable AI.

Consistent with the emphasis on personal characteristics and behavior of virtue ethics, the IEEE Ethically Aligned Design and others have suggested that the ethical considerations of AI could be based on a professional oath undertaken by AI practitioners, similar to the Hippocratic oath universally undertaken in the medical profession. Adherence to ethical standards of practice is already expected from members of professional



bodies such as the Association for Computing Machinery and the IEEE. However, such professional membership is rarely required of practitioners or even necessarily as an aid to a successful professional ICT career. Therefore, unlike medical and legal professionals, the breach of professional ethics in ICT lacks the sanction of a bar to practice. Further, many governments and companies actively pursue the broadening of access to AI development skills as an economic imperative through low-cost training, which is bolstered by rapid advances in AI development tools to make them accessible to non-ICT or data science professionals. It is unlikely therefore that any form of standardized practitioner oath will have a major impact on trustworthy AI practice.

### Governance-Related Characteristics

Standards are already available to address the governance of IT by organizations that are extended to address the governance of AI. AI governance would address how the governing body of an organization directs the management of AI in an organization through specification of strategies and policies, how it evaluated proposals and plans from managers to implement these, and how it monitors the performance and conformance of that implementation. For organizations using AI, such governance needs to address issues and risk management related to areas such as automated decision-making, the handling and processing of data, the alignment of AI development and operation to values expressed in policies, compliance to regulatory and other requirements of external authorities, and being transparent and accountable against stakeholder expectations. Apart from data protection, the regulatory and legislative environment for AI is not currently well developed. AI governance standards may need to develop to support different models meeting obligations to external authorities. Possible structures for governing AI could include new national (Tutt 2016) and international (Erdélyi and Goldsmith 2018) regulatory bodies that engage with organizations to co-regulate the

technology. Alternatively, self-regulation may be possible by internal ethics boards that may help organizations implement best practice (Calo 2013; Polonetsky et al. 2015). However, AI governance presents a number of challenges for both organizations and regulators. Scherer (2016) identifies challenges including reaching stable consensus on what defines AI for governance purposes, the widening access to AI skills and computing infrastructure that serve to obscure AI developments from regulators, the diffusion of AI development over locations and jurisdictions globally, the emergence of impacts of an AI system only after being deployed in an application, the resistance of modern machine learning to yielding clear explanations of its behavior, and the potential for AI-driven autonomous systems that can behave in ways that may elude monitoring or outpace the control of those responsible for them. More broadly, development of regulation is challenged by a variety of factors including the pacing problems where AI technology develops faster than societies' ability to regulate it, the international economic and military competition that may impede cooperation needed between major powers in developing common standards, the perceived impediment of regulation to AI innovation and its economic and social benefits, and the power asymmetry caused by AI implementation capability being concentrated in the hands of a small number of large corporations (Calo 2017). To date, these factors have not visibly impeded standards development, with JTC1/SC 42 actively developing AI governance, AI risk management, and AI management system (AIMS) standards. Uncertainty about the direction of AI regulation may also direct governance standards to AI specializations of proposed self-regulation standards such as technology ethics review panels (CWA 17145-1 2017) and ethical impact assessments (CWA 17145-2 2017).

### Cross-References

► [Ethics and Artificial Intelligence](#)

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## Supervisor-Subordinate Guanxi

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## Synonyms

Workplace relationships

## Definition

Supervisor-subordinate guanxi refers to nonwork-related or personal ties, which differ from the work ties that capture the connections based on task activities among these supervisor-subordinate relationships. Ganqing (affection, emotional bonding), renqing (the reciprocal exchange of favors), face, interpersonal-life inclusion/social interactions after work, and xinren (trust) are the most frequently mentioned components of guanxi in the workplace (Zhai et al. 2013). Moreover, “deference to supervisor” is also regarded as another dimension that reflects the guanxi existing between employees and their supervisors (Chen et al. 2009). Examples of good supervisor-subordinate guanxi include various after-work activities, like home visits or having dinner together, attending weddings, and so on. Moreover, employees may visit their

supervisors or send them gifts during major festivals, like the Chinese New Year.

## Description

Employees are often embedded in relationship networks in order to accomplish their tasks. Among the various relationships within these networks, arguably the most important ties are those existing between an employee and his/her supervisor (Zhang et al. 2015). There are two categories of supervisor-subordinate relationships (Boyd and Taylor 1998). One is referred to as a work tie, which captures the connections built upon task activities through which work-related resources and affect are exchanged. These supervisor-subordinate work ties are often exemplified by leader-member exchange (LMX) theory and are extensively documented in the literature (Dulebohn et al. 2012; Graen and Uhl-Bien 1995).

The other category is nonwork or personal ties, which represents the connections that arise from social interactions beyond the work domain and involve more socio-emotional goals, including intimacy and companionship (Boyd and Taylor 1998). As we know, “guanxi” is a general Chinese term used to describe relationships that may result in the exchanges of favors or “connections” which are beneficial to the parties involved. Thus, such nonwork-related or personal ties between employees and their supervisors can be called supervisor-subordinate guanxi in the Chinese context.

## The Reason Why People Pursue Supervisor-Subordinate Guanxi

Pearce et al. (2000) claimed that managers in transitional societies (like China) have more latitude when making decisions and do not need to follow prescribed rules due to a lack of monitoring regulations and their reliable enforcement. Luo (2009) made a similar claim that guanxi plays a vital role in Chinese culture and people often pursue it in order to reduce their social uncertainty, particularly political and legal uncertainty. In an organization, the superiors are responsible for hiring, promotion, rewards, punishment, and

the evaluation of political attitude (Luo 2009), so they have the power to “hire those they like, reward those they like, and dismiss those they don’t like” (Pearce et al. 2000). Thus, people are motivated to invest in particularistic relationships with those in authority, such as their supervisors, to seek protection or career advancement. These particularistic ties can offer subordinates job security, which facilitates their effective functioning within the organization (Han and Altman 2009), and cannot be produced by work-related interactions alone.

## The Five Components of Guanxi in Workplace and Other Related Elements

The most frequently mentioned components of guanxi in the workplace are ganqing (affection, emotional bonding), renqing (the reciprocal exchange of favors), face, interpersonal-life inclusion/social interactions after work, and xinren (trust) (Zhai et al. 2013). These five components are intertwined, and the core components are ganqing and renqing.

Ganqing, the most frequently discussed element of guanxi, refers to the degree of emotional understanding and connection between two people and is reflected in the sharing of feelings of happiness or fear (Chen and Chen 2004). Ganqing is an indicator of the emotional strength of the guanxi. If the supervisors and employees can enjoy some social activities and exchange favors outside work, the ganqing between the two parties may be considerably improved.

Renqing consists of two parts, reciprocity and empathy, and is practiced through the exchange of favors (Luo 2007). To some extent, it is the sense of obligation and indebtedness that results from social and economic transactions. In the workplace, if a supervisor receives a favor from his/her employee, like looking after his/her children, he/she will be prepared to repay this favor later. The supervisor may invite the employee to dinner to express his/her gratitude, for example. Such renqing is based on the mutual trust existing between the supervisor and employee and can further enhance their trust in each other.

Face, the third component of workplace guanxi, refers to one's respect, status, and moral reputation in Chinese society (Bedford 2011; Zhai et al. 2013). Face also consists of two parts, *mianzi* (i.e., status, prestige, and respect) and *lian* (the moral aspects of face), according to Bedford (2011). Face is not due to status but rather to the trust that is built up within a relationship over time. In the workplace, if a supervisor trusts his/her employee, that the supervisor will accept his/her employee's favor, in which case face transaction occurs, and vice versa.

Personal-life inclusion, the fourth element of guanxi, refers to the degree to which subordinates and supervisors are included in each other's private or family lives (Chen et al. 2009). Examples include various after work activities, like home visits or having dinner together, and attending each other's significant private events, such as weddings, birthday parties, and so on. These activities can help to improve the level of affection among people (Bedford 2011; Zhai et al. 2013; Yen et al. 2011). However, Zhai et al. (2013) argued that personal-life inclusion may be a double-edged sword. For some people, who have a genuine affection for their supervisor, personal-life inclusion can help to sustain high-quality guanxi, while other employees may find this personal-life inclusion a burden, and so it becomes detrimental to the formation of good workplace guanxi.

Xinren (trust), the fifth element of workplace guanxi, entails the recognition of the other party's integrity or credibility (*lian*) and their commitment to the relationship through favor-seeking and return (Bedford 2011). During the guanxi development process, trust related to the character of the target person is key (Bedford 2011). In addition, *xinren* is often linked with another term, "*xinyong*," which implies the trustworthiness of a person and refers to a person's reliability and sincerity (Chen and Chen 2004).

In addition to the above dimensions, other elements of supervisor-subordinate guanxi exist. Chen et al. (2009) developed a three-dimensional concept of supervisor-subordinate guanxi, including deference to supervisor, and two components which were introduced above, affective

attachment and personal-life inclusion. Deference to supervisor refers to the degree of obedience and devotion the subordinate expresses toward his/her supervisor (Chen et al. 2009). According to the findings of anthropological studies, in an authority relationship (such as that between a supervisor and subordinate), subordinates should show obedience and deference to authority (Chen et al. 2009). In particular, China has a high level of power distance culture, which implies that there exists a high level of power disparity between superiors and their subordinates and a high level of acceptance of such disparity (Chen et al. 2009). Thus, in Chinese culture, this can lead to enhanced deference to the authority of those of higher status.

### How to Establish and Maintain a Strong Dyadic Guanxi

Given the importance of both work-oriented (i.e., LMX) and nonwork-oriented relationships (i.e., guanxi) in determining an employee's professional (and sometimes personal) fate, employees are urged to take advantage of every opportunity, both inside and outside the workplace, in order to establish and maintain a strong dyadic relationship with their supervisors (Zhang et al. 2015); for example, in order to maintain good guanxi with their supervisors, employees may visit their supervisors at home or send them gifts during major festivals, such as Chinese New Year and so on. Meanwhile, leaders may also reward their followers from their own pocket, such as inviting their employees as a group to have a dinner, to show his kindness or gratitude for their hard work during the previous period. Further, employees and supervisors can establish and maintain strong personal ties outside work via these nonwork and informal social interactions (i.e., guanxi).

### Leader-Member Guanxi (LMG) Versus Leader-Member Exchange (LMX)

LMX, a relationship-based approach to leadership that focuses on the two-way (dyadic) relationship between leaders and followers (Graen and Uhl-Bien 1995), suggests that leaders develop an exchange with each of their subordinates and that

the quality of these leader-member exchange relationships influences subordinates' responsibility, decisions, and access to resources and performance (Deluga 1998). Similarly, guanxi also focuses on the vertical relationship between followers and supervisors. However, unlike LMX, that is primarily restricted to work-related exchanges, guanxi is based on personal connections developed outside the work domain and also to nonwork-related exchanges (Law et al. 2000).

The sharp distinction between these two constructs originates from the different social and organizational realities inherent in developed Western countries and transitional Eastern societies (Zhang et al. 2015). Compared to LMX, leader-member guanxi, the distinctly indigenous Chinese construct, is more deterministic in nature. The commonality of shared identification, such as locality or dialect (tongxiang), fictive kinship (people sharing the same last name), kinship (immediate family), workplace (tongshi), and friendship, can help two strangers to establish guanxi and so reduce the uncertainty. LMG is often considered to be more exclusive than LMX because it allows the parties' mutual access to each other's personal lives (Chen et al. 2014).

### The Supervisor's Guanxi Circle

People often build up a guanxi circle in the workplace (Luo et al. 2016). Guanxi circles can be very effective and efficient work units. The network structure of a guanxi circle in a workplace is illustrated in Fig. 1. Supervisors often divide their in-circle subordinates into core and peripheral members. Circle cores and peripheral members are centered around the supervisor. Both

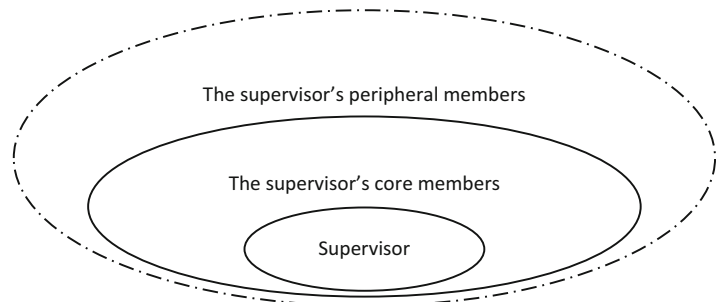
of these two types of circle members are "in-group" members for the supervisor.

Supervisors may categorize their staff members into in-group and out-group members and apply different rules of social exchange to them (Luo and Cheng 2015). That is to say, some individual subordinates are excluded from the supervisor's circles, so they are "outsiders" or "out-group" members in the organization. For those in-circle subordinates, working hard, sharing resources, and offering extra services can help them get appreciation of the supervisors and move ahead. On the other side, outsiders (out-circle members) are often excluded from all favor-exchange networks.

### The Outcomes of Supervisor-Subordinate Guanxi

Supervisor-subordinate guanxi is linked to various work-related and organizational outcomes, such as job satisfaction and organizational commitment, turnover intention, participative management, and organizational citizenship behavior (Zhai et al. 2013). Cheung et al. (2009) argued that job satisfaction mediates the relationship between supervisor-subordinate guanxi and work outcomes (namely, organizational commitment, intention to leave, and participatory management) and suggested that firms should pay more attention to employees' job satisfaction so that the supervisor-subordinate guanxi can be effectively translated into positive work outcomes. However, the variance in LMG quality within a work group (i.e., LMG differentiation) generally has negative implications with respect to job satisfaction, organizational commitment, intention to stay with an organization, and

**Supervisor-Subordinate Guanxi, Fig. 1** The structure of a supervisor's guanxi circle (Luo et al. 2016)





coworker helping behaviors, due to justice concerns (Chen et al. 2014). Positive guanxi with a supervisor is also related to preferential decisions, in which the connected subordinate receives greater benefits than his/her colleagues (Law et al. 2000; Wei et al. 2010). From the perspective of guanxi circle, Luo et al. (2016) claimed that out-group subordinates of the supervisor have a lower level of organizational citizenship behavior than in-group members, while peripheral members have a higher level of organizational citizenship behavior toward organizations than core members.

In summary, personal ties between the supervisors and their subordinates may be a double-edged sword and, accordingly, should be handled with caution. On one hand, personal ties benefit the collective group or organization by fostering increased extra-role behaviors. On the other hand, they may raise ethical concerns and cause negative consequences such as cronyism, sexual harassment, and lessened loyalty to the organization (Zhai et al. 2013). Thus, managers are advised to avoid hiding their social interactions with certain subordinates and instead should bring them in public and provide explicit explanations or justifications for maintaining personal ties. Doing so enhances subordinates' perceptions of relevance and legitimacy of using personal ties as management practices (Chen and Chen 2004).

## Cross-References

- [Employer Loyalty](#)
- [Guanxi](#)
- [Leadership Integrity](#)
- [Work Ethic](#)

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## Sustainability and Bioethics

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## Synonyms

Environmental bioethics; Green bioethics

## Introduction

Bioethics was originally an ethical system concerned with the “problems of interference with other living beings” according to the 1978 *Encyclopedia of Bioethics* (Reich 1995). Conceptually, bioethics was broader than the patient–physician relationship. The scope was global, not local; inclusive, not exclusive. And while the development of bioethics as an academic discipline gave the appearance that ecology was separate from medicine, environmental bioethics has brought the two together. Environmental bioethics, which at once addresses the environmental impact of the medical industry and climate change health hazards, is a dynamic discipline. Simultaneously, thematic elements such as interconnectedness of planetary health and human health, dedication to living in harmony with nature, and emphasis on systems and symbiosis remain unchanged.

## Scope

### Climate Change

Climate change refers to the drastic acceleration of extreme weather and extreme weather events which is unprecedented at any time in recorded

written history. Anthropogenic, or human-caused, climate change is the primary issue of ethical concern. Modern human activities emit greenhouse gas emissions (GHG) like carbon dioxide (CO<sub>2</sub>) in unprecedented amounts, as a result of excavation and use of resources. Global CO<sub>2</sub> emissions – an indicator of human resource consumption – increased an astonishing 4.4% between 2008 and 2010 alone. Safe amounts of global carbon emissions, measured in parts per million (PPM) – which is a way of measuring the ratio of carbon dioxide molecules to all of the other molecules in the atmosphere – has been exceeded. There is “clear evidence that the composition of the atmosphere is being altered as a result of human activities and that the climate is changing” according to the Environmental Protection Agency and numerous other scientific sources.

### Climate Impacts

The impact of carbon emissions includes not only climate change, but also health hazards like pollution, significant environmental destruction, violent conflict over scarce resources, loss of biodiversity, and diminished quality of life for humans (Costello et al. 2009). As a response to anthropogenic climate change nearly every sector of public and private life has sought to undertake positive steps to reduce carbon. Many scholars trace the budding of a conservationist consciousness in the United States to Aldo Leopold’s *A Sand County Almanac and Sketches Here and There* in 1949, while Rachel Carson’s seminal text, *Silent Spring* in 1962, is credited with spawning the environmental movement. Paul Ehrlich’s *The Population Bomb* from 1968 had a lasting influence on ecology, as well, by linking human reproduction with resource depletion. The first United Nations Conference of the Parties (COP) in 1995 brought together international leaders to discuss, and effect, climate change solutions and numerous academic disciplines have addressed climate change as well.

### Environmental Ethics

Environmental ethics has been examining the issues of resource use and carbon emissions as a

result of human activities – including biological reproduction which increases pressure on the earth's ability to sustainably provide natural resources – for at least a century. At the same time, the health effects of climate change and carbon emissions have been a topic of discussion in public health and health care.

### Environmental Bioethics

In the twentieth century, environmental bioethics has united the ethical commitments of health care ethics and environmental ethics. Environmental bioethics is a dynamic discipline that focuses on two areas: climate change health hazards and the environmental impact of the medical industry (Pierce and Jameton 2001). The former traces its origins to public health and public health ethics while the latter emerges from environmental ethics with emphasis on the health care industry.

The documented effects of global warming include climate change health hazards, which refer to the health effects of climate change. These include death and injury from severe weather like flooding, tornados, and hurricanes which are intensified because of climate change, as well as famine, vector-borne illness, and heat.

The environmental impact of the medical industry includes carbon emissions and resource use. The carbon emissions of global healthcare activities make up 4–5% of total world emissions, placing the healthcare industry on par with the food sector (Pichler et al. 2019). Healthcare carbon within countries varies. In a study published in 2019, the US healthcare industry expended an estimated 479 million metric tons (MMT) of carbon dioxide per year; nearly 8% of the country's total emissions.

Both climate change health hazards and the environmental impact of the medical industry can be separate ethical issues but environmental bioethics underscores the connection between the two through normative and applied ethics. Normative ethics describe actions that may be morally right or wrong. For instance, US healthcare produces 9% of total world air pollution emissions causing over 4,35,000 Disability Adjusted Life Years (DALYs) worldwide, which is ethically problematic in that these cause harm to humans. Applied ethics offers solutions for ethical

problems. For instance, since carbon emissions contribute to poor health conditions related to climate change health hazards, the medical industry should have an interest in sectoral carbon reduction as a means to reduce disease burden since carbon is counterproductive to patient health.

Environmental bioethics has connections with a number of other ethical disciplines, such as business ethics and the corporate social responsibility to reduce carbon emissions; theological ethics, which underscore the God-given imperative to take care of the earth; queer ethics, which emphasizes non-reproductive and other non-consumptive ways of life over biological reproduction; and global bioethics, which addresses health care gaps and access in the developing world – among others.

Due to both its breadth and its agility, environmental bioethics often suffers from an identity problem in that, disciplinary, it does not clearly fit within any one discipline and so often gets ignored or becomes invisible. This is due, in part, to the intellectual and topical development of environmental bioethics.

## History

### Bioethics

Bioethics was predicated on the work of two men – Fritz Jahr in Germany – and Van Rensselaer Potter in the United States (2010). In 1927, Fritz Jahr described bioethics (German: *bio-ethik*) as “the assumption of moral obligations not only towards humans, but towards all forms of life.” Jahr summarizes his philosophy by declaring, “Respect every living being on principle as an end in itself and treat it, if possible, as such”! Almost half a century later, the term “bioethics” appeared in English.

In 1971, Van Rensselaer Potter advanced the term bioethics as a way to describe “a global perspective with an ecological focus on how we as humans will guide our adaptations to our environment.” This life (*bios*) ethic emerged from a tangible need to evaluate the actions of humans in an industrialized society struggling within a precarious ecosystem. Trained as an oncologist,

Potter was particularly sensitive to the connections between health and habitat. Thus, he conceptualized a humanistic ethical system rooted in an intrinsically practical approach to a sustainable life, inclusive of the earth and other organisms.

### Biomedical Ethics

Despite the foundational work of Jahr and Potter, a second way of defining “bioethics” appeared in academia and medicine. The so-called Georgetown mantra – respect for patient autonomy, beneficence, non-maleficence, and justice – which was developed by Tom Beauchamp from the Philosophy Department and James Childress of the Religious Studies department at Georgetown University became the standard ethical system for philosophy departments and medical schools (1979). Following from this formalization of biomedical ethics, numerous research centers connected to universities and hospitals arose, focused on the four principles of bioethics to the exclusion of Jahr and Potter’s original concept. Thus, the environmental component to biomedical ethics was forgotten by students, teachers, and practitioners.

### Environmental Bioethics

The development of bioethics as an academic discipline, which focused on patients and doctors within the hospital and health care facility gave the illusion that the environmental issues were separate from health care. Indeed, when Potter published *Global Bioethics: Building on the Leopold Legacy* in 1998, he lamented that modern bioethics went in a drastically different direction than he envisioned, writing “with the focus on medical options, the fact that bioethics had been proposed to combine human values with ecological facts was forgotten by many: the ethics of how far to exercise technological options in the exploitation of the environment was not associated with the term bioethics.” Here, the identity problem is the supplantation or cooptation of bioethics by biomedical ethics and the erasure of the origins of bioethics as an ethical system tied to the environment. Thus, the term “environmental” began to stand as a modifier to “bioethics” and “environmental bioethics” developed its own scholars and

literature, which led to more environmentally sustainable health care curriculum in medical schools.

## Modern Movements

### Scholars

Notably, the “father” of environmental bioethics was a biochemist and professor of oncology. Van Rensselaer Potter’s first book *Bioethics: Bridge to the Future* (1971) detailed “a global perspective with an ecological focus on how we as humans will guide our adaptations to our environment.” Potter saw the interconnectedness of humans and nature as self-evident and, given that humans are situated in a natural environment, sought to connect humans not only to health within the hospital, but to holistic life in the world of nature as well. In 1988 Potter published his second and final book, *Global Bioethics: Building on the Leopold Legacy*. *Global Bioethics* brought the medical industry – made by and for humans – back to the land, and acknowledged how far we had come from “nature.” Potter’s work connected conservation and medicine and laid the foundation for environmental bioethics to develop.

About a decade elapsed between Potter’s last book and the next wave of conservation-based medicine. In the late 1990s Jessica Pierce appeared as a major advocate for environmentally sustainable advances in medical and hospital practices. Pierce was influenced by Potter and indebted to his initial work and wrote on a number of environmental topics for a health care audience, greening health care products and the public health impacts of resource use. Connecting what happens within the walls of hospitals with the outside world of nature lead to specific avenues for change. Reducing the use of hazardous chemicals in facilities and using environmentally friendly cleaning products is now a common practice in many hospitals.

### Literature

The years between 2000 and 2003 saw growing academic interest in environmental bioethics and issues related to human health and planetary

sustainability. Literature that was the lifeblood of physicians and bioethicists began to explore the multifaceted approaches to environmental bioethics. Between 2000 and 2001 the *Canadian Medical Association Journal* published numerous articles on the ecosystem and health, spearheaded by Michael McCally. Around the same time, in 2002, the *Journal of Medical Humanities* dedicated an entire issue to the declining environment and health care. The efforts of these two journals expanded the discipline of environmental bioethics from a purely scientific, medical pursuit to one that embraced ecology, philosophy, religion, and ethics. With many entry points into the conversation, physicians could advocate for sustainability within their own practice from a number of angles.

Later, in 2012, David Resnik's *Environmental Health Ethics* traced many of the same paths that Potter and Pierce had created, while also expanding on issues of nutrition, natural disasters, and public health, thus two bringing environmental bioethics back to the forefront of medicine. In 2019, the first comprehensive ethical methodology developed specifically for environmental bioethics was created by Cristina Richie. "Green Bioethics" proposed a principle-based system similar to Beauchamp and Childress's principles of biomedical ethics which assesses the sustainability of medical developments, techniques, and procedures based on four principles: distributive justice, resource conservation, simplicity, and ethical economics (2019). The scholarship on environmental bioethics began to influence curriculum in higher education.

### Curriculum

As of 2019, medical schools in at least 92 countries have topics related to climate change ethics and environmental sustainability in their curriculum. In 2020, 20 out of 30 reporting medical schools in the United Kingdom included "future impact of climate change on health and healthcare systems" as a learning objective, while 25 listed "environmental and occupational hazards and ways to mitigate their effects" as a learning objective (Walpole et al. 2019). New York University (NYU) offers a Masters of Arts in Environmental Bioethics and a 5-year MD/MA program, which

has two tracks leading to the terminal degree – one of which focuses on environmental issues. The medical school curriculum trains doctors to be aware of the environmental consequences of carbon emissions which bolsters support for sustainable health care institutions and initiatives.

### Institutions

Many health care organizations including Healthcare Without Harm, Practice Greenhealth, the Healthier Hospitals Initiatives, the Catholic Health Association, and UK's National Health Service have recognized the connections between the carbon emissions of health care and climate change. These, and other, organizations, have implemented initiatives such as recycling and clean energy purchasing. Most early sustainability programs were imported from general business frameworks which only focus on the external aspects of sustainability and did not address the internal health care carbon unique to the medical industry. That is, the carbon that is produced by hospitals and clinics such as water sourcing, energy, and food, patient transportation to and from hospitals, and doctors commuting to work and as well as shipping products to health care facilities was evaluated. Later, the carbon of health care delivery, which includes emissions from medical tests, bedside care, single-use instruments, and pharmaceuticals, as well as medical developments, techniques, and procedures were addressed in initiatives, policy, and law.

### Initiatives

The UK's National Health Service is the only publicly held health care system that has legally binding carbon reduction measures. Following from the UK Climate Change Act of 2008, the *Saving Carbon, Improving Health: NHS Carbon Reduction Strategy for England* encouraged carbon-neutral transportation – like walking and biking to and from work – eliminating animal-based foods from menus, and reducing water waste in health care facilities to meet carbon reduction standards (National Health Services Sustainable Development Unit 2009). Similarly, the NHS *Climate Change Strategy for Wales*, released in 2010, outlined policies for sustainable

health care based on the groundbreaking data from the Carbon Footprint of NHS Wales 2005–2009 study. Efforts in Scotland to reduce carbon emissions include NHS *Scotland's Climate Change Plan* from 2017 and support from the Scottish Public Health Network and Scottish Managed Sustainable Health Network, which also addresses climate change health hazards.

Despite many developments in environmental bioethics, it still suffered exclusion from the traditional scope of biomedical ethics. Since it is interdisciplinary, environmental bioethics tends to be placed in the scope of environmental ethics, thus isolating academic environmental bioethicists from biomedical ethics, and simultaneously, downplaying the ethics of carbon reduction in health care organizations.

## Future Directions

### Carbon Calculations

Environmental bioethics is agile. It continues to expand its scope of concern, rightfully advocating for carbon reduction in the medical industry. Given the move towards carbon reduction as the primary metric of sustainability, a number of studies on the carbon footprint on specific procedures in specialty areas such as gynecology and obstetrics, ophthalmology, anesthesia, urology, dentistry, internal medicine, and pathology have been published. This qualitative data will reinforce justification for effective carbon reduction policies and practices in health care organizations.

### Coronavirus Pandemic

The Coronavirus pandemic reiterated the importance of environmental bioethics for health in a variety of ways. First, the precautionary measures of social isolation remind the human collective that we are all interconnected. One person's actions affect another and may set off a chain reaction with international implications. Humans have adapted to thinking in terms of long-range cause and effect by understanding the spread of Coronavirus via human contact. The carbon impact of medical consumerism is similar in that medical choices emit carbon which continues to

climate change health hazards and that affects others.

Second, many people have lived through restrictions where movements were considerably limited, through shielding for those of advanced age and with weakened immune systems and mandated home quarantines for people who tested positive for the virus. Road closures, domestic bans, and closed borders prevented travel. These, and similar measures will become more a commonplace unless carbon emissions are reduced and climate change health hazards are minimized. All adults will need to stay indoors when air quality compromises respiratory health. Severe weather will close access points, leaving thousands of people stranded. As with the Coronavirus, the elderly and vulnerable will be most affected.

Third, the devastating economic effects of the Coronavirus have illuminated the need to rethink commerce. Certain businesses that provide “fast fashion,” lifestyle trends, other “non-essential” services were forced to close physical shops, while sanitation, health care, and education continued. The parallels between COVID-19 and climate change has offered environmental bioethics a platform to address carbon reduction in health care by making these tangible connections.

As environmental bioethics attempts to maintain relevance, the identified problem of “greenwashing” may hinder authentic change. “Green” may be the buzzword of the twenty-first century, but sustainable health care and a clean living environment will be perennial ethical demands of both biomedical and environmental ethics in the future.

## Cross-References

- ▶ [Bioethics](#)
- ▶ [Ethics and Economics in Healthcare Decision-Making](#)
- ▶ [Indigenous Environmental Justice](#)
- ▶ [Medical Ethics and the Land Ethic](#)
- ▶ [Professional Ethics in Healthcare](#)
- ▶ [Vaping and Bioethics](#)

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economic, social, environmental, and governance performance and publicly releasing this in the form of a report. Sustainability reporting can be undertaken by many types of organizations. While it tends to be most commonly associated with public corporations and large businesses, other organizational types like public agencies, state-owned entities, charities, and not-for-profit and small and medium enterprises also prepare sustainability reports. The form and content of sustainability reports vary considerably, but they usually include information about the economic, social, environmental, and governance impact of an organization, which can be linked to the strategy, mission, and activities it undertook over a period. Unlike traditional financial reporting, sustainability reporting shifts the locus of the user from the shareholder to the stakeholder and is therefore meant to be useful to a broader group of individuals and groups who may affect or be affected by the organization, such as staff, customers, suppliers, investors, media, government, and the broader community. The general principle that underpins the growth of sustainability reporting is that it provides more information about the impacts of the organization, thereby increasing transparency for both internal and external stakeholders and ultimately enabling the organization to be more sustainable in its activities.

The following sections introduce some key concepts of sustainability reporting, including the history, form, and standards used, key drivers and theories, and challenges and critiques of the practice.

## Sustainability Reporting

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## Synonyms

Corporate social responsibility reporting; Triple bottom-line reporting

## Introduction

Sustainability reporting refers to the internal process of gathering information on an organization’s

## History, Forms, and Standards of Sustainability Reporting

Sustainability reporting may be seen as the latest manifestation of a long history of nonfinancial disclosure trends. These trends have included reporting about employee issues by early corporations, social reporting that was popularized in the 1970s, and environmental reporting in the 1980s that emerged alongside public awareness



of sustainable development and ecological limitations. Then, in the 1990s, drawing upon the metaphor of a “triple bottom line,” reporting began to consider the linkages between three “pillars” of organizational performance: social, environmental, and economic.

In the 2000s, corporations and other organizations began adopting the term “sustainability reporting,” and since then, it has become increasingly common among many types of organizations, across different industries and in various jurisdictions around the world. Initially, sustainability reporting remained largely voluntary and unregulated and tended to be more qualitative in nature. More recently, sustainability reports have become more detailed and data-driven, including more metrics that quantitatively measure performance, and are more closely aligned with the particular strategies of individual organizations.

At the same time, sustainability reporting has also become more formalized through a complex constellation of different standards, guides, and approaches available to provide guidance to organizations. Probably the most dominant approach is the Global Reporting Initiative (GRI), from an international organization which provides a series of standards to help organizations “create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood” (Global Reporting Initiative 2016, p. 3). The GRI standards provide principles and guidance for the reporting process, as well as a series of performance metrics that may be reported by organizations. Other standards tend to focus on the disclosure needs of particular jurisdictions – such as the Sustainability Accounting Standards Board which provides reporting standards tailored to particular industries in the United States. There are also further standards that provide guidance on disclosure on a particular aspect of sustainability: an example of this would be the Climate Disclosure Standards Board which provides a reporting framework focused on reporting climate disclosures.

## **Responsible Investors and Regulation as Drivers of Corporate Sustainability Reporting**

There are two trends that have been particularly potent in driving the expansion in corporate sustainability reporting: responsible investors and regulation.

Responsible investors incorporate environmental, social, and governance factors into their investment decisions while aiming to generate sustainable, long-term financial returns while also managing risk and supporting responsible businesses. To include these environmental, social, and governance factors into their decision-making, responsible investors require additional information about the environmental, social, and governance strategy and performance of companies. The content of sustainability reports can provide this information in a format that can be used by investors. Responsible investment has grown in scale and influence over the last decade, and the informational demand of these investors is an important driver of sustainability reporting practices among corporations.

A second driver of sustainability reporting practices is the growth in regulation of sustainability reporting in various jurisdictions around the globe. Specific requirements in different countries vary in terms of the regulator, the companies affected, and the nature of the reporting required. One example is the European Directive on Non-Financial Reporting from the European Union, which requires large public interest companies to disclose specific information on how they manage issues like environmental protection, human rights, diversity, and corruption in annual reports from 2018 onward. Alternatively, reporting requirements may come from other non-government regulatory agencies. For example, the Taiwan Stock Exchange and the Johannesburg Stock Exchange require additional disclosure requirements around sustainability for listed companies. Overall, these and many other reporting regulations have contributed to the widespread adoption of sustainability reporting in many parts of the world, such that it is now considered

mainstream business practice for most large corporations.

## Theorizing Voluntary Sustainability Reporting

A range of theories have been adopted in the academic literature to help explain the voluntary adoption of sustainability reporting by organizations; each offers different interpretations for the reasons why organizations prepare sustainability reports and the implications in doing so (Gray et al. 2010).

Firstly, organizations may be motivated to undertake sustainability reporting because of the economic benefits that this practice may offer. Sustainability reporting can trigger the organization to collect information about its performance that allows the company to understand and manage its own activities better, allowing it to improve its own financial performance. This form of communication can also have external benefits for organizations, in terms of building reputation, trust, and brand loyalty with customers and communities. Further, by offering additional information to capital markets, sustainability reporting can also reduce informational asymmetries in capital markets with benefits for investors and companies themselves. Finally, sustainability reporting may also help to alleviate the political costs borne by larger organizations or those with a high public profile.

Stakeholder theory offers a different interpretation of this practice, conceptualizing sustainability reporting as an important form of communication between an organization and its stakeholders. Normative stakeholder theory draws from deontological ethical theory and suggests that all stakeholders (not just investors) have a right to information about the organization and that sustainability reporting can discharge this accountability. Stakeholder theory can also be interpreted in a more managerial sense, where sustainability reporting is used strategically to manage stakeholder impressions and expectations about the organization, with the aim of managing stakeholder risk.

Legitimacy theory also views sustainability reporting as a managerial tool that can be used

strategically to shape the way an organization is perceived. Drawing from the concept of a social contract, this theory focuses on legitimacy threats that can arise when an organization is not perceived to be behaving in accordance with the implicit and explicit “rules” of society. Legitimacy theorists have shown how sustainability reports can be used to deflect attention or manipulate perceptions about the organization, to make the organization appear to be compliant with the social contract even without enacting substantive changes to its sustainability activities.

Finally, institutional theory has also been used to interpret sustainability reporting practices. According to institutional theory, the practices of institutional fields become increasingly homogeneous over time through the processes of coercive, mimetic, and normative isomorphism. These can place pressure on organizations to conform with the sustainability practices of other organizations, with sustainability reporting becoming increasingly similar over time. These pressures may also result in the decoupling of an organization’s actual activities and strategies from that which they disclose in a sustainability report.

These theories interpret voluntary sustainability reporting in different ways; however, they are not necessarily considered mutually exclusive and instead have been found to coexist when examining certain organizational phenomena.

## Challenges, Critiques, and the Future of Sustainability Reporting

A persistent concern about sustainability reporting (particularly voluntary reporting) is about its perceived credibility and reliability. Information is most useful to external parties, like investors and other stakeholders, if it is considered credible or believable. Legitimacy theory and institutional theory have shown, however, that the content of sustainability reports may not accurately reflect the real activities and performance of an organization. Coupled with suspicion over management motivations, sustainability reports can also be seen as too subjective, not standardized and lacking in depth. In response to

these concerns over the veracity or reliability of sustainability reports, demand for assurance has grown: whereupon independent third parties express an opinion about the veracity or reliability of particular sustainability disclosures. These assurance engagements have become more common; however, they remain complex and therefore costly, and concerns prevail about how effectively these engagements serve the needs of stakeholders.

Another concern about sustainability reporting is that these reports are perceived by many as becoming less accessible and user-friendly. As sustainability reporting has become more established, reports have expanded in terms of both scope and depth. Formal sustainability reports can therefore be extremely lengthy and complex and contain information not relevant to all stakeholders. Recently, some sustainability reports have become more engaging, moving from formal stand-alone reports to interactive websites with downloadable databases that can be analyzed by users. Future sustainability reports are likely to continue experimenting with new formats that are more accessible and engaging for stakeholders.

Critics also argue that sustainability reports do not connect well with the unique strategy and value drivers of each company and also that they are focused too much on the past rather than the future of the organization. To address this, the new approach of integrated reporting has recently been proposed, which combines financial and sustainability information into “a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term” (International Integrated Reporting Committee 2013, p. 7).

Other critics target the limitations of sustainability reporting in truly addressing the issue of sustainability. According to authors like Milne and Gray (2013), the increasing efforts being placed on sustainability reporting have focused too much on reporting, rather than on sustainability. Efforts to improve the quality of sustainability reports through creating standards and

accreditation deflect attention away from the profound ecological and sustainability issues that shape our world. For example, reporting by individual companies on their own sustainability initiatives fails to provide information on system-level problems like climate change and unsustainable levels of consumption in developed countries. From this perspective, sustainability reporting requires transformation so as to provide relevant information to allow us to tackle these profound, global issues.

## Cross-References

- ▶ [Corporate Social Responsibility](#)
- ▶ [Corporate Social Responsibility Assurance](#)
- ▶ [Emerging Trends in Socially Responsible Investment](#)

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## Sustainable and Conventional Banking in Europe

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## Synonyms

Corporate social performance in banking; Ethical banking; Social banking

## Introduction

The traditional (or conventional) financial system, whose unique objective is to maximize monetary profit, has evolved towards the so-called “ethical financial system,” which aims for more humanitarian and sustainable development. In other words, its objective is to perform the financial operations with social and environmental responsibility, thus operating ethically with its financial assets.

Ethical financial products, also called socially responsible investments (SRI), in addition to seeking profitability, must consider ethical criteria, which may be exclusive or evaluative. Investing with exclusive (or negative) criteria means not investing in any company or activity related with the violation of human rights, with drugs, child pornography, contamination, genetic manipulation, nuclear energy, weapons, tobacco, alcohol, animal experimentation, gambling, exploitation of the third world, etc. On the contrary, investing with evaluative (or positive) criteria means investing in those companies which promote equal opportunities, recycling, renewable energy, commitment to solidarity, pollution control, support for training and education, etc. It is important not to confuse ethical products with solidarity products, since the latter are conventional products (that is to say, they do not apply ethical selection criteria) which donate all or part of their profits to a social organization.

Among the SRI financial products, there are ethical investment funds and pension plans (which invest in those companies screened according to criteria established by the fund's principles), revolving funds (which grant loans to individuals or groups normally excluded from access to credit by making the obtained profits available to similar people or groups), guaranteed funds (which give support to small companies which themselves do not have access to credit), microcredits (small loans to people with few resources to develop small production projects), venture capital firms (which invest in temporal and minority capital of small- and medium-sized startups), socially responsible deposits (where the money is used to finance ethical projects and to

transfer all or part of the interests generated), and ethical banking.

The maximum expression of an SRI is ethical banking, since it manages all its business applying social and environmental criteria, in addition to those necessary for economic profitability, under complete transparency. An ethical bank has a dual objective: (1) to finance economic activities which generate a positive social and/or environmental impact and (2) to be economically viable, that is to say, to obtain profits. If the second objective is not achieved, the bank will disappear, since economic viability is necessary for its survival. Analogously, if the ethical part does not hold, it will simply be a bank in the traditional sense.

Ethical banking institutions are governed by four principles: (1) promotion of socially responsible savings (i.e., they invest in savings with ethical criteria and contribute to the progressive awareness and development of the culture of responsible savings, continually reporting on the financed projects and their social contribution); (2) promotion of SRI (i.e., they do not finance ethically reprehensible activities, invest only in projects of social and environmental content and facilitate the access to credit for groups traditionally excluded); (3) transparency (i.e., continuous and detailed information about its operations to its clients, who have the right to know where their savings are invested); and (4) democratic management (i.e., they apply active mechanisms so that their partners, employees, and savers participate in strategic banking decisions).

SRI is increasingly demanded by portfolio managers. We can find, therefore, social rating agencies which may be either profit-oriented businesses (such as, for example, Bloomberg, a database very used by investment managers) or non-profit-making organizations which, instead of measuring the credit rating of companies, evaluate them based on whether their activity meets social and environmental criteria. There are even socially responsible investment stock indices, such as the Dow Jones Sustainability Group Index, composed by listed companies based on their social and/or environmental behavior.

Ethics has been linked to banking since its conception. The first ethical banks emerged in

Italy at the time of the Renaissance, where Catholicism was the prevailing morality, so that usury was not allowed and access to credit favored those people who were most disadvantaged. The so-called “Monte di Pietà,” created by religious orders, had a social vocation. The credit cooperatives, which emerged in the nineteenth century amid in the Industrial Revolution, were created to finance local projects and favoring the savings of the working classes. However, the first ethical investment fund, the Pax World Fund, was created in 1971 alongside the pacifist movement, which arose in the USA as a consequence of the Vietnam War, as investors rejected using traditional banks when seeking to deposit their savings since they financed arms companies interested in prolonging the conflict. It was in the last three decades of the twentieth century when the first properly defined ethical banks were created: the South Shore Bank in the USA (1973), Triodos Bank in the Netherlands (1980), The Cooperative Bank in England (1992), Banca Popolare Etica in Italy (1995), and JAK Medlemsbank in Sweden (1997).

At the moment, there is no quality seal which certifies that a bank is ethical. Additionally, membership in the ethical banking movement is voluntary. Most of the members are integrated into the Global Alliance for Banking on Values (GABV), founded in 2009, as an international network of banks whose aim is to change the banking sector to offer more transparency and support sustainable economic, social, and environmental development.

## Ethical Versus Conventional Banking

The fall of the American giant Lehman Brothers in 2008 started a financial crisis in the principal developed countries. Its aftereffects have been felt for more than a decade. In reality, the cause of the crisis was that banks had previously adopted an irresponsible loan policy and had recklessly accumulated too many toxic assets. This situation was not foreseeable, since the traditional banking system was subject to strict regulation and projected an image of security and risk control. However, governments in many countries had to take measures to guarantee the deposits of savers,

providing financial aid to banks and even nationalizing some private institutions. This led the Basel Committee to apply strict control measures between 2012 and 2019. However, although banks exhibited a lack of morality, they did not behave contrarily to established laws. It can be said that the cause of such a crisis was not only economic but also ethical. Consequently, the introduction of stricter regulation will not be enough to prevent problems arising from former decisions. What is needed is a change of mentality towards virtue-based ethics (Knights 2009).

The so-called ethical banks have therefore chosen a different business model, where profit is considered as a means to an end and not as an end itself. They are proactive banks in creating a sustainable world and should serve as an inspiration for the traditional banking sector. Ethical banking emerged linked to the concepts of SRI and corporate social responsibility (CSR). The first characteristic adds a social dimension to the traditional economic criteria of banks, while the second is necessary for the activity of banks to have a positive influence on society. Since the financial crisis of 2008, those banks, which consider people above economic profit, have achieved wide recognition and have grown increasingly in number and strength. Two fundamental factors can be identified which explain the success of ethical banking (Salzmann 2013):

- The distrust towards conventional banking since the beginning of the financial crisis.
- The growing interest in sustainability, which has led to the transformation of an “economy centred on the money” in a “sustainable economy, focused on social and environmental issues.”

Nowadays, socially and environmentally committed banks will have a competitive advantage over other banks which do not make such efforts. The ethical financial activity must promote real or productive economic activities and achieve the common good over individual well-being (Callejas-Albiñana et al. 2017). Companies operating in the financial sector, especially banks, due to their huge impact on society, are a key element in bringing about a change in economic activity

with regard to sustainable development. For example, banks may offer loans at lower interest rates when the borrower allocates the money to sustainable social or environmental projects.

It is evident that, since the beginning of the financial crisis, conventional banking has begun to take its first steps towards sustainability either by means of the disclosure of CSR reports, the commercialization of responsible products (e.g., investment funds or pension plans), or through sponsorship or charitable donations. However, it still has a long way to go in order to achieve a total change in policies, which would raise entities to the category of ethical banks. Transparency versus opacity in information on asset investment is a differential characteristic of ethical banking compared to conventional banking. In ethical banking, depositors know the destination of their investments, i.e., the identity of those who will be making use of the money which they have deposited (San-José et al. 2011). Speculative transactions, which were the main problem of traditional banking, are rejected by ethical banking, which focuses on activities with a positive impact on the real economy. Ethical banks cover certain needs, which are not met by conventional banking, and play an active role in combating the financial exclusion of companies and projects belonging to the social economy (Global Alliance for Banking on Values 2015).

Consequently, there are two banking business models: conventional banking, which had to make changes in its behavior after the financial crisis, and ethical banking, whose behavior has been scarcely altered by the new financial context. Table 1 reflects the main differences between ethical and conventional banking.

**Ethical and Conventional Banking in Europe**

Ethical banking, strictly speaking, that is to say, excluding what might be called “poverty relief banking” is, in essence, a European phenomenon. Compared to conventional banking, it is composed of small entities, the largest being Triodos Bank (a Dutch bank operating in Spain, Belgium, Germany and UK in addition to Holland) and Crédit Coopératif (located in France). Most European ethical banks are very small in size, such as the Ecology Building Society or Charity Bank, which operate in the UK.

While the financial crisis which began in the first decade of the twenty-first century questioned the behavior and survival of conventional banking, a group of small banks, of relatively recent creation, easily overcame the problems of this crisis. Conventional banks focus on profit maximization, while their social counterparts are based on three nonexclusive objectives: profit, people,

**Sustainable and Conventional Banking in Europe, Table 1** Main differences between ethical and conventional banking

| Feature                   | Ethical banking                                                                                                                                 | Conventional banking                      |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Aim                       | Triple bottom line: social, environmental, and economic                                                                                         | Profit-maximizing to reward shareholders  |
| Profit                    | A means to an end                                                                                                                               | An end in itself                          |
| Investment policy         | Identifiable and acceptable practical projects                                                                                                  | Speculative transactions                  |
| Investment criteria       | Positive screen (environment, employment creation, culture, etc.) and negative screen (armament, polluting companies, child exploitation, etc.) | Profitability and risk                    |
| Loan policy               | Avoid financial exclusion                                                                                                                       | Exclusion of specific segments of society |
| Transparency              | Total transparency of information and allocation of assets                                                                                      | Lack of transparency                      |
| Geographical distribution | A low number of branches                                                                                                                        | A high number of branches                 |

Source: Valls Martínez et al. 2020



and planet. This is the main difference between these two banking models.

The traditional European banking system has lost credibility after the problems which arose as a consequence of the financial crisis. These led to stagnation and even decline in its operations and, therefore, in its size. However, ethical banking has experienced spectacular growth in the same period, offering savers greater confidence in the security of their savings. This has promoted an increase in loans to real economy projects, which, in addition, develop social and environmental initiatives. That is to say, ethical banking has had a corresponding growth since the proportion of the increase in deposits has been in accordance with the proportion of the increase in loans with the aforementioned characteristics. Furthermore, the fact that the growth of ethical banking has been financed by the deposits of its clients implies that it is a type of banking independent of the financial and interbank markets. It is therefore strong enough not to suffer instability in the face of economic fluctuations. Because ethical banking has a regular income, with low volatility, makes it more stable in periods of crisis, due to its relationship with the real economy and its refusal to operate with complex financial products or those considered toxic.

With respect to the reliability for its depositors, it has been observed (Valls Martínez et al. 2020) that ethical banking is undoubtedly safer than conventional banking since it has a lower debt ratio (debt to equity ratio) and a higher guarantee ratio (obtained by dividing the total assets by the amount of the debt, which indicates the bank's ability to pay its debts with its assets). Therefore, investing in sustainable banking is safer (Cornée and Szafarz 2014). This fact can be explained in the following ways. First, ethical banks base their activities on the real economy, rejecting investments in structured and speculative products. Second, the small size of ethical banks allows both their specialization in specific sectors and a better assessment of the risk involved in the projects which they decide to finance, thus maintaining a lower rate of nonprofitable loans (Abad Segura and Valls Martínez 2018; Cowton and Thompson 2001). In addition, there will be reciprocity

between the bank and the borrower, since ethical banks grant advantageous loans for social and environmental projects, so that the borrowers, who see themselves personally supported, are less likely to default than with a conventional bank. Third, clients choose this type of bank due to its ethics, which makes it more prudent than conventional banking in its decisions.

Ethical banking is an attractive development for the financial sector. However, its model is not being adopted by conventional banks. The reasons could be the inertia and the power of the established *status quo*, the conservatism of bank managers and shareholders to change the current business model, or even ignorance of the real data offered by ethical banking regarding growth, liquidity, financial solvency, and profitability. However, ethical banking has at present only a small share of the banking market, so it cannot itself bring about a change in the global financial sector.

In order to combat any future crisis, ethical banking is an example for traditional banking (Tischer and Remer 2016), since it is less speculative, more responsible, and more oriented to the community and the environment. If a company behaves unethically, it will not be able to survive in the long term, since its reputation will be diminished. The financial sector is more exposed than any other to moral damage. Therefore, the banking system would be strengthened by the growth of banks which operate in accordance with the principles of ethical banking and, consequently, the risk for depositors would decrease. Furthermore, this type of banking offers not only economic value to its shareholders but also social and environmental profits for society as a whole.

## Cross-References

- [Christianity and Business Ethics](#)
- [Corporate Social Responsibility](#)
- [Emerging Trends in Socially Responsible Investment](#)
- [Environmental Ethics and Sustainability](#)
- [Ethical Citizenship and Business Ethics](#)

- ▶ Financial Sector Sustainability Regulations and Guidelines
- ▶ Investor Response to the Climate Change Challenge
- ▶ New Models of Finance
- ▶ Social Responsibility and Business: The Milton Friedman Position
- ▶ Socially Responsible Investment and Corporate Engagement

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## Sustained Corporate Illegality and the Antecedent Factors

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## Synonyms

Antecedent factors; Corporate illegality; Financial performance; Institutional ascription; Legal and regulatory environment; Organizational culture; Top management characteristics; Volkswagen

## Introduction

Cases of corporate illegality that benefit the organization *primarily* have increasingly become more commonplace. Although researchers have used numerous labels to describe deviant corporate behaviors – white-collar crime, corporate wrongdoing, management fraud, corporate misconduct, managerial vice, and corporate illegal behavior – the key characteristics of these types of corporate crimes have included the existence of strong financial motivations and the involvement of individuals who are otherwise considered respectable members of society (Zahra et al. 2005). Extant scholarship has identified several antecedent factors that explain deviant corporate behavior; however, few have focused on a comprehensive review of the antecedent conditions at all the three levels – the industry-, the institutional-, and the individual-group level. Gaps, therefore, remain in our understanding of how organizations like Volkswagen concealed the emissions cheating scandal perpetrated globally between May 2008 and November 2015 despite being monitored by regulatory agencies.

This brief analysis evaluates antecedent conditions that might have contributed to the sustained illegality at Volkswagen. In addition, it introduces additional antecedent conditions – regulatory loophole, institutional ascription, and a corrupt industry culture – as being instrumental in Volkswagen’s ability to commit corporate illegality for long periods. These antecedent conditions identified in this review advance our understanding of how and why organizations commit illegality and can conceal it for lengthy periods.

### Institutional-Level Antecedents

**Financial Performance** – Research suggests that high-performing organizations are less likely to act illegally because they have less incentive to do so whereas poor performing organizations might resort to corporate illegality to survive (Harris and Bromiley 2007). Sometimes, however, even “good” firms engage in illegal behavior to maintain an upward trajectory of performance (Mishina et al. 2010). The implication is that “all organizations are vulnerable, regardless, of organizational conditions; the weak are tempted to engage in misconduct in order to gain position, the strong are tempted to maintain position” (Greve et al. 2010, p. 65). In the case of Volkswagen, it is hypothesized that to maintain an upward trajectory, it engaged in corporate illegality.

**Structural Attributes** – An organization’s size, its complexity, and the extent to which decision processes are decentralized have also been observed to create opportunities for concealment (Prechel and Morris 2010). The underlying assumption is that organizational complexity – in terms of the numbers of subdivisions, levels of management, and geographical locations – increase the opportunities for managers and employees to engage in covert illegal activities. Moreover, organizational structures “fragment information” and “diffuse responsibility,” such that participants in one part of an organization sometimes do not feel obligated to point out the wrongful behavior of employees in another part of the organization (Palmer 2008, p.115).

Complexity, in other words, compartmentalizes and obscures improper behavior and reduces the efficacy of managerial controls. It is posited that due to its size and its widespread geographical locations, management at Volkswagen was able to conceal illegality for longer periods.

**Ownership and Governance** – Ownership structure and governance patterns also provide opportunities for sustained corporate illegality. In the USA, widespread share ownership and a range of oversight measures such as the board of directors, outside directors, and independent audit committees minimize opportunities for corporate fraud. In contrast, European firms are typically controlled by small ownership groups and there are fewer shareholder protection requirements – circumstances that are conducive for fraud (Coffee 2005, 2006). It is theorized that relatively reduced monitoring in the German context provided Volkswagen with an opportunity to elude detection of its illegal practices and gave it the confidence to commit fraud in international markets too.

**Organizational Culture** – Organizational culture has also been implicated as an antecedent condition for corporate illegality because of its “normalizing” of questionable practices (Ashforth and Anand 2003). A culture that emphasizes ends at the expense of means sometimes unwittingly encourages moral shortcuts (Ashkanasy et al. 2006). Palmer (2008) concluded that the behavior of individuals within organizational settings is shaped by social influence processes such as norms of reciprocity, which draw employees within the flow of wrongdoing. Zahra et al. (2005) claim that the ethical climate of an organization is set by or significantly influenced by the actions of top management, especially the CEO. Even when the CEO does not engage in wrongdoing, he or she can still encourage it by rewarding, condoning, ignoring, or covering it up (Baucus 1994). The CEO at Volkswagen had a reputation for being a micromanager and being extremely demanding, which put undue pressure on the engineers to succeed under tough conditions (Goodman 2015). It is posited that an organizational culture that had little tolerance for

failure created pressure to commit corporate fraud at Volkswagen.

**Institutional Ascription** – The process of attributing positive qualities to an organization based on social cues, such as its status or its association with highly respected organizations (Gabbionetta et al. 2013) also contributed to the fraud committed by Volkswagen. Ascription influences judgments – specifically, positive ascriptions reduce the likelihood of diligent scrutiny by rendering it “unnecessary” (Gabbionetta et al. 2013). Institutional ascription had a particular relevance in this case. The Federal Highway Research Institute, a sister authority of Federal Motor Transport Authority (KBA), the agency responsible for providing automobiles with the roadworthiness certification before they go on sale allowed the company being monitored to test its cars itself. This illustrates how positive ascriptions attributed to Volkswagen helped it to conceal illegality.

## Industry-Level Antecedents

Industry-level antecedents too have been known to create conditions of pressures and opportunities for corporate fraud. It has been observed that the extent to which prior fraud violations within the industry have gone unpunished plays a role in the top management’s decision to commit fraud (Zahra et al. 2005).

**Legal and Regulatory Environment** – The corrupt culture in the German auto industry lacking in transparency and honesty was a key driver of the illegal practices at Volkswagen. Finding and developing deviant solutions to emissions issues related to EPA (Environmental Protection Agency) and CARB (California Air Resource Board) had become the implicit norm in the German car industry even before the Volkswagen’s emissions cheating scandal (End of a Legend: “Made in Germany” label badly damaged by car scandal. Spiegel Online 2017).

The German Regulatory oversight was minimal; penalties for violations were insignificant, as German national regulators were disinclined to handicap their home country’s auto manufacturers as compared to those of neighboring European

countries, whose regulators were presumed to be doing the same (Parloff 2018). The Germans car industry and Volkswagen in particular, came to wield a great deal of power over the government.

**Increased Regulation** – has also been observed to induce management to commit fraud (Apostolou et al. 2000). The California Air Resources Board (CARB) release of new emission standards in 2010 was significantly higher for both gasoline and diesel vehicles (Gadesmann and Kuhnert 2007). These strict US emissions standards created pressure as it was too difficult to meet the new emissions regulations while still maintaining engine performance and staying on budget. It is hypothesized that this too contributed to the corporate illegality at Volkswagen.

**Environmental Dynamism** – The speed and unpredictability of change due to technological advances and market changes – also creates pressures on the organization to commit corporate fraud. The introduction of revised and stringent carbon emission standards in the U.S. caught Volkswagen unprepared to implement those changes swiftly. It could have, therefore, contributed to Volkswagen committing fraud.

**Environmental Hostility** – Adverse market conditions such as intense competition, strict regulatory rules – that negatively impacts a company’s sales and profitability has also been implicated in encouraging corporate illegality (Szwajkowski 1985). It is hypothesized that in Volkswagen’s case unfavorable exchange rate, declining sales and inflexible labor laws created conditions of pressure to commit fraud.

**Environmental Heterogeneity** – Diverse markets, which are characterized by different sets of regulatory and legal environment, create pressure for organizations operating within them to commit a crime (Zahra et al. 2005). Research indicates that organizations that committed management fraud were characterized by greater environmental heterogeneity as compared with organizations that operated in a more homogenous environment (Saxena 2001). It is posited that Volkswagen, which operated in a more environmentally diverse market across Europe, Asia, and North America felt pressured to commit fraud to maintain its position.

## Individual- and Group-Level Dynamics

Several individual and group level characteristics have also been implicated in the creation of strong subcultures that support corporate fraud for instance high within-group task interdependence and low between-group interdependence, accountability only for performance goals but not means, group-based versus individual-based rewards, member stability and cohesion, peer-based socialization, and physical proximity (Trice and Beyer 1993). In the case of Volkswagen, it is hypothesized that strong emphasis on performance, peer-based socialization and cohesion, to the tolerance of breaches of rules to achieve the goals set up Volkswagen to commit fraud.

Unique to the context of Volkswagen was the issue of national pride. The Germans invented the automobile and are still admired worldwide today for their engineering skill. “Made in Germany” to many Germans symbolized superior engineering and quality – especially, when it came to cars (The End of a Legend: “Made in Germany” label badly damaged by car scandal. Spiegel Online. 2017). It would therefore be considered a betrayal of the German pride and honor to complain about Volkswagen’s corrupt practices. It is theorized that German National pride in its auto industry also played a part in Volkswagen’s motivation to commit corporate illegality.

## Conclusion

In sum, this review provides a holistic overview of factors at the institutional, industry, and individual-group level dynamics to explain how these different antecedent conditions provide a complex web of conditions that induced and enabled corporate illegality. The conclusion from this review have both theoretical and practical implications.

## Theoretical Implications

The antecedent conditions identified in this review as sustaining corporate illegality, can be generalized to its theoretical constructs for

example corporate industry culture, top management traits. Since many multinational organizations face similar heterogeneous conditions, they face similar opportunities and pressures. Especially, in the case of organizations, which have acquired a celebrity or powerful status due to their size or impact, institutional ascription might explain why and how corporate illegality is sustained. Cases of Enron, Lehman Bros, WorldCom, Bernie Madoff, and Arthur Anderson are just a few instances of corporate illegality where their celebrity status to some degree helped them to sustain illegality.

## Practical Implications

In the case of multinational organizations working in a heterogeneous and dynamic environment, such as in the case of Volkswagen and other auto manufacturing organizations the regulatory agencies should work to remove the regulatory and legal loopholes. The qualifications and training of the regulatory agency personnel should be periodically updated to stay ahead of the advancements in technology to be able to detect and prevent it.

## Cross-References

- ▶ [Corporate Crisis Management and Business Ethics](#)
- ▶ [Corporate Governance](#)
- ▶ [Corporations as Moral Entities](#)
- ▶ [Officer-Fiduciary Duties](#)

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## Sweatshops and Exploitation

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## Synonyms

Living wage; Low-wage workers; Unfair treatment

## Introduction

By even the most conservative estimates, there are thousands of “sweatshops” in countries around the world (Powell 2014). Located primarily in developing countries throughout Asia and Latin America, sweatshops are typically characterized as workplaces in which people labor in unsafe conditions for long hours and low pay (Arnold and Bowie 2003).

Although there is a vigorous philosophical debate about the ethics of sweatshops, some aspects of them are uncontroversial. For example, since sweatshops are typically found in repressive or authoritarian countries, sweatshop workers are often wrongfully deprived of basic freedoms like the right to protest or form a union. Similarly, since the vast majority of sweatshop workers are women, they are highly vulnerable to sexual abuse and harassment. There is also widespread agreement that the deaths of thousands of garment workers in industrial accidents like the Rana Plaza building collapse and the Tazreen Fashion Factory fire in Bangladesh were horrible tragedies that require improvements in workplace safety standards and compensation for affected workers and their families (Human Rights Watch 2015).

By contrast, this entry will focus on one aspect of sweatshop labor that *is* controversial: the question of whether sweatshop workers are wrongfully *exploited* and, if so, what should be done about it. At the most general level of abstraction, to say that sweatshop workers are exploited is to say that their vulnerability or desperate situation is taken *unfair advantage* of by their employers. But



beyond this truism, a wide range of disagreement remains. What does it mean to take “unfair advantage” of someone? And what is the connection between a worker’s background situation and their liability to exploitation? Since different accounts of exploitation answer these questions in different ways, it is necessary to survey a range of responses to determine the precise relationship between sweatshops and exploitation.

### Macro-level vs. Micro-level Exploitation

The first major fault line in the philosophical literature is whether exploitation occurs at the “macro” or “micro” level. According to “macro-level” accounts of exploitation, it is economic institutions or structures themselves that are exploitative. For example, Marxists believe that capitalism is exploitative because, like slavery and feudalism, it permits one class of society to coercively extract the unpaid labor of another. Since workers lack access to the means of production, they are forced to sell their labor power to capitalists without being fully compensated for their work. On this view, capitalists exploit workers *qua* capitalists and not because they are acting in a way that is especially wrong or unethical (Marx 1992).

One virtue of this account is that highlights the impact that economic institutions have on the lives of ordinary workers. If workers are exploited under capitalism, then that is due to their subordinate position in the class structure and not the bad behavior of their employers. Therefore, the only way to combat exploitation is to change the economic system.

However, there are two main problems with “macro-level” approaches. First, they seem to imply that it is impossible to treat workers fairly in an economic system that is exploitative. But even if one grants that capitalism itself is exploitative, it is not clear why the same should be said about each and every employer. There are surely some businesses that do not exploit their workers (Zwolinski 2012). Second, and related to the above point, if economic transactions are exploitative because they occur within exploitative

economic structures, then it is difficult to see how one such transaction can be morally better or worse than another. But most people agree that sweatshop workers are more exploited than highly paid tech workers even though both are employed under a capitalist economic structure.

“Micro-level” accounts of exploitation build on these criticisms and focus on defects in specific economic transactions. Although there are a number of differences among such views, the basic idea is that in an exploitative transaction both parties gain relative to non-interaction but one party – the exploitee – does not gain *enough*. More precisely, there are two dominant ways to flesh out this charge. To say that both A and B gain from a transaction but that B does not gain enough can either mean that B does not gain “enough” relative to an absolute standard like *need* or a comparative standard like *fairness* (Kates 2019).

According to micro-level accounts of exploitation based on need, workers are exploited just in case they are not paid a wage that is high enough for them to escape poverty (Arnold and Bowie 2003; Sample 2003; Snyder 2008). Employers are morally obligated, in other words, to pay their employees a “living wage,” that is, a wage that enables them to purchase a minimally decent standard of food, clothing, shelter, transportation, and health care. Thus, if workers are unable to meet their basic needs, then they are being exploited.

By contrast, according to micro-level accounts of exploitation based on fairness, workers are exploited just in case they are paid an unfair price for their labor. For example, Alan Wertheimer (1996) claims that workers are exploited if their actual wage is different from the one they *would* have been paid in a perfectly competitive market, that is, one where market actors possess perfect information and there are no externalities, transaction costs, or barriers to market entry and exit. More precisely, Wertheimer argues that the “hypothetical” competitive market price is fair because, in a perfectly competitive market, employers cannot exploit asymmetries of information or monopoly power to unilaterally dictate the terms of the exchange. Wertheimer’s standard of the hypothetical competitive market

price thus acts as a critical standard by which to assess the actual market-clearing wage.

Although both views offer compelling accounts of what makes an economic transaction exploitative, they each have their strengths and weaknesses. The primary strength of accounts of exploitation based on need is that they can clearly explain why sweatshops seem to be the paradigmatic case of exploitation. It is the desperate plight of sweatshop workers, and not simply the terms of their exchange with sweatshop owners, that seems to motivate our concern for their exploitation. The main problem with such accounts, however, is that they are unable to explain how it is possible to exploit someone who can escape poverty. Many people believe, for example, that adjunct lecturers are exploited even though they can meet their basic needs.

Conversely, the primary strength of accounts of exploitation based on fairness is that they are able to capture the concern for unfair treatment that lies at the very core of the concept of exploitation. If one party to an exchange can use the other's vulnerability or desperate situation to extract an unfair distribution of the gains of social cooperation, then they are being exploited. Moreover, since fairness-based accounts of exploitation are not tied to an absolute standard like need, they are able to explain both why it is possible to exploit someone who is not living in poverty and why exploitation occurs in a broad range of economic circumstances. There are, however, three main problems with such accounts. First, there is sharp disagreement in the philosophical literature about what fairness consists in. Second, given that large segments of the economy (including the garment industry) are characterized by razor-thin profit margins, it is entirely possible that a fair wage would not be enough to lift sweatshop workers out of poverty. But that seems counterintuitive. How can someone be paid a wage that is insufficient to meet their basic needs and yet still not be exploited? Finally, fairness-based accounts of exploitation seem to ignore the background conditions that give rise to exploitation in the first place. For one of the main reasons why sweatshop workers are vulnerable to exploitation is that they are living in unjust social and

economic circumstances. But if that is the case, then focusing exclusively on the fairness of specific economic transactions looks like a mistake.

## Exploitation and the Market-Clearing Wage

There is a more general problem facing micro-level accounts of exploitation. For whether they are based on the absolute standard of need or the comparative standard of fairness, they both agree that employers are morally obligated to pay their employees a wage that is higher than the one they can fetch on the market. They assume, in other words, that the (actual) market-clearing wage is wrongfully exploitative. But in the case of sweatshop workers, that is not as obvious as it initially seems.

On the one hand, most people believe that it is morally permissible for multinational corporations not to benefit developing world workers at all by keeping production at home. Indeed, there is widespread agreement that if firms choose not to outsource production, then that is something to be praised. On the other hand, sweatshops are the best available alternative for low-skilled workers in the developing world. Studies show, for example, that in comparison to the large number of people living on less than \$2 per day in these countries, sweatshop workers are among the best-paid workers overall. Hence that is why developing-world workers are so eager to accept these jobs, and why the growth of sweatshops has often been accompanied by a substantial reduction in extreme poverty (Powell 2014).

Taken together, these views are puzzling. If it is morally permissible for firms not to benefit developing-world workers at all by keeping production at home, then how can it be morally impermissible for them to pay developing world workers the market-clearing wage simply because that does not seem to benefit them enough? Indeed, given that sweatshop owners are already doing more than anyone else to help sweatshop workers escape poverty, it seems unfair to require them to pay sweatshop workers a wage that is even higher (Zwolinski 2007).

More formally, this puzzle can be expressed in the following terms:

1. A is morally permitted not to hire B.
2. It is better for B to be paid the market-clearing wage than to not be paid at all.
3. Since A is morally permitted not to hire B, and since it is better for B to be paid the market-clearing wage than to not be paid at all, it cannot be worse for A to pay B the market-clearing wage than for A to pay B nothing at all.
4. Therefore, A is morally permitted to pay B the market-clearing wage.

Intuitively speaking, the idea is that if A has a right not to interact with B, and their interaction would be mutually beneficial, then it cannot be morally wrong for A to only pay B the wage that she can fetch on the market. For how can an act be better than a morally permissible alternative and yet itself be morally impermissible?

This is a powerful objection to the claim that it is wrong to pay sweatshop workers the market-clearing wage. How can defenders of that claim respond? One option is simply to deny the assumption that acts that are prudentially better than a morally permissible alternative are themselves morally permissible (Wertheimer 1996; Bailey 2011; Snyder 2009). Indeed, one might think that denying this assumption is not “puzzling” at all. To the contrary, it simply expresses the commonsense idea that by entering into certain relationships with other people we take on a special responsibility to treat them in a particular way. Philosophers call these “special relationships” and the corresponding obligations they generate “special obligations.”

By way of example, consider the following representative cases:

*Adoption:* I have a right not to adopt any children. But if I do decide to adopt one, then my relationship with that child should satisfy certain moral constraints. For example, I have an obligation to treat my adopted child fairly even if being adopted is better for my child than not being adopted at all.

*Marriage:* I have a right not to marry a particular man or woman. And he or she has a right not to marry me. But if we do decide to get married, then we should treat one another in a particular

way. I may not, for example, refuse to do my fair share of the household labor or expect my spouse to be the only one who is responsible for childcare even though it is better for them to be married to me than to not be married at all. (Wertheimer 1996: 290)

There thus seem to be many contexts in which special moral obligations are triggered by new interpersonal relationships. The only controversy is whether this characterizes the relationship between an employer and an employee.

Critics of the market-clearing wage believe that it does. Individuals, so the argument goes, have a right not to start a business. But if they do, then their relationship with their employees should satisfy certain moral constraints. Employers are, for example, morally obligated to pay their employees a nonexploitative wage. The problem with this response, however, is that defenders of the market-clearing wage can grant that special obligations exist in the above cases and yet deny that the same holds true for the relationship between an employer and employee. The employer-employee relationship is, after all, quite different from the parent-child or husband-wife relationship. Not only are the latter much more intimate, but they are also typically longer in duration. It is thus not sufficient for critics of the market-clearing wage to point to the existence of special obligations or relationships; in addition, they must explain why sweatshop owners have an obligation to pay sweatshop workers more than the market dictates even though they have a right not to transact with them in the first place. In the absence of such an explanation, the initial puzzle remains.

## Practical Implications

Suppose we assume for the sake of argument that sweatshop owners have a moral obligation to pay sweatshop workers a fair wage. Does it follow that they should also be *legally* obligated to do so? For example, should governments in the developing world mandate that employers pay their employees a living wage? Despite the intuitive

appeal of this suggestion, there are strong grounds for being skeptical.

The main difficulty is that from the fact something is immoral it does not necessarily follow that it should be legally prohibited. Lying is wrong, but intentionally making false statements should not be legally impermissible. By the same token, even if sweatshop owners have a moral obligation to pay sweatshop workers a living wage, that does not necessarily mean that the government should make this obligation legally enforceable. There are at least two reasons why the former might not entail the latter (Zwolinski 2007).

First, legally enforcing this obligation might have negative consequences. For example, many economists believe that adopting a government-mandated living wage would predictably lead to a loss in employment. But if that is the case, then adopting this policy would harm the very people it was meant to help. Second, legally enforcing this obligation might violate the autonomy of sweatshop workers. For if governments in the developing world prevented sweatshop workers from setting the terms of their employment in the manner they saw fit, then they would be interfering with a choice that is morally significant. And that would be disrespectful.

Both arguments can, however, be challenged (Kates 2015). On the one hand, even if the adoption of a government-mandated living wage leads to a loss in employment, it still does not necessarily follow that it should be rejected. Since virtually all social and economic policies have costs *and* benefits, the real question is which is greater. And so even if the adoption of a government-mandated living wage leads to a loss in employment, the benefits of such a policy might substantially outweigh the costs. On the other hand, one reason why sweatshop workers might be unable to make certain choices is that they face a collective action problem, that is, a situation in which there is a conflict between the interests of each sweatshop worker taken alone and the interests of the group or class of sweatshop workers taken as a whole. For example, sweatshop workers might want to collectively hold out for a living wage, but they each have an incentive to undercut their fellow workers. Under those circumstances, the only way

to put their choices into effect is via the coercive mechanism of the law. The upshot is that the answer to the question of whether developing countries should adopt a government-mandated living wage will depend on the situation. In some situations, such a policy will be warranted; in other situations, it will not be. It is thus not something that can be determined in advance of the facts.

## Summary

This entry has focused on the relationship between sweatshops and exploitation. To that end, it defined what a sweatshop is and explored the contrast between “macro-level” and “micro-level” accounts of exploitation. It then examined two different ways to flesh out the latter type of account: one based on the absolute standard of need and the other based on the comparative standard of fairness. Finally, it considered whether the market-clearing wage is wrongfully exploitative and, if so, what are the practical implications. In conclusion, it is safe to say that although there *is* disagreement about the question of whether sweatshop workers are exploited, there is *no* disagreement that this question matters.

## Cross-References

- [Capitalism](#)
- [Online Employees and Employer Relations](#)
- [Marx, Karl](#)
- [Meaningful Work](#)

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## Taoism

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## Synonyms

Chinese Yin-Yang philosophy

## Introduction

Taoism holds that Tao is inactive and natural. That is, Tao means the natural course, which is spontaneous, eternal, nameless, and indescribable. It is at once the beginning of all things and the way in which all things pursue their course. Founded by Laozi and Zhuangzi, Taoism is rooted in an understanding of the “way” (i.e., Tao), which is the shapeless force that brings all things into existence and then nurtures them. According to Laozi, the best way to govern is not to govern (i.e., wu wei). Tao has three aspects of meaning: first, Tao is the mixture of heaven and earth; second, Tao is the universal law existing in all things; third, Tao is invisible and has no image.

## Description

Tao manifests itself through natural principles or philosophies, including Yin-Yang duality, the

circular nature of changes, wu wei (the natural course of action), and harmony with internal and external environments (Barkema et al. 2015). *Tao Te Ching* is the first Taoist book of wisdom written by philosopher Laozi. In *Tao Te Ching*, Laozi established a philosophy centered on Tao. Unlike Confucianism, Taoism favors philosophical anarchism, pluralism, and laissez-faire government. Taoism embraces simple dialectical thinking and is an extremely important philosophical school among the “hundred schools of thought” in China. It has a huge impact on Chinese culture. Many Chinese and even foreign scholars have begun to notice and absorb the positive thinking associated with Taoism. It can be regarded as the center of the national thought, with a spirit of benevolence and knowledge.

Tao is embodied in the entire universe (the One); the universe is all about Yin-Yang (the Two); Yin-Yang nurtures heaven, the Earth, and humans (the Three); and heaven, the Earth, and humans together generate all things that should be harmonized (the All). The Yin-Yang philosophy is one of the central notions of Taoism, which teaches us how to act in accordance with nature:

- The Yin-Yang principle concerns complementary opposites – there is no life without death, no good without evil, no day without night. The normal operation of the universe needs all of these elements in order to be in equilibrium (Luo and Zheng 2016). Opposite elements will mutually transform into each other



in a process of balancing under various conditions. The Ying-Yang philosophy is deeply ingrained in East Asia. It holds that all universal phenomena are shaped by the integration of two opposite cosmic energies, namely, Yin and Yang. As shown by the Yin-Yang symbol (which has a white dot in the black area and a black dot in the white area), the spirit of this philosophy is the coexistence and unity of opposites to form the whole (Fang 2011). The Yin-Yang philosophy thus embodies duality, paradox, unity in diversity, change, and harmony, offering a holistic, dialectical view of the world. Yin and Yang coexist in everything while everything embraces Yin-Yang. Yin and Yang also give rise to, complement, and reinforce each other. Moreover, Yin and Yang exist within each other and interplay with each other to form a dynamic, paradoxical unity (Fang 2011).

- Although Yin-Yang principle is about the interdependence and transformation of opposites, Laozi did not suggest the struggle between opposites. He stressed “venerating softness.” Being gentle and flexible is more than a wise way. In other words, Laozi reveals the mutual transformation of opposites mainly to show that static can be transformed into dynamic, soft can be transformed into rigid, weak can be transformed into strong.
- The Yin-Yang philosophy takes a holistic, systematical view on the universe and all other systems, treating the universe as a whole rather than as a collection of individual parts. This discourse of the endless, circular, and transformative movement of change continues to influence people’s lives, including business life, in East Asia. This philosophy also proposes that the universe works harmoniously according to its own ways. When individuals exert their will against the world, they disrupt that harmony. Taoism does not identify one’s will as the root problem. Rather, it asserts that one must place one’s will in harmony with the natural universe. Taoists believe that opposite polarities, as noted in the Yin-Yang principle, are actually balanced and work together through cycles, thus creating a harmonious world.

Taoism advocates following the nature and praises the natural state of man and society. Some basic concepts of Taoism, such as pluralism and naturalism, are widely adopted in management. Many managers apply Taoist thought to organizational management. Contrary to the traditional management mode of attaching importance to rules and mechanism, Taoism encourages managers to pay more attention to employees and adopt people-centered management. It emphasizes people’s pursuit of freedom and equality. Taoism addresses that “everything has its own proper, and action should be taken in accordance with its nature.” The profound understanding of human nature provides the basic principles of Taoist management ethics.

Taoism is rich in dialectics, and one important perspective is to win the strong by the weak. Taoism had a deep understanding of the mutual transformation of opposites. Laozi suggested that “water may be the weakest thing in the world, but it may also beat a stronger one.” It inspires the disadvantaged groups to make possibly optimized choice by adopting flexible strategy of retreating in order to proceed and achieve final success.

The Taoist perceptions of compassion and interdependent causation also have great implications for leadership. Leaders are suggested to treat all employees equally. Meanwhile, different subordinates should be treated differently according to their specific characters. Taoist integrative thinking enables paradoxical leader behaviors, such as “maintaining both distance and closeness” and “maintaining decision control while allowing autonomy.” Accordingly, paradoxical leadership may positively affect employees’ job creativity and work outcomes (Zhang et al. 2015).

However, there are still some concerns on the defects of Taoism. For example, Taoism attaches enough attention to “Tao” (natural principles) but neglects “Shu” (tactics of techniques) (Li 2014). It may discourage managers’ active efforts to make changes. The overemphasis on “wu wei” may also hinder knowledge and technological progress. In addition, the implementation of Taoism is somehow difficult in business practice. In some situations, managers must take sides given opposite

options at hand. It is much easier to make dichotomies than to balance two extremes.

## Cross-References

► [China and Business Ethics](#)

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## Tax Compliance in a Voluntary Reporting Environment

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## Synonyms

Tax evasion; Tax morale; Tax puzzle

## Introduction

In most developed countries, the income tax system uses a voluntary reporting process. This does not mean that the payment of taxes is voluntary but rather that the taxpayers determine and report their income and tax liability to the government. In contrast, sales, excise, and property taxes have tax bases that are predetermined, based either on purchases or an assigned value. The voluntary

nature of the income tax system provides opportunities for taxpayers to intentionally underreport their income or tax liability. This intentional underreporting is the source of the “tax gap” or the difference between taxes owed and taxes paid on time.

In the United States, the Internal Revenue Service (IRS) estimated that the average annual tax gap for 2008–2010 (the most recent available years studied) was \$458 billion. Audits and other enforcement activities recovered an additional \$52 billion, resulting in a net tax gap of \$406 billion. Based on IRS estimates of actual taxes owed, these gaps equate to a gross compliance rate of 81.7% and a net compliance rate of 83.7% (Internal Revenue Service 2018). The majority of the gap is caused by individual taxpayers underreporting their income, particularly business and self-employment income that is not easily verifiable by the IRS (The Tax Policy Center [n.d.](#)).

## Tax Compliance and Evasion

Though compliance rates vary across the world, all voluntary tax systems are affected by intentional underreporting or tax evasion. Government agencies employ a variety of strategies to ensure taxpayer compliance. These strategies are intended to both detect existing evasion and deter future evasion. Muehlbacher and Kirchler (2010) describe the “slippery slope” framework, which distinguishes between enforced and voluntary compliance. Enforced compliance is driven by the actual or perceived power of tax authorities, including the conduct of audits and assessment of penalties. Voluntary compliance arises from the trust taxpayers have for the authorities. This trust reflects taxpayers’ belief in the fairness of the tax system and tax authorities and can be fostered through establishing a “service and clients” attitude as opposed to a “cops and robbers” attitude (Kirchler et al. 2008).

Early theoretical research into taxpayer compliance employed traditional economic thought to model evasion as a function of the likelihood of detection and expected penalties if detected. Allingham and Sandmo (1972) were among the

first to model tax compliance and their approach-related tax evasion to the economics of criminal activity as well as the economics of uncertainty. They theorized that taxpayers would underreport income to maximize their after-tax income, given expectations of audit rates and penalties. They determined that increasing audit rates and/or penalties will always decrease tax evasion. Later researchers then tried to identify other factors that would affect tax evasion. Andreoni et al. (1998) note that, while prior studies show that evasion increases as income rises, there is mixed evidence as to the effect of rising tax rates. Demographic factors, including age, sex, and marital status, have also been shown to affect tax compliance.

To reduce tax evasion, tax authorities have traditionally focused on enforcement activities. As Allingham and Sandmo (1972) theorized, increased audit rates and penalties have been shown empirically to increase taxpayer compliance, but limited resources generally preclude high audit rates and necessitate adopting other strategies to increase compliance. These strategies, which may enhance Kirchler et al.'s (2008) trust relationship, include increasing taxpayer literacy, simplifying tax laws and administration, and improving taxpayer service (Kirchler et al. 2008). Additionally, many countries have instituted third party reporting of certain types of income, including wages, interest, and dividends. Easy (and often automated) detection of discrepancies makes it much harder to get away with underreporting these types of income. In the United States, the IRS estimates that, while 63% of income not subject to information reporting (e.g., sole proprietorship income) is underreported, only 7% of income subject to information reporting (e.g., interest and dividends) is underreported. Income subject to both information reporting and withholding (e.g., wages) is underreported by only 1% (Internal Revenue Service 2016). Audit targeting, which focuses on high-risk taxpayers (e.g., taxpayers with self-employment income or significant changes from prior year), can improve the efficiency of the audit process without increasing required resources.

## The Tax Puzzle

Early research focused on the gap in tax compliance, asking questions about why taxpayers underreported income and how to improve compliance. However, given typically low audit rates and penalties, these studies suggest that compliance rates are actually significantly higher than the models predict (Alm et al. 1999). The tax puzzle becomes not “why do taxpayers evade taxes?” but “why don’t taxpayers evade more taxes?” Subsequent research has sought new means of understanding taxpayer behavior, incorporating factors beyond strictly rational economic decision-making.

Alm et al. (1999) suggest that social norms play an important role in taxpayer behavior. Individuals will accurately report their income when they believe that compliance is the norm. Rampant noncompliance (real or perceived) will change the social norm, leading to even more evasion. They cite evidence that social norms of compliance vary across countries and that the variation relates to actual levels of compliance.

Another stream of research has investigated the psychological contract that exists between taxpayers and tax authorities. This contract contributes to tax morale, or taxpayers’ intrinsic motivation to be compliant. The contract implies that all parties have both rights and responsibilities (Feld and Frey 2007), including a commitment to treat each other with respect and honesty. “If tax administrations treat taxpayers as inferiors in a hierarchical relationship instead, the psychological tax contract is violated and citizens have good reason not to stick to their part of the contract and to evade taxes” (Feld and Frey 2007, p. 104). This contract also addresses the trade-off between taxes and public goods. Whether the taxpayer is a direct beneficiary or not, if they believe the political process is fair and that the government is using tax revenues effectively, they are more likely to feel the contract is being honored and to reciprocate with tax compliance.

A third approach to the tax puzzle considers the effect of ethics on tax morale and compliance. Alm and Torgler (2011) argue that it is impossible to fully understand an individual’s decisions,

including tax compliance decisions, without considering the influence of ethics on their behavior. This goes beyond the idea of the social norm or psychological contract, in creating an expectation that taxpayers will fully pay their taxes because it is the right thing to do, regardless of what others are doing or how they are personally benefitting from taxpayer-funded government action. That said, taxpayer ethics may still be eroded by the actions of the tax authority, but individual ethics are perhaps more resilient to external influences than other forces driving tax compliance.

## Conclusion

Tax compliance is a complex set of behaviors with a multitude of influential factors. While it is not yet fully understood, researchers have identified several strategies for both improving and diminishing compliance. From a tax administration perspective, a multifaceted approach is likely most effective at reducing the tax gap. This approach could include extrinsic motivations such as audits and penalties, as well as other policies intended to appeal to taxpayers intrinsically, including enhanced customer service, openness and fair dealing, and appeals to taxpayers' sense of ethics and morality.

## Cross-References

- [Ethical Citizenship and Business Ethics](#)
- [Ethical Climate and Ethical Culture](#)
- [Ethical Decision-Making Process](#)

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## Tax Havens

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## Synonyms

Financial hiding places; Havens of law evasion; Offshore areas of rules and regulations evasion; Offshore banking; Secrecy jurisdiction; Tax avoidance; Tax evasion

## Definition

A tax haven “is a place that seeks to attract money by offering politically stable facilities to help people or entities get around the rules, laws, and regulations of jurisdictions elsewhere” (Shaxson 2011, p. 11).

## Description

In his provocative classic, Shaxson (2011, p. 33) claimed that “Tax is the missing element in the corporate social responsibility debate.” While it is true that investigations of taxes appear relatively

infrequently in the literature of business ethics or corporate responsibility, investigations of tax havens appear even less frequently (Michalos and Poff 2012). The term “tax haven” usually evokes the vision of a tropical island speckled with a variety of financial institutions and populated with service providers making a healthy living within or at least because of those institutions. Shaxson (2011, p. 24) quoted an expert in the field saying “It does not surprise anyone when I tell them that the most important tax haven in the world is an island, . . . . They are surprised, however, when I tell them that the name of the island is Manhattan. Moreover, the second most important tax haven in the world is located on an island. It is a city called London in the United Kingdom”. Because offshore tax havens have proved successful at attracting money from onshore operations, many of the tactics used in offshore operations have become onshore operations too. For a rather late example, Deneault (2015, p. 193) claimed that as of 2006, “A company opening in Halifax, Nova Scotia could now count on bargain-rate, qualified middle-class employees who would carry out operations according to Bermudian law without having to be housed in Bermuda.”

Shaxson’s broad definition of tax havens provided above does not mention taxes because the “rules, laws, and regulations” that are bent or broken do not always involve taxes, e.g., the free-trade zone *maquiladoras* in Northern Mexico involved measures with special provisions for worker and environmental protection that shielded company owners from standard regulations (Michalos 2008, pp. 30–62. See also Deneault 2015, pp. 48–49). According to a report from the OECD (1998), tax havens “erode the tax bases of other countries, distort trade and investment patterns and undermine the fairness, neutrality and broad social acceptance of tax systems generally.” In all cases the term “tax haven” refers to a jurisdiction with laws or regulations that legalize agents’ ability to take a free ride on public and/or private operators in some other jurisdiction(s). The material value of the free ride is usually much greater than the value of the low corporate taxes, local employees’ income taxes,

and assorted fees earned by the havens. The operating “offshore principle in its purest form,” Deneault (2015, p. 107) wrote, “as long as you don’t plunder us directly, we’ll allow you to deposit with us the booty you acquired through plundering or embezzlement somewhere else.”

Shaxson (2011, pp. 12–13) lists at least seven characteristics to help people identify tax havens. Briefly, they are political jurisdictions that (1) offer secrecy for financial transactions to individual or corporate agents and (2) “very low or zero taxes” and (3) have relatively “large financial services industries” compared to the size of the local economy and (4) provisions protecting operators in the local economy from the “offshore tricks” they offer to nonresidents. (5) Their “local politics is captured by financial interests from elsewhere [i.e., banks, law firms, accountants, and auditors],” and (6) local residents “usually deny” that they engage in offshore trickery. Worst of all, perhaps, (7) “The offshore world is steeped in a pervasive inverted morality: Turning a blind eye to crime and corruption has become good business practice: a way of attracting money; while alerting forces of law and order to wrong doing has become the punishable offence.”

Thirteen years before Shaxson’s criteria for identifying a jurisdiction as a tax haven were articulated, the OECD suggested a set of four criteria. In the Organization’s view at that time, tax havens are jurisdictions with (1) no or only nominal taxes, (2) lacking effective exchanges of information and (3) transparency, and (4) having no substantial activities (paraphrasing OECD (1998, p. 23) as reported by Preuss (2012, p. 2). The most comprehensive set of criteria have been specified by the Tax Justice Network described in Michalos (2019).

While Shaxson emphasizes the central role played by financial intermediaries, he also recognizes that “nearly every multinational corporation uses tax havens” (Shaxson 2011, p. 11). Phillips et al. (2017, pp. 1–3) reported that “At least 366 companies, or 73 percent of the Fortune 500, operate one or more subsidiaries in tax haven countries. All told, these 366 companies maintain at least 9,755 tax haven subsidiaries. . . . Fortune 500 companies are holding



more than \$2.6 trillion in accumulated profits offshore for tax purposes. Just four of these companies, Apple, Pfizer, Microsoft and General Electric, account for a quarter of the total... Goldman Sachs reports having 905 subsidiaries in offshore tax havens, 511 of which are in the Cayman Islands, despite not operating a single office in that country.”

The array of tricks employed to avoid (which is legal) or evade (which is illegal) taxes, laws, and regulations varies from the familiar and easy to understand to the unfamiliar and difficult to understand. In the previous paragraph, I mentioned the special provisions in free-trade zones shielding owners from standard worker and environmental protection regulations. Probably the most familiar trick involves a company securing the status of a legal entity or legal person through incorporation in a jurisdiction (country, state, territory) with low or even zero levels of some sort of tax, e.g., state income tax, asset/wealth tax, sales tax, stock transfer tax, financial transactions tax, or inheritance tax. Depending on the levels of financial secrecy in the jurisdictions involved, assets and income coming from them may not even be known to other jurisdictions. The head offices of such companies are usually located in a different jurisdiction.

When a company reincorporates itself so that a division that was initially a subsidiary in a different country becomes the parent company and the original company becomes the subsidiary, the reversal of roles is referred to as an inversion or expatriation, e.g., an American company with a subsidiary in the British Virgin Islands might reincorporate itself in the latter jurisdiction, effectively becoming a British company with a subsidiary in the USA. The headquarters, personnel, and primary functions of the company might remain exactly as they were before the inversion or expatriation (Godar et al. 2005). A substantial literature has emerged in the field of business ethics concerning the legitimacy of inversion or expatriation. Johnson and Holub (2003, p. 269) reported that in the USA, concerns were raised by:

...U.S. media, ordinary taxpayers, shareholders and politicians... about the reduction of the tax base and the lack of oversight and regulation in offshore centres. Offshore reincorporation has been condemned as immoral, unconscionable, dishonest and unpatriotic, accusations that cast doubt on the legitimacy of the companies concerned. In question is their right to conduct business in the U.S. and in particular, their right to still be viewed as American.

In the view of critics of inversion or expatriation, incorporation is based on a social contract in which the citizens of a jurisdiction grant citizenship to a company on condition that the company fulfils “the needs of society and the benefits accruing to society from their existence exceed their costs” (Johnson and Holub 2003, p. 270). Companies taking a free ride on the taxpayers of other citizens in their jurisdiction are not carrying out their obligations specified in the social contract.

According to Shaxson (2011, pp. 123–125), “over half of U.S. publicly traded companies and nearly two-thirds of its Fortune 500” are incorporated in Delaware, the country’s second smallest state. Granting some tax advantages, Shaxson claims that the main advantages the state offers are its “laissez-faire standards of corporate governance,” i.e., the very business-friendly approach taken by its legislators and courts. (This feature is also one of the main attractions of international trade agreements (e.g., the North American Free Trade Agreement (NAFTA) and commercial arbitrators (Michalos 2008, pp. 188–189).) Replying to a critical remark by President Obama about the fact that over 12,000 corporations were housed in one building in the Cayman Islands (the real number was over 18,000), the chairman of the Cayman Islands Financial Services Authority said one building in Wilmington, Delaware, housed 217,000 companies (Shaxson 2011, p. 125).

Another somewhat familiar trick is called “transfer pricing” (in fact, fake pricing) in which a company shifts “profits offshore, where they pay little or no tax, and shifts the costs onshore, where they are deducted against tax” (Shaxson 2011, p. 14). Transfer pricing is contrasted with arm’s length pricing recommended by the OECD and



codified in laws in several countries. Arm's length pricing "states that intra-firm transactions should be priced as if they were with independent parties transacting in the open market" (Mehafdi 2000, p. 368). With transfer pricing a multinational company with subsidiaries in many countries might locate different aspects of its business in different countries, e.g., with company incorporation in one country, a head office in another country, sourcing input materials from other countries, actual production of its products in still other countries, and marketing, shipping, financial, and insurance services in yet more countries. A holding company might be created to draw several independent companies together and create opportunities for transfer pricing. The more subsidiaries a company has, the more opportunities it has to raise, lower, and move costs and benefits around to maximize its overall profits. Following Christensen and Murphy (2004), Preuss (2012, p. 3) reported that Enron "applied an elaborate tax avoidance strategy through a total of 881 offshore subsidiaries, of which 692 were incorporated in the Cayman Islands."

Summarizing his views on transfer pricing, Mehafdi (2000, p. 373) wrote:

In the realm of business ethics, there is no place for dubious TP practices, whether they are market or cost based and whether they disadvantage an internal customer or a host government. Existing research reveals that TP systems do not always receive unanimous acclaim as divisional managers overtly express dissatisfaction or conflict with prevalent policies. . . managers' behaviour reflects perceived financial harm on their divisional results.

To assist companies in creating additional subsidiaries at a very low cost, shell or shelf companies might be established offshore. Shell companies (also called "special-purpose vehicles") are typically inactive establishments that might not even have an office or employee or might have a single director who often serves as a director for hundreds of other shell companies operating out of one office. For example:

Mining corporations defined as 'Canadian' often do not have any substantial activity in Canada: many of them originate in other countries and operate mines in countries other than Canada. They are incorporated in Canada in order to benefit from the

regulatory, legal, and tax advantages provided here. . . These companies work mining claims obtained in Ecuador, Chile, Zambia, Haiti, Burkina Faso, Indonesia, Romania, or elsewhere. Close to half the mining projects registered on the TSX [Toronto Stock Exchange] are located outside of Canada, and many companies registered in Canada do not have a single claim on Canadian soil. (Deneault 2015, p. 158)

Shelf or vintage companies are basically shell companies that have been set up and maintained for some time to be sold to anyone interested in establishing a company relatively quickly that has the appearance of longevity. Shaxson (2011, p. 122) has a memorable example of a Wyoming website selling shelf corporations in which the purchaser's name is "on nothing"; the "companies already exist and are complete with Articles, Federal Tax ID numbers and registered agents"; and the companies are available "by tomorrow morning . . . for \$69, plus modest state filing fees."

Many of the benefits of special laws and regulations can be obtained from trust accounts. A standard trust account has three elements, a donor who is supposed to give away some asset, a trustee who is supposed to become the legal owner of the asset, and a beneficiary who is supposed to enjoy the benefits of the asset. For example, a parent may establish a trust of \$10,000 for his or her child, with some apparently reliable person serving as the trustee and the child serving as the beneficiary, with benefits accruing to the child in the form of the original lump sum or the total flow of income from investments of the money as determined by the trustee. With blind trusts of the sort typically arranged by politicians for the duration of their terms in office, the politician is supposed to assign legal ownership of his or her properties earning financial returns to trustees without knowledge of their performance, but he or she is allowed to terminate the arrangement at any time.

Standard trusts are legal but provide many opportunities for avoiding and evading laws and regulations. There are also a variety of forms of trust in the same and different jurisdictions, with a variety of laws and regulations applying to them, which provide many more opportunities for avoiding and evading other laws and regulations.

It is possible, for example, for a donor to establish a trust that appears to give away ownership of some asset to a trustee although the donor really enjoys remaining as the beneficiary. The general strategy involves violating a trust's basic suppositions regarding the nature of the relationships and activities of each of its three elements. Some jurisdictions allow donors to have discretionary authority to determine a trust's investments; to replace a trustee "with a more pliable trustee, or even by the [donor] . . . in disguise"; to "amend or revoke the terms of a trust"; to "claim the property back [creating a 'revocable trust']"; to serve as the trustee and the beneficiary (or even as the donor, trustee, and beneficiary (Deneault 2015, p. 83)); to "appoint a Private Trust Company (PTC) as the trustee"; and then to take control of the PTC as a director. Some jurisdictions allow trustees to make investments and income payments that may not be in the best interests of the beneficiary, and the beneficiary has no right to appeal. Some jurisdictions allow trust deeds to include "flee clauses" that trigger jurisdiction changes for a trust as soon as significant enquiries are made about it. On top of all these avenues for avoiding or evading some jurisdiction's laws and regulations, it is possible to "ladder" trusts and shell companies such that the beneficiary of one trust is another trust or shell. Net income from the first trust is passed on to the second trust or shell, and what is passed on is tax deductible from the first trust. Net income from the second trust is passed on to a third and so on until the ladder is long enough to reduce taxable trust income to zero on the last trust. The trick only works if the expenses at each step of the ladder are adequate, which might require illegally cooking the books. Supposing the trustees involved in a ladder of trusts are unwilling to cook the books, they might still avoid or evade taxes by making the ladder long enough across enough jurisdictions that few inspectors would be willing and able to examine the total lot to determine the trusts' appropriate taxes due (Tax Justice Network 2009).

Trusts and shell companies are also used for laundering money obtained from illegal activities (dirty money) to give it the appearance of money obtained from legal activities (clean money). The

trick may be performed in a number of ways, e.g., smuggling dirty money as cash into banks or other financial institutions in tax havens, dividing large amounts of money into many smaller amounts such that transactions with those amounts would be unnoticed by financial inspectors, altering invoices to show transfers smaller or bigger than those actually made, mixing dirty money with cash deposits made by cash-intensive businesses (check-cashing services, nightclubs, or car washes), establishing banks or other financial institutions to provide user-friendly outlets for dirty money, purchasing real estate with dirty money and then selling it to obtain clean money, and buying casino chips with dirty money and cashing them in to obtain clean money (Legal Dictionary (2019)). Dirty money can also be used to purchase bearer bonds (i.e., anonymous bonds not containing an owner's name) that can be traded for clean money or shares in companies. If a shell company issues a single bearer share, then whoever owns that share owns the company anonymously.

According to Shaxson (2011, p. 23), the "off-shore world" is a set of "networks of influence controlled by the world's major powers, notably Britain, the United States, and some jurisdictions in Europe." Regarding Britain, he wrote:

When Britain's formal empire collapsed, it did not entirely disappear. Fourteen small island states decided not to become independent and became instead Britain's Overseas Territories, with Britain's Queen as their head of state. It is a status that has been preserved until today. Exactly half of them – Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat, and the Turks and Caicos Islands – are tax havens, actively supported and managed from Britain and intimately linked to the City of London. Accompanying these were the Crown Dependencies near the British mainland – Jersey and Guernsey, in the English Channel off the French coast; the Isle of Man, near the Irish republic; as well as a scattering of other territories – Hong Kong as a gateway to China. . . and a variety of ex-colonial oddities in the Pacific and elsewhere. (Shaxson 2011, pp. 87–88)

Other jurisdictions in the British Commonwealth Realm include St. Kitts and Nevis, the Bahamas, Antigua and Barbuda, Barbados, Belize, and St. Vincent and Grenadines. While

other countries have diverse connections to other territories, “jurisdictions that are formally or informally dependent on Britain clearly play in their own league” (Fichtner 2014, p. 48).

Examining “global corporate ownership networks,” Garcia-Bernardo, Fichtner, Takes, and Heemskerk (2017) distinguished “sink” jurisdictions “that attract and retain foreign capital” from “conduit” jurisdictions that mainly facilitate “the transfer of capital to other countries.” Five countries serve mainly as “conduits,” the Netherlands (by a wide margin), the United Kingdom, Switzerland, Singapore, and Ireland, and twenty-four jurisdictions serve mainly as “sinks.” The top five “sinks” are the British Virgin Islands (by a wide margin), Taiwan, Jersey, Bermuda, and the Cayman Islands. Using their network analyses, these authors were able to reveal geographical and sectoral specializations among secrecy jurisdictions that cannot be revealed by “offshore-intensity ratios” or “ratios of foreign investment to GDP.” These authors remind us of the difficulties of sorting out which jurisdictions have exactly what financial wealth. In fact, all the writers consulted have emphasized that their findings most likely represent an underestimate of actual holdings and transfers. The following comment by Zucman (2015, p. 35) precisely illustrates the sort of problems faced by researchers in this field – “Remember...that the distinction between Switzerland and other tax havens doesn’t really make much sense: a large part of the assets registered in Singapore or Hong Kong are in reality managed by Swiss banks, sometimes directly from Zurich and Geneva.”

According to Zucman (2015, p. 45), “It is one of the great rules of capitalism that the higher one rises on the ladder of wealth, the greater the share of financial securities in one’s portfolio.” Financial securities include bank deposits, stocks, bonds, shares of mutual funds, and insurance contracts. Net household wealth is the sum of such securities plus nonfinancial wealth in the form of material goods like real estate, art, jewelry, and gold, minus any debt. Zucman (2013) estimated that 8% of the world’s household financial wealth (10% of world GDP) is held in offshore tax havens. Using 2007 as the “benchmark” year for

their assessments, Alstadsaeter, Johannesen, and Zucman (2017) offered, for the first time ever, country-by-country estimates of this wealth (\$5.6 trillion). Besides having about 45–50% of the globe’s offshore wealth in 2006–2007, Switzerland also has relatively good official banking and financial institution data. Extremely briefly then, these authors estimated “how much each country owns in Switzerland, then . . . how much each country owns in tax havens other than Switzerland, and last combined the two distributions.” Shaxson (2011, pp. 29, 139) noted that according to a 2011 report from the Global Financial Integrity Program in Washington, for every dollar that was legally transferred from a developed to a developing country in 2008, ten dollars was illegally transferred back from a developing to a developed country. Presumably, Switzerland was the recipient developed country almost half the time.

Shaxson (2011, pp. 171–192) has a whole chapter with anecdotal evidence of some unfortunate consequences for the quality of life in the small island communities of the Cayman Islands and Jersey with a “pervasive inverted morality.” Regarding his investigations in the Cayman Islands, Shaxson (2011, p. 177) reported that when he “asked questions such as whether or not one might balance the prosperity of the fifty thousand—odd islanders against the interests of 350 million North Americans, 600 million Latin Americans, and the same number again in Africa,” respondents “seemed to find it distasteful, or changed the subject.” Residents engage in “self-censorship” lest they reveal or discover undesirable features of themselves and their neighbors. Remarkably, one respondent claimed that “a few people here—those people who have committed what the international community would consider unlawful acts—they get the CBEs, the OBEs [British royal decorations] . . . they sit on boards, they have high status, and they are looked upon as statesmen” (Shaxson 2011, p. 179). In the banking and financial services industry, there is relatively high staff turnover, highest for the most curious staff members. “In the British tax haven of Jersey,” he wrote, “three local sayings encapsulate the constant

social pressure: ‘Don’t hang your dirty linen out in public,’ ‘Don’t rock the boat,’ and ‘If you don’t like it, there’s always a boat in the morning.’”

Offshore attitudes are characterized by amazing similarities, of approach, and of method, and some striking psychological affinities, in a geographically diverse but like-minded global cultural community offshore... And these attitudes fit seamlessly with ... a libertarian, leave-us-alone worldview... [that] dovetails closely with offshore’s ethical framework, which hold the rights even contemptful citizens and governments elsewhere to be inconsequential, which sees democracy as a ‘tyranny of the masses,’ and holds the very idea of society with disregard, ”... In Jersey there are no credible and truly independent processes for internally scrutinizing or regulating offshore finance... ‘Jersey has the social structure of a Hilton hotel,’ explained Jerry Dorey, a Jersey senator. It contains ‘a collection of alienated individuals who are just here to make money’.

(Shaxson 2011, pp. 185)

Quite generally, Deneault (2015, p. 264) claimed that while “a number of liberal-minded thinkers entertain the delusion that becoming a tax haven is a form of *development* for poor countries, ... the offshorization of small states is known to be a curse. In almost every case, populations of the South become poorer when their state transforms tax systems and investment rules to suit the needs of corporate capital. As their personal situation deteriorates, island populations see billions flying around above their heads.”

Michalos and Hatch (2019) provided the first comprehensive look at the association of financial secrecy and quality of life measures in 105 countries for 2015. While they did find a negative correlation between these measures, Switzerland generally had the highest quality of life scores and the greatest financial secrecy scores, uncharacteristically compared to the group as a whole.

## Cross-References

- [Financial Secrecy Index](#)
- [International Consortium of Investigative Journalists \(ICIJ\)](#)
- [Panama Papers](#)
- [Piketty and Wealth Taxes](#)
- [Shell Companies](#)

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## Tax Justice Network

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### Synonyms

Coalition on tax justice; International tax coalition; Online tax justice; Tax fairness network; Tax fairness organization; TJN; Virtual tax justice organization

### Definition/Introduction

This is a description of an international virtual online network of scholars, experts, and ordinary citizens concerned with tax fairness, especially the negative impact of tax havens or financial secrecy jurisdictions on tax fairness and lost government revenue.

### Description

According to the website of Tax Justice Network (TJN), the organization is “an independent international network launched in 2003...dedicated to high-level research, analysis and advocacy in the area of international tax and the international aspects of financial regulation.” Members of the group “map, analyze and explain the role of tax and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens,” with special attention given to “the world of tax havens” (Meinzer 2016) or financial secrecy jurisdictions.

While the TJN undertakes analysis and reporting, its sister organization “the Global Alliance for Tax Justice (GATJ)” specializes in

overt political action, campaigning for concrete changes to tax policies around the world. The TJN tries to “incubate new projects” and build related activist communities in support of those projects, allowing members of TJN to break new ground in different areas. New projects have included developing the biennial Financial Secrecy Index in 2009 (Tax Justice Network 2016a, b), a movement pushing for country-by-country reporting of companies’ taxable activities (Meinzer 2012), a financial journalism training program, a “tax haven-focused alternative to traditional views of corruption,” “dirty money in sport,” “tax justice through human rights,” tax competitiveness, and a “tax justice world view which essentially forms a new prism for understanding financial globalization in all its forms.”

Besides providing research and analysis of tax-related matters, the TJN produces the newsletter Tax Justice Focus and the monthly Taxcasts; organizes workshops and conferences; produces articles, blogs, and books (e.g., Shaxson 2011); and works with network partners around the world, e.g., the GATJ, the Independent Commission for the Reform of International Corporate Taxation, and the Financial Transparency Coalition. Regional partners include TJN Africa, Asian Tax Justice Alliance, TJN Nordics, Eurodad, TJN Latin America, and North America, and there are several country-specific TJNs, e.g., in Australia, Austria, Bangladesh, Canada, etc.

### Cross-References

- [Financial Secrecy Index](#)
- [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- [Panama Papers](#)
- [Shell Companies](#)
- [Tax Havens](#)

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## Teaching Business Ethics

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### Synonyms

Business ethics education; Business ethics teaching; Journal on teaching social responsibility of business; Teachers' journal on business ethics

### Definition

This is a brief account of the first journal published that was devoted to the teaching of business ethics or socially responsible business.

### Description

The first issue of *Teaching Business Ethics* (tbe) appeared in July, 1997, 109 pages of 453 for the full volume. Its basic aim and scope was described

by its coeditors Alex C. Michalos and Deborah C. Poff as “an interdisciplinary quarterly journal designed to provide a public forum for teachers and academic researchers in the field of business ethics to exchange views about substantive and methodological issues related to teaching business ethics. Unlike all other scholarly journals devoted to the study of business ethics, the focus of *Teaching Business Ethics* is on the practice of teaching the subject” (Michalos and Poff 1997).

The idea for the journal occurred to Michalos and Poff after some years observing that in this field, as in most others in the academy, there were some scholars primarily interested in developing the next generation of citizens in general and, in this case, businesspeople in particular, and some were primarily interested in searching the field for new facts, lawlike regularities and theories. While it is at best an open question if this rough division of labor in the academy is the most effective and efficient means to learning and appreciating any subject matter as well as producing morally good practitioners of any sort, the division exists and must be managed somehow. The founders of this journal hoped that by providing dedicated space to scholars with different primary interests, comforting networks would be created that eventually would build mutually beneficial bridges for more robust development of all concerned. Representatives of Kluwer Academic Publishers shared the founders vision and agreed to produce the journal.

The seven volumes of *Teaching Business Ethics* appeared from July 1997 to November 2003. By then it had generated 28 issues and 242 articles. Copy flow and sales were relatively slow and it became commercially unsustainable. However, there seemed to be enough interest in the field to introduce a section of the *Journal of Business Ethics* devoted to teaching business ethics. That section was opened with the closing of the and it has remained active to this time, 2017.

### Cross-References

- [Academic Ethics and Academic Integrity](#)
- [Asian Journal of Business Ethics](#)

Deborah Poff, CM, PhD is Editor-in-Chief, *Journal of Academic Ethics*; Editor-in-Chief of the book series *Advances in Business Ethics* and Editor-in-Chief of the *Encyclopedia of Business and Profession Ethics*



- [Business and Society](#)
- [Business Ethics Quarterly](#)
- [Business Ethics: A European Review](#)
- [Journal of Business Ethics](#)

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## Team Ethics

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## Synonyms

Relational ethics

## Introduction

Some worthwhile goals require people to work together to achieve them. When a group of people who have complementary skills and knowledge work together toward such a common goal, they are often referred to as a team. Members of teams hold one another mutually accountable for doing what it takes to achieve the goal. Team sizes may differ but, given the unwieldiness of a large number of people working together in practice, when people talk of teams, they are usually speaking of groups of less than 20 people. Strictly speaking, however, there are no limits to team numbers. A large corporation employing thousands of people could still claim to work as a team or with team spirit.

Sometimes, team members have some input in the selection of their co-workers, but, at other times, they are “forced” together. In either case, teaming requires trust and integrity. In other words, if the people are to work well together, it requires ethics. Reference points for the required

ethics are partially norms influencing the team from outside it and partially norms generated within the team. From within the team, each team member needs to comply by certain rules agreed on as a team. Even when such rules are not, strictly speaking, concerned with matters of ethical behavior, team members who have agreed to team rules would be acting unethically if they were to disregard them later on. From outside the team, sources for team ethics include ethical codes laid down by institutions larger than the team (profession, company, industry, and country) and the personal values of individual team members. These are discussed below.

## Ethics and Conduct: Intra-team Rules

In order to achieve the team’s goal, it is helpful for its members to be guided by some rules which help them to maintain ethical behavior among themselves. The practice of these rules is often expressed in form of good habits or virtues that contribute both to the flourishing of team members as individuals and to them taking seriously their responsibility for achieving the purpose of the team. In order to make the rules clearer for everyone, the team could, formally or informally, draw up a code of ethics for itself and incorporate various agreements into it. It is important to note that if the team’s purpose were unethical, then this would taint the intra-team rules which would then become means to do something bad. For intra-team rules to be truly good, the purpose of the team must be ethical. For example, except in an abstract way, one could not admire members of a gang of robbers for following team rules.

## Team Ethics Expressed Through Virtues

As the team develops – forms, storms, norms, performs, and adjourns according to Tuckman and Jensen (1977)’s small group development model – each member is called on to practice enabling habits that make it easier to accomplish the team’s goals. Typical team activities require communication (listening, speaking, writing including via social media, etc.), joint decision-making, collaboration, self-management, and

emotional intelligence, among others. Certain good human habits facilitate these activities, while bad habits impede them and can end up defeating the purpose of the team and frustrating its members. For example, it would be difficult for a person who is habitually selfish to consistently cooperate with the rest of the team, or to participate when he or she could get away with freeriding, or to assist others when such help is not compulsory. Good human habits, also known as virtues, which enable ethics within teams include patience, generosity, solidarity, loyalty, diligence, honesty, and diligence.

### **Responsibility Within the Team**

Everyone in the team must accept responsibility for the overall outcomes irrespective of the personal or group perception of the importance of their role. In order to make it easier for the team's goal to be achieved, responsibilities are usually distributed in the form of tasks. Apart from the set tasks, teams usually expect their members to go out of their way to do what the team needs, outside their set responsibilities. For example, a member of a team who accidentally discovers that tickets are being offered at a discount for an event that the team needs to attend would be expected to attempt to purchase the discounted tickets for the team which could then reimburse him or her later. Such behavior is at times called responsible citizenship behavior (RCB). RCB within the team could include readiness to step up when a task needs to be done and to step in whenever there is a gap because someone else could not manage to do something. It could also include protecting the interests of the team even when not strictly required to do so.

### **Drawing Up a Code of Ethics for the Team**

It would be useful for the team to clearly distribute tasks and set ground rules for their work together. When the team has agreed to certain rules, it would be unethical for one team member to unilaterally disregard them except in extenuating circumstances. Disregarding jointly agreed team rules often entails a lack of virtue. Thus, for example, even though the time to arrive at an event ordinarily depends on the individual, once the person has agreed with his or her team to attend

to an assignment by a certain time, it would be unethical to default since it would be a lack of responsibility and loyalty. Similarly, it might not matter if someone preferred to provide services on credit in a personal undertaking. However, if and when a team has decided that full payment must be made by clients before services are provided, members should try to keep to the agreement as a matter of fairness and respect to one another. Setting ground rules for the team beforehand helps the team to work more smoothly since it makes it easier for everyone to have some common behavioral standards and expectations. Some examples of what such rules could be are mentioned below.

Team rules could include agreements for all members to commit to the team's goals; perform assigned tasks completely, accurately, and on time; respect others' contributions; be honest with the rest of the team, including avoiding deception; avoid creating or prolonging drama; assist other team members when needed; ask for help in time rather than at the last minute, if possible; contribute to making meetings effective; promote harmony in the team and solve problems openly and sincerely; share all relevant information, e.g., changes in schedule; focus on problems and not on people; constructively resolve conflicts or differences of opinion; comment clearly, respectfully, and constructively on others' contributions; respect individual differences (ethnicity, race, age, religion, gender, marital status, experience, etc.); respect others through personal grooming and care for joint spaces, e.g., bathrooms, kitchenettes, and sitting areas; respect privacy of other team members and confidentiality; and protect the team reputation including in social media. The team should also pre-agree on guidelines with regard to ethical issues, including enforcement (how to check or assure compliance with the rules). Having rules such as these does not make them easier to comply with. However, it helps everyone to be aware from the outset of the need to adhere to some codes of behavior in order to work well together and achieve the goal for which the team was created. It also makes it easier to identify and correct deviant behavior within the team.

## Ethics and Conduct: Extra-team Rules

Since the team is part of a larger society, it is affected by ethical norms that come from outside itself. Part of the test of whether the team's purpose is ethical is the extent to which it aligns with such norms. Thus, for example, a team formed in order to smuggle contraband into their country has an illegal purpose, and its actions are unethical. Sources of guidance for ethical norms that guide the team include professional associations, companies (if the teams are within them), and government legislation. These are discussed briefly below. In addition, external influences on team ethics include associations, such as religion and the family, which have the potential to shape members' personal values in a positive way so that they more easily act virtuously. When one has the option to choose his or her team members, looking out for people who try to act habitually in virtuous and responsible ways can help to lay a good foundation for an ethical team.

### Professional Codes

Different professions at times have laid down guiding rules of ethics and conduct for their members. These rules are usually compiled by respected members of that profession and taught to and accepted by all who enter the profession. Thus, for example, doctors, lawyers, engineers, and hairdressers might have codes for their professions. In general, professionals (and therefore teams of professionals) are expected to:

1. Use their expertise to enhance human flourishing rather than to harm it, e.g., a pharmacist should not use his or her knowledge of poisons to supply it to would-be murderers. This also means that they should give priority to public safety, health, and welfare in the course of their professional work, e.g., an engineer should insist on safe construction materials even if this is more expensive. In the same vein, they should continue developing themselves and their supervisees professionally, e.g., teachers should do this in order to be always up to date and thus deliver valuable teaching to the learners entrusted to them.
2. Perform services only in the fields where they are competent, e.g., a doctor should not pretend to be a bricklayer, and a bricklayer should not masquerade as a doctor. They should not take on responsibilities in aspects where they are not qualified or have less than adequate knowledge and skill, e.g., not every doctor is a surgeon.
3. Be honest, impartial, and loyal in serving society, their employers, clients/customers, and suppliers. In this list, the common good comes first – The good of society in line with what is truly good for human flourishing, e.g., a lawyer should be loyal to his client insofar as this aligns to his loyalty to his employer law firm, provided that the law firm does not require him to be disloyal to the good of society. For example, a law firm that has a culture of dishonesty loses the right to loyalty from its employees since dishonesty is contrary to the good of society. Ideally, in such a case, they should try to change such a culture or leave the firm to find work elsewhere.
4. Act with integrity when employed, and avoid conflicts of interest, e.g., a judge should not take a bribe from someone who has a case in his or her court. In turn, they should refrain from underhand gestures (bribes, gifts, discounts, etc.) meant to influence the client's decisions in their favor. A team of architects should not bribe decision-makers at client companies in order to have contracts awarded to them rather than to other competitors. They should build their reputation on the merit of their services and not compete unfairly with others, e.g., in some professions, advertising is not allowed, while in others, advertisements are not expected to denigrate the competition.
5. Associate only with reputable persons or organizations, e.g., a professional found to be associated with a gang of kidnappers or with an outfit trading on insider knowledge could bring disgrace on self and on the profession.
6. Issue public statements objectively and truthfully, e.g., a statement issued publicly by any professional as a professional should be reliable; for example, professionals are sometimes

called as expert witnesses in court or quoted in the media.

7. Consider social and environmental impact in the performance of their professional duties, e.g., a team of urban planners and builders should consider the impact on the nearby water sources and the people dependent on them when specifying the positioning or extension of a city's drainage.

These are some of the expectations that a team would legitimately have from each professional within the team and, in turn, the expectations of good behavior that society would have from a team of professionals. If there is one person within the team that infringes the codes of his or her profession, the ethical rating and reputation of the whole team are endangered, and the others have a duty to call the person to order and help him or her rectify the problem.

### Core Values and Codes in Institutions

Companies usually have institutional codes that apply to all their employees in order to promote and to enforce ethical behavior. These may be called codes of ethics or codes of conduct. Some companies have both, either separate or combined under either name. Scholars tend to associate code of ethics with the promotion of moral values and code of conduct with the enforcement of moral behavior. In general, codes should seek to:

1. Set out clearly what the ethical standards of the organization are for the employees, e.g., at times these are primarily and summarily conceptualized as a few core values to which the whole of the code is then aligned.
2. Clarify gray areas such as acceptance or giving of gifts and other potential conflicts of interest situations.
3. Communicate sanctions for unethical behavior.
4. Indicate channels for reporting unethical behavior, e.g., a whistle-blowing ombudsman.

Teams formed within the organization or across organizations are required to respect the codes of the organization with regard to ethical behavior. If the team within an ethical

organization acts unethically, someone within the team should have the moral courage to blow the whistle and report this behavior to the appropriate authorities in the company.

### State Laws and Industry Regulations

Society is usually protected by laws in order to ensure the good behavior of all citizens as much as possible and promote the common good. Since companies and teams are part of society, they are also bound by these laws. It could happen in relatively rare occasions that a person or a team could be justified in resisting an unjust law. However, ordinarily, assuming that legislation is just, everyone is expected to obey the laws of the state, region, country, or other geographical location in which they reside or operate. Also, in order to protect society, some industries are regulated by laws specifically addressed to those industries, for example, the food and drug industry has regulations to ensure minimum levels of health and safety for consumers. Companies and teams whose work is in or connected to such industries are expected to comply with the laws and with any ethical guidelines that are promulgated by the competent regulatory authorities.

Therefore, when a team undertakes a project, one of the first things that they should do is to get to know what the legal boundaries are so that they avoid getting involved in anything that goes against the law. Beyond this, they should apply ethics in those aspects of their work in which there are no specific guidelines because laws have not been made yet. For example, a team from a country where harmful chemical emissions are regulated might go to work in a country where there is as yet no regulation. Ethical behavior in this case would mean that they should try their best to regulate themselves in order to avoid causing harm to the environment. Again, a team may be engaged developing an online application that has the potential to harm people in a way that is not yet captured in criminal law. Since they understand the general reasons behind legal systems, ethical behavior would then mean that they find ways to avoid the possible harm to others even if laws have not yet been crafted for the specific activity that they engage in and even if this means that the project costs them more time, effort, or money.

### Personal Values and Sense of Responsibility

When values that are positive for human flourishing are practiced and become habitual, they are called virtues. Even when these are shared by team members, they are often practiced individually and derive from the person's upbringing, religion, family, school, life experience, etc. Virtues that make teaming easier include honesty, prudence, temperance, fortitude, justice, charity, generosity, patience, loyalty, constancy, humility, sincerity, diligence, courage, meekness, and solidarity. A team member who is impatient, arrogant, quarrelsome, dishonest, or disloyal needs to improve his or her character in order to be an asset to the team. Without such change, the person can make it difficult for the team to achieve its goal, or even destroy the team. A sense of responsibility is of particular importance, because it moves the person who has it to accept and display responsibility for the tasks entrusted to him or her as a member of the team and for the achievement of the team's goals.

### Dangers of Unethical Behavior: Team Pitfalls

Within a team, there are several dangers. One type of danger is group polarization, when strong voices within the team treat differences of opinion as disagreements in order to make their opinion appear as better than other opinions (Frey 2007). Another danger is lack of respect for cultural differences, which may cause unnecessary conflicts (Blanton 2013). Team members should study each other's differences in culture and background so as to understand them better. This would also help the team to be sensitive to one another so that teams, and their leaders, do not inadvertently or deliberately isolate or victimize more vulnerable members. In general, members need to learn to prioritize the team's goals above personal interests when needed, as individualistic mindsets will tend to hinder the team's progress (Blanton 2013).

A team could also behave unethically as a whole (Wechsler 2010) by jointly doing something that is unethical. Should this happen, members can help to restore the affected ethical

standards in different ways. For example, a member can speak up and challenge the team to change its ways or, if this fails, the member can report the ethical misconduct. This means that individual members of a team should be bold enough to hold each other accountable and check the behaviors of others in the team. For example, members should be ready to report corruption (Wechsler 2010), calling out the whole team or the leader (s), on this issue, if needed. They should also be able to notice when a team is holding the bigger organization to ransom and obstructing its progress, for example, a team of salespeople could deliberately slow down their response to sales leads and hence lose revenue for their employer company in order to make the point that their team is essential to the company's continued profitability. In such cases, this team may become a problem for the organization rather than a support. Team members should also watch out for groupthink, which is a tendency for a strong group to be defensive when faced with ideas or data that contradict its collective position or plans and to disregard these (Frey 2007). If individual team members are not aware and on guard against groupthink, it could cause them to not examine the ethics of a decision or action closely when the team is strongly tempted to do something wrong.

### Conclusion

Teams are made up of members each of whom has a responsibility to work well with the other team members in order to achieve the team's goal. For this purpose, the team could agree to some internal rules which would guide ethical behavior in the team. Besides internal rules, a team is subject to external rules that are derived from their status as citizens of a country or state employees in a company or members of a professional body.

Ethical teamwork requires virtues in communication, joint decision-making, collaboration, self-management, and accountability. To help everyone to practice virtues and work well internally, teams need codes of ethics and codes of conduct. Teaming works better when members have shared values and a similar work ethic. Setting internal team rules helps to establish and homogenize these

to a large extent, wherever there are differences. Setting them early helps the team to work optimally (e.g., to hold effective meetings).

Although there are dangers that teams in particular need to watch out for, personal values and ethical codes will help individuals, and through that, the whole team, to consistently act consistently in an ethical and responsible manner.

## Cross-References

► [Ethical Climate and Ethical Culture](#)

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## Technology Ethics: Origins, Paradigms and Implications for Business and Society

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## Synonyms

Digital ethics; Digital transformation; Solutionism; *Techné*

## Introduction

Technology ethics is both a rather old and young field: *Old* in the sense, as *technê* (τέχνη in ancient Greek) means *doing* and *practice*, including the specific methods and contexts. The term has been subject of philosophical reflection since philosophy's beginning with Socrates and Plato, where it was used to describe human knowledge in general, before Aristotle began to differentiate between *technê* and *epistêmê*. The ethical relevance of *technê* is therefore inseparable from what humans do and what implications their doing has on other humans and third parties including society at large. Technology ethics, however, is a *young* and contemporary field, as with new technologies such as computing, digitalization, algorithms and big data the impact of technology to the *condition humana*, society, politics, business, the economy at large, and the environment has reached heights unprecedented and levels of autonomy also novel and unparalleled. Technology ethics has become a key domain in applied ethics and as digital technology is said to have a disruptive effect and leads to a digital transformation or even a new “digital age” (Schmidt and Cohen 2013). If reality catches up with rhetoric and promises remains to be seen, particularly if put forward by corporate players like former Google CEO Eric Schmidt having a different agenda than, for example, a historiographer. It can be said, however, that the relaunch of Technology Ethics has inspired a new and vibrant field of debate and research, which is particularly of interest for other discourses of applied ethics like political philosophy, professional ethics, bioethics, and most of all business ethics, as the impact on business and society is created particularly by the new generation of large digital platform companies like Google, Facebook, Weibo, Amazon, Tencent, Apple, or Microsoft along with more specialized companies like Uber, Alibaba, Airbnb, or less public and intel-driven digital companies like Palantir or NSO Group.

In the following the article presents a short historical overview, present day key topics and debates with a particular focus on the business and society nexus plus finally an outlook for



emerging and yet dormant themes of technology ethics.

## Historical Overview

The term technology and its etymological root *technê* have been contextualized differently at different times. This created and still creates terminological confusion. In the following, different historical stages are presented, explaining where the term was relevant and shaped (for a more in-depth overview see Richard Parry's article on "Episteme and Techne" (2020)).

- Antiquity: with the birth of philosophy, the term entered the scene and comprised systematic human activity of creating something. This involves both the skills and the method and processes.
- Modernity: With overcoming the medieval times, progress became a goal in itself. Rationality and technology were the means to achieve this progress to start modernity, enlightenment, and industrialization (Blumenberg 1985).
- Nineteenth to twentieth century: A more engineering-driven notion of technology was developed in Germany ("Technik") linking the concept closer to social life and societal change. With World War II and the nuclear bombs at Hiroshima and Nagasaki the annihilating power of technology was widely discussed and led to concepts like technology assessment (or the German "Technikfolgenabschätzung", where also ethical considerations were discussed and linked to policy research. But other technologies like genetically modified creatures and crops, dual use cases and advanced weapon technologies gave rise to critical assessments of technology and its ethical implications
- Today: With digital technology, also technology ethics was given a new boost. The implications of increased computing power, big data and intelligent algorithms, and machines led to a relaunch of Technology Ethics, as technology more and more shifts from passive execution to

automated decision making. This criterion marks crucial differences in the evolution of technology and technology ethics, as it impacts normative and moral questions in a way where agency and responsibility of (new) actors and blurred lines between natural and legal persons occur. As more and more virtual agents take decisions, the question of responsibility has to be asked anew – up to the question if machines should also have legal rights (Gunkel 2018). On the contrary the role of humans is changing, now becoming "dataviduals" understood as "aggregate of data" (van der Meulen and Bruinsma 2018: 3).

As for the different stages or paradigms mentioned here, the paradoxical ascription, that technology ethics is both ancient and novel becomes clearer. As contemporary and novel technology ethics addresses challenges unprecedented, the remainder of the article addresses solely contemporary questions:

## Contemporary Key Topics and Debates

### Automation, Replacement, and Dehumanization

One of the major topics regarding technology ethics and business and society is automation due to big data and AI-algorithms. Several studies, among them the alarmist Oxford study, state that millions of jobs will be lost to machines. This fuels fears and anger in the light of the digital disruption. At the same time algorithms take over management of operations and human resources. One case documented is the taxi-app Uber. A study revealed, that drivers exposed to evaluations by the algorithm, which takes decisions on intransparent criteria feel "dehumanized". More and more algorithmic decision-making and surveillance capitalism therefore lead to negative perceptions although digital technology also allows for pro-social innovations, for example in the health sector. Nevertheless due to the increasing perceptions of dehumanization (a discourse well established in other ethical fields such as colonialism or

alienation of work) digital technology may also have an effect on the *conditio humana*, which has been described as “machinization” of humans due to AI (Seele 2020). In sum the implications of technology not only have impact on business efficiency and society at large, but also on a micro level on the anthropology in a digital age.

### Surveillance and Surveillance Capitalism

Digital technology allows surveillance of persons, processes and transactions in a way unprecedented so far in history. The degree of intelligence-involvement of mirroring, shadowing or surveillance as reached a new high with sensors and cameras all over recording and computing large amounts of data. This new level of surveillance has been theorized combining technology with business ethics as “surveillance capitalism” (Zuboff 2018) going back to previous work, when the “age of the smart machine” started in 1984 (Zuboff 1984). Historically surveillance theories with regard to technology may also be traced back to Jeremy Bentham and his concept of the panopticon.

### Artificial Intelligence, The Example of Personalized Pricing

Powerful algorithms and tools (called “artificial intelligence,” which is an exaggeration or marketing trick, not a description of what is) increasingly also organize processes in the business world in an automated way. From a business ethics perspective algorithmic pricing is one of the applications fields, that early on build on digital technology to get closer to the maximum price equilibrium. Two subcategories of algorithmic pricing emerged, that also pose ethical questions: dynamic pricing and personalizes pricing (Seele et al. 2021). Whereas dynamic pricing takes into account general parameters such as season, weekends of supply and demand (like the gas price at gas stations), personalized pricing is much more controversial in ethical terms: Platform companies collect personal data of users, which in return are used to estimate a consumption profile to calculate a probable willingness-to-pay. Unlike dynamic pricing this technique belongs to micro-targeting on the level of individuals. Depending on where users

live, what jobs they have, or what previous purchases they have made, prices are personalized to make the maximums for the company. This may include also age, sexual orientation, or other highly private parameters. This is why personalized pricing ethically is seen as discrimination, particularly when the algorithms are not made transparent.

### Bias

As the previous example of algorithmic pricing shows, digital technology is used to assess business-relevant information. The general assumption however is, that an algorithm is more neutral than humans, as humans often display discriminatory behavior. Where technology was assumed to be objective and neutral and thus also allows for less unethical decision-making, it turned out that this cannot be confirmed. Algorithms are also subject to bias and distortions, challenging the ethicality of technology and its objectivity. Two main sources for bias in digital decision-making have been identified: (1) Biased data: following the old statistics rule of thumb: garbage in: garbage out, algorithms being fed and trained with biased data sets, produce biases results. (2) Programmers as human beings also have biases. Therefore the biases of programmers also are replicated in the algorithm products they create. The neutrality of technology here turns also in being neutral to replicating bias, that already existed in the data and processes, though which technology is created.

### Cyberattacks on Corporations

Technology can also be used for illegitimate and illegal activities. Among the greatest threats is currently cybercrime and ransomware. Companies, public organizations and also individual users are being attacked by criminal entities taking digital infrastructure hostage and asking for a ransom, preferably to be paid through digital cryptocurrencies such as Bitcoin, Monero, Ether, or Dogecoin, just to name a few. Such cyberattacks may be described as “state of exception” (Knebel et al. 2021) asking for new measures of organizational learning how to deal with the blockage of entire organizations. The ethical challenges of cybercrimes, however, not

only touch upon upfront unethical and illegal behavior but also take advantage of secret-based technologies like blockchain and cryptocurrencies (→Blockchain and Cryptocurrencies, The Relevance for Business Ethics) and the fundamental value of privacy.

### Technology and Sustainability

Next to the ethical challenges and controversies of adverse activities, digital technology may also be seen as booster to pro-social change. One of the most crucial application contexts is sustainable development. With the collection of large amounts of data and automated data processing through algorithms, the harmful impacts of humans and their inventions like externalities of corporations, may be monitored and governed with much greater detail and complexity. Computational modeling allows for assessments and predictions informing stakeholders of all kind what measures to take. This leads to the implication that in the digital age also our notion of stakeholders as such changes from data producers, consumers, and analysts (Lock and Seele 2017). Digital technology with regard may also act as positive driver, as data sets across country boundaries allow for a more rigorous and detailed approach in fighting, for example, environmental system risks. This approach to share data for pro-social reasons has been labeled as “data-deliberation” (Schultz and Seele 2020) building on the Habermasian idea of deliberative democracy and discourse ethics for addressing governance vacuums or challenges that cannot be addressed adequately by individual actors. Taking the pro-social use of digital technology one step further corporate digital data as produced already for non-financial corporate reports (sustainability reports or corporate social responsibility reports), may be combined to build a digital copy mirroring the state of the world in a decentralized manner. This “corporate nervous net” (Knebel and Seele 2019) in return may be seen as an instrument for addressing grand challenges with joined forces, where the instrumental rationale of corporations may prevent for strategic purposes collaboration together with competitors and other stakeholders such as nongovernmental organizations or governments.

### Greenwashing and Machinewashing

The various hopes and expectations towards new technologies also led to a perception that more innovation will help coping with challenges unsolved so far. This not only positive but even euphoric perspective also led to a phenomenon called solutionism, applied to attract funding for start-ups, to play down concerns or to jump on the bandwagon of technological progress. In the business ethics domain we know this kind of instrumental behavior quite well with regard to misleading messages regarding environmental issues: it is called greenwashing. In analogy various authors expanded this concept also to technology to arrive at similar concepts best subsumed as machinewashing (→Greenwashing and Machinewashing: An Ethical Account and Criteria for Identification). Misleading communication strategies of corporations however have evolved in recent years and reached out to various contexts also touching upon technology. Among the various concepts of – washing the following can be enumerated as current state of affairs of concepts with published definitions: Bluewashing, Pinkwashing, Brownwashing/Whitewashing/Colorwashing, Fempowerwashing, Wokewashing, Poorwashing, Veganwashing, Machinewashing, Humanwashing, Cloudwashing/-AI-Washing/Blockchainwashing, or Ethicswashing. As the listed concepts cover various aspects of ethical concern, it is obvious, that quite a number of those concepts relate to the realm of technology. This is also noteworthy as the fashion of new technology-terminology evolves with high speed to boost new concepts associated with new hopes, expectation and sales stories.

### Outlook on Privacy and Secrecy

As the term Digital Transformation already indicates, the change is ongoing and topics, questions and challenges are in the making. The topics mentioned in the previous chapter may provide some spotlights on areas of concern also with regard to business and professional ethics. However, some topics and questions just begin to emerge and deserve special attention, as their impact is expected to be huge. One of these emerging topics

is the nexus between privacy and secrecy. Privacy in open societies is a fundamental right, the “right to be left alone”. The same holds for secrecy, particularly as for example secretive voting is a key pillar of open democratic societies. Nevertheless, as described above with the example of cybercrimes, the protection of privacy and secrecy may also be used to camouflage illegal and ethical illegitimate behavior. At the same time, overshooting surveillance of private users creates the notion that privacy does not exist anymore, and a new theory of privacy without secrecy is in need (Seele and Zapf 2020). Ethically pro-privacy can also be seen in the historical fact, that in times of non-democratic or even totalitarian or fascist regimes, privacy and secrecy are important to rebuild democratic institutions or to take measures such as civil disobedience against oppressive regimes. This is, for example, one of the reasons why the Tor-internet browser allowing anonymous surfing in the internet and dark-net is justified from the point of view of democracy. Nevertheless, together with cryptocurrencies, the Tor-internet browser also facilitates easy transactions of highly unethical and illegal nature. Therefore and in closing, the role of technology from an ethical perspective remains a key field of applied ethics to address questions mentioned in the context of the business and society nexus.

## Cross-References

- [Big Data Ethics](#)
- [Blockchain and Cryptocurrencies, the Relevance for Business Ethics](#)
- [Cybersecurity: Critical Consideration for Boards of Growth Firms](#)
- [Data Ownership and Data Sharing Practices](#)
- [Ethics and Artificial Intelligence](#)
- [Greenwashing and Machinewashing: An Ethical Account and Criteria for Identification](#)
- [Maintaining Data Integrity](#)

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## Textile Industry in the United States

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## Synonyms

Apparel and fabric regulations

## Introduction

Those who produce or sell textile products should be aware of laws relating to (a) the importation of those products; (b) labeling, advertising, and safety of textiles; and (c) intellectual property (trademark, copyright, etc.) issues. Moreover, ethical issues have bogged the textile industry for more than a century.

## Legal Issues

### Importation of Fabrics

In the past, there were limits on textile imports. For example, an agreement between the United States and China limited the import of thirty-four (34) categories of textiles into the United States until the end of 2008 (O'Neal 2006). A little-known federal agency called CITA (Committee for the Implementation of Textile Agreements) oversees the import of fabrics. The US Department of Commerce oversees the issuance of licenses to importers.

Today, the US Customs and Border Protection imposes tariffs on certain imported goods, including textiles. Tariff schedules are available at [www.cpb.gov](http://www.cpb.gov). Moreover, imported textiles must be labeled to show the country of origin (see Informed Compliance Publications, accessible at [www.cbp.gov/trade/rulings/informed-compliance-publications](http://www.cbp.gov/trade/rulings/informed-compliance-publications)). Country of origin is "the country, territory or insular possession in which a good originates or of which a good is the growth, product or manufacture." 19 CFR §102.21-25. As described in further detail below, it is unlawful under the Federal Textile Fiber Products Identification Act to import a textile that is misbranded or deceptively advertised.

Readers should be aware that regulations in this area change frequently. See, for example, the "Presidential Proclamation To Implement the Nepal Preference Program and for Other Purposes," granting duty-free status to goods imported from Nepal (see <https://www.gpo.gov/fdsys/pkg/FR-2016-12-20/pdf/2016-30738.pdf>).

### Labeling, Advertising, and Safety

The Federal Trade Commission (FTC) is charged with enforcing most advertising laws, including

those related to textiles. Those laws include the Textile & Wool Act (15 USC §70), which requires that advertisements and catalogs disclose whether the fabric was made in the United States, was imported, or both. For a fabric to be labeled "Made in USA," it must entirely or virtually entirely be made in the United States. The law allows for a fine of \$16,000 per violation, and customers can bring a civil lawsuit.

A federal statute, the Flammable Fabrics Act (16 CFR §1609.1), requires that fabrics be tested for flammability and prohibits the manufacture or importation of fabrics that do not meet its standards for flammability. Importantly, consumers who are injured from flammable clothing or furnishings may bring a civil suit against the manufacturers even if the manufacturer complied with the Act (Smith 2017).

Similarly, another federal law, the Textile Fiber Products Identification Act of 1960 (15 U.S.C. §70b(B)(4)), requires that textile products be labeled to show the fiber content and prohibits the misbranding or false or misleading advertising of textiles. The FTC enforces the law. Under the Act, a textile product is misbranded if it does not show the country of origin where the product was processed or manufactured.

Finally, commercial parties can claim that textile advertisements (including labels or package inserts) are false or misleading under a federal law known as the Lanham Act, 15 U.S.C. §1125(a). Those claims can include allegations that an advertisement misleads customers into believing that a product is made in the United States. See *Toddy Gear, Inc. v. Navarre Corp.*, 2014 WL 4271631 (N.D. Ill. August 26, 2014). The law allows competitors to seek damages, arguing that the seller is luring away customers through deceptive advertising. State laws also allow for suits based on false advertising of goods, for example, the Illinois Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat. 51 § 2.

### Intellectual Property

"Intellectual property" refers to the areas of trademark, copyright, and patents. Copyright law protects the design of many products but does not protect "useful articles," which generally includes



clothing. Therefore, the design of a fabric can be copyrightable, but the design of a piece of clothing that uses that fabric often is not. The design is copyrightable only if it can be analyzed separately from the utilitarian features of the item – for example, the arrangement of blocks of color in a particular way on a dress that can be recreated on various other items (shirts, handbags, etc.). Therefore, the design of many “useful” items such as shirts, dresses, and furniture – without some separable design elements – is not protected by copyright laws. See *Varsity Brands, Inc. v. Star Athletica, LLC*, 137 S.Ct. 1002 (2017), upholding the ability to copyright the design of a cheerleading uniform.

Trademark law is relevant to textile manufacturers because it protects logos and other distinct marks against copying. This is of limited use if the overall style of an item is copied but not the mark itself (Raustiala and Sprigman 2006).

Finally, patent law gives the patent holder essentially a monopoly on a product or design for a certain number of years (often 20). Design patents are available for original textiles and the products into which they are incorporated. See *Times Three Clothier, LLC v. Spanx, Inc.*, 2014 WL 1795210 (S.D.N.Y. May 6, 2014). Among other requirements, the design – in order to be patented – must not be “obvious” in light of the products in existence at the time (this concept is known as the “prior art”). See, for example, *PBI Performance Products, Inc. v. NorFab Corp.*, 514 F.Supp.2d 732 (E.D. Penn. 2007)

### Ethical Issues

Many high-profile cases of dangerous working conditions have happened in the garment industry. In the United States, the most famous is The Triangle Shirtwaist Factory in New York, where nearly 150 employees died in a fire in 1911. Those killed were mostly girls and young women, many of them immigrants. They were trapped inside and, in many cases, jumped to their deaths. The tragedy factory sparked worker protection reforms.

More recently, more than 111 workers died in a fire in Bangladesh at the Tazreen Fashions factory. Workers at the factory stitched clothes for sale in

Europe and the United States, whose buyers denied knowing about the source. The International Labor Rights Forum says more than 600 garment workers in Bangladesh have died in fires since 2005 (Yardley 2012).

## Cross-References

### ► Advertising Ethics

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## Theoretical Grounding of Democratic Accountability

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### Synonyms

Business ethics; Public consent; Responsiveness;  
Social responsibility

### Introduction

Democratic theory has ancient precedence, dating back at least to the year 507 B.C., when the leader of the Athenian city state introduced a system of political reforms that allowed power (kratos) to be given to the people (demos). The concept of rule by the people henceforth became embedded as a feasible means of governance. This concept was widely embraced by British philosopher John Locke as well as US Founding Fathers. In the *Declaration of Independence*, Thomas Jefferson wrote that “governments are instituted among men, deriving their just powers from the consent of the governed.” Abraham Lincoln in his Gettysburg Address stated that “the government of the people by the people and for the people shall not perish from the earth.” These statements reflect the essence of the idea of democratic accountability that is grounded in the ancient Greek principle that the people should rule. In theory, the people are the best judge of their conditions, leaders are not masters but temporary servants of the people, and in words that are attributed to Abraham Lincoln, some the people may be fooled all of the time, all of the people may be fooled some of the time, but in the long run all the people will not be fooled all the time—will recognize and vote their interests.

It is evident that democracies thrive when the people actively participate in the process, have real choices made available to them, and are able to make independent judgments. In regard to

commerce, business owners must recognize that they do not operate in a vacuum with unlimited power. As John D. Rockefeller’s Standard Oil Company learned at the turn of the twentieth century, business prerogatives are not unlimited; democratically elected representatives can push back on what constituents perceive to be rapacious monopolies. Democracies can and have held powerful interest to account. Democratic theorists, however, do not universally agree regarding the role average citizens actually play in governing. Various models of democratic accountability are presented below.

### Models of Democratic Accountability

#### Trustee and Delegate Models

Unanimous consent does not exist in regard to how representative democracies such as the United States should operate. Debate about representation often surrounds two conflicting perspective regarding how elected representative should cast their votes: (1) a delegate model and (2) a trustee model. The delegate model views elected officials as representatives of their constituents and therefore elected representatives should be responsive to the sentiments of voters. The model does not provide for autonomous decision-making; it does not believe representatives should do anything more than reflect the views of constituents. In contrast, the trustee model proposes that elected officials should be able to exercise independent judgment and should be able to vote in accord with their idea of the general good rather than simply mimic the views of constituents. Trustees can act on their conscience on the basis of some conception of civic virtue. In contrast, under the delegate model, representatives reflect the interests of constituents.

The Anglo-Irish statesman, Edmund Burke (1729–1797) represents an exemplar of the trustee model. The model specifies that (1) national legislation ought to aim at the national good; (2) the representative, in deliberation with other legislators, should be the ultimate judge of what constitutes that national good; (3) the representative should be less responsive to electoral sanctions;

and (4) representatives should be motivated by civic virtue. Burke defending the national good as the proper aim of legislation. He promoted the view that representatives rather than constituents or a third party should be the source of proper judgment. Burke did not follow the wishes of his constituents when he was in Parliament and failed to be returned at the next election. In contrast, the delegate model was supported by the opponents of the American Constitution in the 1780s who contended that: (1) legislation should be in the interest of electoral constituency, (2) citizens are the source of judgment about what constitutes that interest, and (3) representatives are responsive to the threat of sanction by voters (Rehfeld 2009). At various times, elected leaders defied the wishes of constituents and were voted out of office. In addition to the trustee and delegate models, democratic theorists differ on the extent to which they believe average citizens have input into the system. These differences are found in the citizenship and elite theories of democracy.

### Citizenship and Elitist Theories of Democracy

Citizenship theory rests on two essential assumptions: (1) citizens are autonomous agents, and (2) citizens can improve their decision-making over time. The assumption of autonomy is based on the view that citizens are the best judge of their own interests while the construct of improvability rests on the belief that citizens should be treated as capable of showing over time better judgment. Citizenship calls for the active political involvement of ordinary citizens (Thompson 1970, 10). This ideal was pithily summarized by the aphorism attributed to Abraham Lincoln, “You can fool some of the people all of the time, and all of the people some of the time, but you cannot fool all of the people all of the time.” Citizenship theorists assume that people will not be fooled all the time and that leaders will adhere to the wishes of the people. Citizenship theorists posit that the average citizen is most aware of “where the shoe pinches” or where problems exist in society. This knowledge is essential for legislation and to inform representatives about the experiences of ordinary citizens. The free expression of people who know their own best interests serves

as a check on arbitrary power and a constraint on leaders whose policies are antagonistic to the interests of the people (Koven 2008, 19). The view that the wishes of the people should be respected and that leaders should serve the public interest is consistent with the principles of the Geneva based philosopher, Jean-Jacques Rousseau as well as the author of the Declaration of Independence, Thomas Jefferson. Jeffersonian democracy is associated with respecting the will of ordinary citizens such as yeoman farmers. Jefferson was antagonistic to elites represented in the merchant, banker, and manufacturer classes of the late eighteenth century. He was devoted to the principles of representative government and civic duty.

In contrast to Jefferson and citizenship theories, Alexander Hamilton and his supporters cautioned against following the views of the masses. He feared mob rule and strove to limit access to the levers of power. Hamilton characterized direct democracy as a both a disease and a poison. At the 1787 Constitutional Convention, Hamilton sought to install systems to check the unsteadiness of the masses. He argued that the rich and well born should be given a distinct, permanent share in government because the people seldom judge or determine what is right. More contemporary advocates of what has come to be known as the elitist perspective of democracy include writer and political commentator Walter Lippmann (1889–1974) and Harvard Professor Joseph Schumpeter (1883–1950).

Lippmann’s writings fall clearly within the camp of democratic elitism. In his widely read book *Public Opinion*, Lippmann (1922) argued that the masses were spectators rather than participants in the democratic process. He contended that the sole responsibility of the masses was that of choosing between one of two parties that maintained few general differences. The masses only needed to support the “ins” when things are going well and to support the “outs” when things seemed to be going badly. Lippmann contended that the average citizen is not able distinguish between truth and the fictions they embraced as the truth. This is attributed to two main causes. First, the news media prevented citizens from

gaining access to the real truth. Media constraints included censorship, distortions arising from the need for short messages, and the difficulty of explaining a complicated world. Second, Lippmann argued that even if these problems ceased to exist, the limiting nature of the human mind would prevent a realistic representation of the truth. He termed the simplified version of reality on which citizens base their actions the “pseudo-environment.” Lippmann’s proposed solution for the problem of citizen misperceptions was to redirect political decision-making away from the masses and toward a centralized body of intelligent elites (Whipple 2005, 160). He is considered an elite theorist of democracy not only because of his advocacy for rule by experts but also because of his belief that average citizens were manipulated by others. He believed that citizen sovereignty was a fiction; the people might reign in theory but not in fact.

The Austrian émigré to the United States, Joseph Schumpeter rejected the concept of a common good. He contended that the meaning of the common good was unobtainable since different people and different groups will not agree on its meaning. In contrast to citizenship theorist, Schumpeter (1943/1981, 269) adopted the more limited view of democracy as simply a competitive struggle for people’s votes. Under this version of democracy, people have an opportunity to accept or refuse their rulers, but once leaders are elected, the people should not exert pressures until the next election. Elite democratic theorist such as Schumpeter were more concerned with the quality of leadership than the ability of citizens to govern wisely. He concluded that modern industrial capitalist societies engender too much social conflict to provide the conditions necessary for classical democracy. According to Schumpeter, individual wills are divided in modern capitalist societies; the political environment of capitalism engenders increased hostility. This environment is bound to produce movements for public policies and social reform that diverges from traditional pro-business perspectives. Schumpeter argued that capitalism also creates a new middle class who express attitudes and interests that differ from both those of the working class and big business. The tensions

between the views of business and advocates of social responsibility is evident in the evolution of models that diverge away from the classical economic model of business toward that of alternative perspectives such as the stakeholder model of corporate social responsibility and the strategic model of corporate social responsibility.

## Views of Business Accountability

Business ethics literature has evolved to include not only the classical economic view but also more modern models that suggest business must be held accountable for their actions. These variants of business ethics are consonant with Schumpeter’s belief that in capitalist societies tensions will develop between the varying interests in society. These tensions are witnessed in three variants of corporate social responsibility: (1) the economic model, (2) the stakeholder model, and (3) the strategic/sustainability model (DesJardins 2011, 54–74).

### Economic Model of Corporate Social Responsibility

The economic model of corporate social responsibility proposes that the role of business is to maximize profits within the law. Nobel laureate, Milton Friedman is perhaps the best known defender of the economic model. Friedman (1962, 133) maintained that corporate officials do not have a social responsibility that extends beyond serving the interests of their stockholders. He concluded that in a free market economy, there is one and only one social responsibility of business, that responsibility is to use its resources and engage in activities designed to increase profits so long as the business stays within the rules of the game. They should engage in open and free competition without deception or fraud. Under this model, managers are to be accountable to stockholder rather than the general public and have no social responsibility other than to make as much money as possible for their stockholders. Friedman contended that if executive spent company money on social causes, he or she was spending somebody else’s money for their own purposes.

Spending money on social causes is rejected on principle in that it can reduce returns to stockholders, raise the price of goods to customers, and lower the wages of some employees. Friedman argued that the appropriate agents of social causes are individuals, and that when companies concern themselves with the community rather than profit, it leads to a loss individual freedom and undermines the basis of free societies.

The contention that the only ethical responsibility for business is to maximize profit has been equated with moral minimalism. A growing chorus of critics, however, attack this perspective as too limited because of its disregard for the concern of anyone but stockholders. It is evident that others including customers, workers, and communities also have a stake in business decisions. This perspective is delineated in the stakeholder model of corporate social responsibility.

### **Stakeholder Model of Corporate Social Responsibility**

The stakeholder model of corporate social responsibility recognizes that every business decision affects a wide variety of people, imposing costs and generating benefits to select groups. The model notes that ethical claims of stockholders must be balanced against comparable claims of others affected by management decisions. Freeman (1984) developed this perspective, suggesting that multiple stakeholders need to be involved and play a vital role in the success of businesses. Stakeholders include governmental bodies, political groups, communities, trade associations, unions, financiers, suppliers, employees, and customers. The task of the manager is to keep the support of groups and balance their interests over time. Stakeholders have been interpreted from both a narrow (any group or individual who are vital to the survival of a company) and broadly (any group or individual who can be affected by a company). From the perspective of democratic accountability, both the narrow and broad conceptions of stakeholders must be taken into consideration.

The stakeholder model is supported by established law that recognizes business responsibilities to others such as workers, environmentalist, and the disabled. DesJardins (2011, 70)

argued that business must be responsive to the interest of the broader society, stating that “legal precedent did not simply fall from the sky. It is the considered judgment of the most fundamental institutions of a democratic society, the courts and the legislatures that corporate management must limit their fiduciary duty to stockholders in the name of the rights and interests of various constituencies affected by corporate decisions.” The stakeholder model therefore is more aligned with the democratic interests of society and more accountable in that it rejects that narrowest conceptualization of corporate responsibility that was advanced by Milton Friedman and free market libertarians. The third model of corporate social responsibility pictures social responsibility as part of the very mission, or strategic vision of companies.

### **Strategic Model of Corporate Social Responsibility: Sustainability**

Similar to the stakeholder model, the sustainability model considers the interests of multiple stakeholders but further stresses the importance of protecting the rights of future generations. The sustainability model provides a vision for creating a world in which people can meet the needs of the present generation without jeopardizing the ability of future generations to meet their own needs. The model responds to the need to create a more just and environmentally sound economic system. It aspires to foster a business community that addresses human needs without diminishing earth’s capacity to support life. It also hopes to create a business environment that is ethically sensitive enough to protect human dignity (DesJardins 2005, 35).

A fundamental assumption of the sustainability model is that a firm’s financial goals must be balanced against other goals, especially the goal of ensuring a sustainable environment. In addition, various organizations such as hospitals, non-government organizations, foundations, schools, colleges, and government agencies have adopted social goals as fundamental to their missions. These organizations do not view social responsibility as external to their goals, nor do they view responsibility as a zero-sum game that will negatively affecting bottom line performance. The

sustainability model argues that businesses can be both profitable and exhibit concern for future generations. Furthermore, the model contends that regard for the future is in the best interests of business.

## Discussion and Conclusions

Democracies survive through the consent of the governed. Governments are constructed in order to protect rights and freedoms of citizens. Freedom for individuals, however, is not unlimited. Businesses, for example, may wish to maximize profit regardless of the consequences of their action. Individuals may wish to pursue their selfish desires regardless of the costs they inflict on others. Democratic accountability rests on the idea that organizations and individuals must not only pursue their own aims but must also be cognizant of their responsibilities to the broader public. Democracies should reflect the wishes and aspirations of majorities while at the same time protecting minority rights.

As John D. Rockefeller, Sr. learned private businesses in democracies do not exert unlimited power. In 1906, the US government brought suit against Standard Oil Company (New Jersey) under the Sherman Antitrust Act of 1890. In 1911, Standard Oil was ordered to divest itself of its major holdings. In 1974, the United States Department of Justice filed an antitrust lawsuit against the telephone company, AT&T. At the time, AT&T was the sole provider of telephone service throughout most of the United States. In 1982, AT&T agreed to relinquish control of the Bell Operating Companies that had provided local telephone service in the United States and Canada up until that point. This took away the monopoly of the Bell System and split it into separate companies that would continue to provide telephone service. Today, legislators have become interested in the activities of the massive Facebook, Inc./Meta Company. The company's founder Mark Zuckerberg has come under pressure for Facebook's pursuit of profit and disregard for the impact the company's platform may have on users.

Authors disagree on their conceptions of democracy, some place their faith in the ability of citizens to make wise decisions, and others are skeptical about the role that the masses should play in governing. Sensitivity to the desires of the populace is a foundational principle of democratic accountability. In the past, democratically elected legislators have successfully reigned in the powerful through legal action and legislation. Whether this pattern will be able to continue remains to be seen.

## Cross-References

- [Corporations as Moral Entities](#)
- [Democracy and Governance: Toward a New Ethics of Decision-Making](#)
- [Ethical Citizenship and Business Ethics](#)
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## Theoretical Perspective on the Relationship Between Management Accounting Control and Trust

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### Synonyms

Accounting control; Control systems; Management accounting control systems; Management control; Planning and monitoring control

### Introduction

The following article is intended as an introduction to management accounting controls and trust, and the relationship between one another. Management accounting controls refer to the informal or formal policies, procedures, and tools used to influence other members of the organization and to maintain or alter patterns in organizational activities (Simons 1995). Examples of management accounting controls include setting accounting standards, performance measurement, balanced scorecard, costing techniques, designing and implementing incentive schemes, variance analysis, performance evaluation, and budgetary control. Trust can be defined as a willingness to be vulnerable to the actions of another party based on the positive expectations that the other party will perform an action important to the vulnerable party despite uncertainty regarding their motives and/or prospective actions, irrespective of the ability to control or monitor the other party (Mayer et al. 1995). Trust and management accounting controls are often cited both simultaneously and independently as crucial elements of any organizational relationship whenever risk, uncertainty, and/or interdependence exists. Trust and management accounting controls are both found to reduce inter and intra organizational complexities, transaction costs, and conflicts.

They can also yield positive effects such as promote co-operation, satisfaction, and improve performance among other measures of economic and social benefits to an organization.

Management accounting controls and trust facilitate and manage relationships both within and across the organization via their influence upon the ethical climate of an organization (see also ► [“Ethical Climate and Ethical Culture”](#)). Ethical climate refers to the behaviors that are perceived to be ethically correct, and the way in which ethical situations are handled in the organization (Victor and Cullen 1988). A strong ethical climate implies an organization’s ethical values are embedded in the management accounting controls, and in turn the actions of the employees. A strong ethical climate may yield high levels of trust among organizational stakeholders. For example, an ethical climate can permeate throughout an organization from the top down via its management accounting controls; in turn, positive expectations (i.e., trust) may build among stakeholders regarding the ethical intentions and actions of the organization and its leaders. Likewise, a weak ethical climate may result in low levels of stakeholder trust as the importance of ethical values is given low priority within management accounting controls. Alternatively, the presence of management accounting controls may signal distrust as trust is built on a positive expectation that is irrespective of the ability to control or monitor the other party. Thus, management accounting controls not only promote trust but can also degrade trust in certain contexts. In this way, the relationship between trust and management accounting controls remains not fully elucidated as the conditions under which management accounting controls promote or degrade trust are empirically unknown.

The study of trust and management accounting controls from a multitude of theoretical perspectives, levels of analysis, and methodologies has given rise to numerous definitions, complexities, and conceptual confusion. Trust by itself has been described as a personality trait, behavioral intention, social structure, psychological state, an expectation, a behavior, emotional state, and as both a noun and a verb (McKnight and Chervany 2001). Moreover,



numerous related but distinct constructs such as integrity, honesty, co-operation, benevolence, competence, reliability, predictability, trustworthiness, and distrust have added to its conceptual confusion. In general, a key question remains – is trust a separate and distinct concept from management accounting control; or does trust represent a construct that is one and the same?

Although any social science can provide a theoretical basis for the study of management accounting controls and trust, the vast majority of accounting research on trust and management accounting controls is informed by economics, psychology, and sociology (Covaleski et al. 2003). Within each theoretical perspective, there exist various methods and approaches to collect and analyze data including archival research, field interviews, survey, case research, and laboratory experiments. In addition, they have been studied in various causal model forms as dependent variables, independent variables, and mediating moderating variables in a variety of scenarios. Trust and management accounting controls span different levels of analysis as they can be studied at the individual level, between individuals and organizations, at the level of intra-organizations and beyond. Trust and management accounting controls can also be studied from various points of time. Seeking a better understanding of the relationship between trust and management accounting, along with conceptual clarity, presents a common goal across multiple theoretical perspectives, units of analyses, and methodologies. In this article, the relationship between trust and management accounting controls are further considered from the theoretical perspectives of economics, psychology, and sociology.

### **An Economic Perspective on Trust and Control**

From an economic perspective, trust can be construed as a rational, unbiased, calculated decision based on the impact of cost/benefit tradeoffs on future wealth. Agency theory plays a central role in accounting research. In general, agency theory describes the relationship between one or more persons (the principal) that engages another

person (the agent) to perform some service on their behalf (Jensen and Meckling 1976). Two basic assumptions are central to this theory. First, each party operates according to his or her self-interest. Second, the principal and agent are rational and capable of forming unbiased expectations of prospective decisions. Agency theory can be used to study trust and management accounting control as it gives rise to scenarios in which a strong lack of trust exists. The cause and effects of incentives and monitoring (e.g., agency costs) dominate the literature on trust and management accounting control. A game theoretic methodology is often applied to examine trust from this rationalist perspective.

From an economic perspective, trust and management accounting controls can be framed as a substitute versus complement relationship. At times, trust is operationalized as a substitute for management accounting controls. The greater the level of trust between principal and agent for example, the fewer the required safeguards required to manage the relationship. On the other hand, trust can be viewed as a complement to management accounting controls. That is, trust and control are considered separate but parallel concepts. Both constructs can exist simultaneously. Implementing management accounting controls does not necessarily imply a lack of trust; however, given a specific level of trust, the implantation of a particular management accounting control may be required to reach a desired level of confidence.

### **A Psychological Perspective on Trust and Control**

Trust and management accounting controls can also be examined from a psychological perspective. In general, psychology is concerned with understanding the thoughts, emotions, and behaviors of the individual rather than those at the organization or societal level. Importantly, human thought, emotion, and behavior are assumed to depend upon the mental representations of the environment. These mental representations can differ in important ways from the

underlying objective reality, giving rise to deviations from rational or unbiased judgment and decision making (Birnberg et al. 2006). Psychological theories can be used to understand the relationship between trust and management accounting control from a subjective standpoint. Whether trust can be construed as an informal, social control or separate and distinct from management accounting control depends on various psychological variables.

The possibility of psychological variables that affect and are affected by trust and management accounting controls can be derived from the theoretical subfields of psychology that include social, cognitive, and industrial/organizational psychology. These subfields give rise to cognitive and contextual cues such as the social context in which the trusting relationship arises (e.g., social history), attitudes of the trustee and trustor (e.g., judgments of trustworthiness), and individual differences such as the willingness to take risk and to rely on others that can affect the mental representation of the trust/control relationship.

Recently, a neuroscientific approach has attempted to understand how the human brains along with neuropeptides (e.g., oxytocin) influence decisions involving trust (Sanfey et al. 2006). The aim of such research is to provide a better explanation of the underlying biophysical factors that drive human decision-making and social behaviors. Examining the neuroscientific implications on trust and management accounting controls may help to clarify whether these constructs are unique or synonymous with one another. In particular, this approach may be used to reveal the ways in which management accounting controls and trust respond similarly (or not) with the underlying human condition and pathologies such as phobias, personality disorders, and individual abilities.

## **A Sociological Perspective of Trust and Control**

A sociological perspective offers insights into organizations, the social world in which they

operate and how individuals react in these scenarios. Sociology examines trust and management accounting controls in terms of their function within society and are studied at the level of the organization and beyond. From a sociological perspective, trust is considered as an integral aspect of the social context in which economic and social transactions are embedded. In turn, it is the social context that influences the design of management accounting controls.

To illustrate, contingency theory is premised on the assumption that a singular optimal equilibrium of an organization fails to exist. Rather the choices of an organization depend upon the organization's unique circumstances such as the nature of the organization, its environment, technology, size, structure, strategy, and national culture. In this way, the choice or form of management accounting controls is understood by the various internal and external environmental factors that may or may not also be affected by trust. Thus, varying levels of stakeholder trust may call for different levels of management accounting control. From a sociological perspective, the question remains as to whether trust and management accounting control are unique or identical constructs.

## **Conclusion**

To date, researchers from a variety of theoretical perspectives appear no closer in their quest towards finding conceptual clarity on the relationship between trust and management accounting controls. Yet recognizing trust and management accounting controls as fundamental blocks in developing and facilitating social relationships remain common across economics, psychology, and sociology. While each perspective offers unique assumptions, theories, and variables, a holistic approach may prove fruitful in developing a more complete framework of trust and management accounting controls. Moreover, a holistic approach may help to reduce conceptual confusion as researchers from one perspective begin to recognize key similarities and differences across

other perspectives. Lastly, taking a combined theoretical approach reinforces the importance of trust and management accounting controls in every aspect of the social functioning of organizations.

## Cross-References

► [Ethical Climate and Ethical Culture](#)

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## Toxic Leadership

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## Synonyms

Machiavellian management; Narcissistic leadership; Psychopathic leadership; Toxic management

## Definition

Toxic leadership involves abusive, destructive control of people and resources whereby an organization and its members become seriously harmed and weakened. Toxic leaders, according to Jean Lipman-Blumen (2004), are leaders who are destructive to their organizations, their employees, their nations, and their constituents. Further, she argues that toxic leaders first charm but then manipulate, mistreat, weaken, and ultimately devastate their followers. Toxic leadership poisons rather than nourishes those who are led and leads to organizational decay and ultimately destruction. Lipman-Blumen writes that toxic leaders – such as Ken Lay at Enron or Al Dunlap (“Chainsaw Al”) at Sunbeam – have always been among us and that these leaders appeal to followers’ innermost needs, playing on their worries, fears, and need for security, high self-esteem, and a feeling of significance.

## Description

Following the views of Hogan and Kaiser (2005) and their colleagues, leadership is arguably the foremost subject of investigation in the human sciences, because it is very influential on organizational outcomes and on other people’s lives (Hogan and Kaiser 2005). Toxic leaders are undoubtedly the most influential type of leader and therefore the most important to study so that lessons can be learned from the past to inform and guide decisions made in the future. Nevertheless, toxic leaders have been described as a painful but common fact of life in many organizations. Indeed, to many observers, there is a continuing crisis of unethical leadership across the globe.

Commentators on leadership have explicitly conjectured as to what enables ruthless and toxic leaders to emerge in corporations and to ascend the corporate and political pecking order to reach senior positions. It appears that this is possible because toxic leaders can, through careful manipulation of their image and self-presentation, appear to be glittering examples of wonderful, strong leaders who pledge a renaissance, a return

to greatness, and a golden future for the organizations or societies they purport to serve.

Lipman-Blumen describes how toxic leaders emerge because they look like attractive candidates and useful employees. They are unafraid of self-promotion, and they understand how to appeal to the psychological needs and desires of others for strong leadership, authority, safekeeping, inclusion, and recognition. In doing so, these toxic leaders appear to be strong, talented, and steadfast, which sways other people to follow and support them (Lipman-Blumen 2004).

Furthermore, toxic leaders, even when their true characteristics become apparent, ascend comparatively unobstructed because their colleagues and reports are at a loss as to how to deal with them. For example, Delbecq (2001) in the paper called “‘Evil’ Manifested in Destructive Individual Behaviour” reported that employees are poorly prepared to deal with disordered leadership personalities because employees have no reference point or experience of dealing with someone who acts so outstandingly outside the standards of customary behavior. These toxic leaders are willing to be ruthless, demeaning of others, vigorous, disingenuous, predatory, dissembling, and manipulative and so become a powerful disruptive force within organizations, demoralizing others and creating fear and paralysis.

Goldman (2006) discusses how aberrant personalities can be a source of a highly toxic and dysfunctional organizational behavior, for example, in his 2006 paper called “High toxicity leadership: Borderline personality disorder and the dysfunctional organization.” Thus one toxic leader, identified by Lipman-Blumen (2004), Adolf Hitler, despite being diagnosed as a psychopath in 1933, was able to rise to power in twentieth-century Germany. He was closely aided by (at least) two other psychopaths who were his deputy leaders. Goering was diagnosed as a psychopath and described as a narcissist during the Nuremberg war trials in 1946, while Hess, Hitler’s deputy, was diagnosed as a psychopath in a British prison in 1941.

As discussed, these types of ineffective and toxic leaders have been identified as having personality traits such as narcissism, Machiavellianism, and

psychopathy that mark them as dissimilar to other people. Such toxic leaders are arguably more likely to rise to leadership positions and more liable to fail in their leadership from the point of view of the organization as a whole. In managerial and leadership positions, toxic managers can make the workplace seem like a war zone to those involved with the toxic manager (Lubit 2004). Lubit writes that such toxic managers are a fact of life within organizations and that while some managers are toxic most of the time, others are toxic some of the time.

The extent of the effect of the toxic leader depends on the magnitude of the influence they hold. Thus, at the departmental level, for example, everyone in the department is directly affected by the toxic leader, while the whole organization also suffers from the inefficiencies caused (Boddy and Croft 2016).

Consequences of toxic leadership include reduced employee job satisfaction, lowered employee commitment to (Mehta and Maheshwari 2013) and engagement with the organization, absenteeism, high employee turnover, and organizational decline and destruction.

## Cross-References

- ▶ [Corporate Psychopaths](#)
- ▶ [Enron Scandal](#)
- ▶ [Harassment in the Workplace](#)
- ▶ [Machiavellianism](#)
- ▶ [Narcissistic Leadership](#)
- ▶ [Workplace Bullying](#)

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## Traditional Chinese Culture and Its Impact on Modern Business Ethics

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### Introduction

Despite immense political and economic changes in the twentieth century, certain aspects of traditional Chinese culture continue to be influential in contemporary business and society. Very many day-to-day social interactions, including those that comprise business, continue to be guided by elements of traditional Chinese culture. This is especially so regarding Chinese perspectives on ethics and business. Contrary to many first- and second-hand reports that doing business in and with China involves no ethics at all, China is not a place without ethics. To resolve this apparent contradiction, one must understand the foundations of traditional Chinese ethics and culture, so as to grasp the fundamentally different starting points of Chinese and Western approaches to ethics and business.

### Differing Ethical Foundations: East and West

Many of the categories, concepts, and distinctions that organize Western cultures do not translate

into Chinese culture contexts. For example, the common Western saying “it’s not personal, it’s business” makes no sense in Chinese culture contexts. In China, and much of East Asia, you avoid doing business with people you do not know personally. This is for a variety of reasons: there is no Western-style rule of law in China to resolve business disputes; typically one wants to avoid being involved with the government and legal system rather than rely on them for help; and historically, interpersonal relationships starting with families and clans were the organizing units of Chinese society. Instead of depending on rule-of-law, the legal system, or the government to regulate business, one builds and maintains close personal relationships which are the foundations for trust in day-to-day interactions, including business. One depends upon such relationships to reduce risk of ethical failures and to problem-solve when crises occur.

Another distinction that does not apply in Chinese culture contexts is that of ethics versus etiquette. In the West, one typically distinguishes between matters of etiquette (which are generally less weighty) and matters of ethics (which are weightier). Generally speaking, an etiquette-gaffe does not have ethical consequences. In Chinese contexts however, the divide is much less sharp – behaving correctly means getting both ethics and etiquette right. This is one reason why business deals in China sometimes fall apart suddenly because of apparently “little” things like an unintentional misunderstanding or social gaffe that implies disrespect. To Chinese mindsets, many of these are not little, but instead failures with potentially significant ethical implications. This is not to say that Westerners doing business in Chinese cultural contexts must have perfect Chinese manners – Chinese counterparts are generally aware of the difficulties of perfectly learning other cultures – rather, given a certain amount of leeway, Westerners should still expect what seem like “little” mistakes to be taken more seriously in Chinese culture contexts.

A second starting point of Chinese approaches to ethics, which distinguishes them from Western ones, is the relative importance of context. Western approaches start from the assumption that

ethics involves disinterested codes of behavior that apply to everyone. These codes comprise impartial universal rules such as “treat everyone equitably,” “be honest,” “don’t treat others as mere means to your own ends,” “promote happiness,” and so on. Such are not starting points for Chinese approaches, which are highly skeptical of universal rules of behavior, often view such rules as harmful and even naïve. A passage from the Confucian *Analects* – one of the most influential texts in Chinese culture – illustrates this point:

13.18 The Duke of She said to Kongzi (Confucius), “Among my people there is one we call ‘Upright Gong.’ When his father stole a sheep, he reported him to the authorities.”

Kongzi replied, “Among my people, those who we consider ‘upright’ are different from this: fathers cover up for their sons, and sons cover up for their fathers. ‘Uprightness’ is found in this.” (Ivanhoe and Van Norden 2005, p. 39)

Confucius is critical of the rigid rule-following behavior of “Upright Gong,” and moreover what was true of Confucius’ “people” became generally true for Chinese people. This passage also illustrates the point from the preceding paragraph – interpersonal relationships, in this case family relationships, rather than some universal duty to law or authority, underpin Chinese perspectives on what constitutes ethical behavior. On these perspectives, the starting point for ethics is to understand context – to understand the specifics of the situations one encounters, which include the particular relationships in play – that in turn determines correct behavior. This is not to say that Western ethics is all-rules while Chinese ethics is all-context, but rather to say that Chinese approaches emphasize context as the starting-point of ethical reasoning, whereas Western ones emphasize disinterested universal rules.

Perhaps as a consequence of Chinese approaches to ethics being organized around context, including relationships, as their starting point, Chinese ethics requires a refined ethical sense, or insight. One must be able to perceive the relevant aspects of the situations one faces so as to discern proper versus improper behavior. This involves being “tuned in” to things that Western ethics would not typically consider of

ethical importance, such as certain matters of culture and etiquette, including returning favors to those with whom one has close personal-business relationships. Another example is that public conflicts – including disputes as well as accusing people and organizations of wrongdoing – which appear fairly common in many Western culture contexts, are considered horribly rude in Chinese contexts. In general, there is an ingrained cultural preference to avoid overt conflict assiduously, including in business meetings and negotiations. This is one reason why so many Chinese businesspeople go to great lengths to avoid saying “no” to someone’s face. Instead of getting frustrated with Chinese counterparts who nod in understanding but do what they were going to do anyway, Westerners can cultivate their ethical insight, allowing them to “tune in” to these background, and sometimes subtle, Chinese cultural realities. When both parties share the same insight, it is perfectly clear that “it would be difficult” means “no,” while “maybe” means “probably not.”

Despite important differences in communication styles and attitudes towards open conflict, there is a point of comparison here with Western ethics. Western virtue theories, for example Aristotelianism, can agree with Chinese approaches that ethically cultivated people have a kind of insight or “ethical sixth sense” that allows them to perceive when a particular situation has ethical implications, and to discern how best to act. This insight takes a long time to cultivate – for Confucians and Aristotelians alike, this is generally achieved by a combination of education and real-world experience. Daoists (also spelled “Taoists”) can also agree that ethically cultivated people have such ethical insight but would disagree on how it is acquired. Daoist perspectives are skeptical that external educational and social norms always lead towards living our best lives, instead holding that we will achieve greater harmony with each other, and with the natural world, by resisting the desires, ambitions, and sense of urgency that society so often imposes on us. Differing individuals and organizations may adopt or emphasize these related but distinct ideals in various ways – the Confucian emphasis



on learning can be seen in Chinese perspectives on the importance of education, while the Daoist resistance to urgency and ambition can be seen in Chinese tendencies towards patience in negotiations as well as avoidance of overt conflict.

## Face and *Guānxi*

In business in China, getting things done, reducing the chance of mishaps and fixing things when problems boil over, requires understanding two interrelated aspects of what determines correct versus incorrect behavior within one's relationships and relationship networks. The first is called "face" which is the English translation of two different words in Chinese *miànzi* (面子) and *liǎn* (臉). The second is *guānxi* (關係), which may be loosely translated as influence through reciprocal social connections. It is safe to say that Westerners who have done business in China have heard of face and *guānxi* and understand them to be crucial ideas in Chinese business environments. However, the cultural depths behind these terms are very rarely understood in adequate detail or precision. As a result, face is commonly and over-simplistically thought to involve simple flattery and sensitivity to public image, while *guānxi* is often interpreted as cronyism, or in the worst case, as an opportunity to curry favor through bribery (Santoro and Shanklin 2021, Ch4). Superficial versions of face and *guānxi* are misrepresentative of the authentic ethical values and principles behind these familiar terms.

As a first approximation, we can think of one form of face, *liǎn* (臉), as being more inward-focused, while the other *miànzi* (面子) is more outward-focused (Hu 1944). For one to have face in terms of *miànzi* means that other people outwardly treat one as having prestige, social status through influence and connections, as well as personal, professional, and financial success. There is a kind of symbiosis here; the more of those things one actually has, the more face one expects to be shown, and at the same time, the more that other people tend to render outward shows of respect the more face (*miànzi*) one has.

*Liǎn* is more inward-directed in the sense that it is less about how much respect other people show, but is instead about whether a person is perceived as having an upstanding moral character and is thought to exhibit decent behavior under all circumstances. If one has significant *liǎn*, it is believed that they should be conferred significant *miànzi* as well, insofar as to typical Chinese mindsets one deserves or warrants success and prestige (*miànzi*) if one is perceived as having good character (*liǎn*).

Both forms of face are important for doing business in Chinese cultural contexts. However, *miànzi*, the outward directed form, is more important for Westerners because they can take actions to increase *miànzi* for their Chinese counterparts, and thereby gain greater opportunities, cooperation, and compliance. Though there is less that Western executives can do to promote *liǎn* for their Chinese counterparts, they should know that *liǎn* is operating just below the surface. In typical business interactions, the types of behaviors that Westerners can use to increase face (*miànzi*) for Chinese counterparts include: using proper Chinese etiquette including knowing how to act as a guest to one's Chinese hosts; expressing knowledge and interest in mainstays of Chinese culture including art, calligraphy, music, theater, history, food, and tea; reciprocal gift-giving; giving Chinese counterparts ample opportunities to demonstrate their knowledge and skill, as concerns both culture and business; and understating one's own accomplishments, skill, and knowledge as they can promote the interests of one's Chinese counterparts. Giving face is central to building and maintaining relationships with them, which in turn allows one to develop *guānxi*.

Properly understanding *guānxi* requires understanding not only the importance of cultivating and maintaining personal-business relationships but also the networks they form, as well as being able to act according to Chinese ideals of reciprocity. Understanding relationship networks, and being able to act properly within those networks, is how one becomes able to exert power and influence through one's relationships. Understanding relationship networks means understanding that each Chinese counterpart has their own

networks, which will not necessarily overlap, and as a result there are almost always more relationships in the room than meets the Western eye. Being able to act properly according to Chinese ideals of reciprocity within relationships means not only being able to crucially give face (*miànzǐ*) to Chinese counterparts but understanding that *guānxi* takes time to develop and best develops organically, ideally over the course of months to years. Exercising *guānxi* well comes with several requirements, including maintaining an attitude of collaboration and cooperation even when you perceive conflicts with Chinese counterparts; avoiding asking for direct favors and instead indicating indirectly that there is some concern or problem to be addressed; avoiding any kind of blame or finger-pointing, especially as regards anything to do with China and its culture; and, giving clear priority to longer-standing and closer relationships over new acquaintances, strangers, and random authorities.

## Conclusion

The preceding discussion describes key basics for understanding Chinese approaches to ethics in business as they contrast, and to some extent compare, with Western ones. However, these basics rest on a complex conceptual landscape of Chinese history, religion, philosophy, and hence, culture. To more fully understand the enduring influence of traditional Chinese culture on contemporary Chinese society and business, one must not only understand but also become fluent in applying several principles that organize this cultural landscape and guide the ecosystem of relationships. The first has already been mentioned: harmony. Whereas Western approaches to ethics often aim at maximizing good, or achieving excellence, Chinese approaches to ethics generally aim at promoting harmony (*héxiè*, 和谐), in the sense of harmony within families and social groups, work units, society generally, and even with the environment (Ivanhoe and Van Norden 2005, 207–309). This is another reason why competition, for instance, over resources – which is unavoidable in business and in life – should not be overt, and moreover is to be strategic about

minimizing damage to social relations and expending resources (Santoro and Shanklin *forthcoming*, 2021, Ch5).

A second guiding principle is hierarchy, sometimes more narrowly translated as “filial conduct” or “filial piety,” in relationships (*xiào*, 孝). In Chinese culture contexts, nearly all personal-business relationships have some hierarchy: a more established or senior co-worker outranks more junior co-workers even if they have the same job title, a more established or accomplished friend can outrank a less-established one, older brothers outrank younger, and despite laws to the contrary, men, generally speaking, outrank women. A third guiding principle is *rén* (仁), often translated as “benevolence” or “humaneness.” In different ways, both are apt. On the one hand, humaneness can be understood as all-encompassing, in the sense that the more ethically cultivated a person is, the more fully they treat themselves and others humanely. A narrower, but equally accurate, notion of *rén* consists in behaving benevolently towards those within one’s network of relationships, especially towards those who are your near-equals, juniors, and subordinates. Both *rén* and *xiào* were originally associated specifically with Confucianism, but over time became integral to Chinese culture generally, as well as to many East Asian cultures influenced by Confucianism, including Japan, South Korea, and Vietnam. There are other values and principles that undergird Chinese approaches to ethics, including as they relate to business, but these are ones that one sees most often day-to-day, and that one most needs to understand Chinese versus Western approaches to business ethics.

## Cross-References

- ▶ [Academic Integrity and Business Ethics Teaching](#)
- ▶ [Asian Journal of Business Ethics](#)
- ▶ [China and Business Ethics](#)
- ▶ [Chinese Approach to Business Ethics](#)
- ▶ [Guanxi](#)
- ▶ [History and Philosophical Foundations of Ethics](#)
- ▶ [Role of Philosophy in Business Ethics](#)

- Supervisor-Subordinate Guanxi
- Teaching Business Ethics

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## Tragedy of the Commons and the Lifeboat Metaphor

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## Synonyms

Population pressure; Rationale for anti-immigration policies

## Introduction

In his famous 1968 article, Garrett Hardin introduces his version of the “tragedy of the commons.”

Picture a pasture open to all. It is to be expected that each herdsman will try to keep as many cattle as possible on the commons. . .

As a rational being, each herdsman seeks to maximize his gain. Explicitly or implicitly, more or less consciously, he asks, “What is the utility to *me* of adding one more animal to my herd?” This utility has one negative and one positive component.

1. The positive component is a function of the increment of one animal. Since the herdsman receives all the proceeds from the sale of the additional animal, the positive utility is nearly +1.

2. The negative component is a function of the additional overgrazing created by one more animal. Since, however, the effects of overgrazing are shared by all the herdsman, the negative utility for any particular decision-making herdsman is only a fraction of –1.

Adding together the component partial utilities, the rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another; and another. . . But this is the conclusion reached by each and every rational herdsman sharing a commons. Therein is the tragedy. Each man is locked into his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all.

To this little story, in two other, almost identical, articles, Hardin (1974, p. 561) complements his view of the tragedy of the commons with a metaphorical story about global populations where rich nations represent lifeboats and poorer nations are in other life boats that can’t sustain them, so the populations end up swimming desperately and wanting to be saved through a place in a rich nation’s lifeboat. The ethics of the lifeboat is as follows:

Metaphorically, each rich nation amounts to a lifeboat full of comparatively rich people. The poor of the world are in other, much more crowded lifeboats. Continuously, so to speak, the poor fall out of their lifeboats and swim for a while in the water outside, hoping to be admitted to a rich lifeboat, or in some other way to benefit from the “goodies” on board.

In both articles, it does not take a great leap of logic to understand his political arguments. And, political is what they actually amount to rather than the dubious scientific assumptions underlying his points.

First, with respect to the tragedy of the commons, Hardin wants to argue that commons cannot be jointly managed because every individual will pursue their own self-interest until the commons are extinct. With respect to the lifeboat, if rich nations let poor nations into their lifeboats, then all the rich nations would be overwhelmed and swamped, so the rich boats have to keep out the poor. Hardin does not leave these conclusions implicit, and he does explicitly talk about the need to control immigration into the United States and

the need for population control, which he argues is out of control in lesser developed countries.

Frischmann et al. (2019) note Hardin's tragedy of the commons "has been incredibly influential in biology, ecology, and various social sciences, including economics." Further, Hardin has been re-popularized more recently by political right-wing groups in the United States. Despite this, economists in particular have noted the confused assumptions underlying Hardin's "stories." For example, as Ostrom (1998) and Frischmann et al. (2019) point out, Hardin is confused in his discussion of an exhaustible, natural resource as "commons." Ostrom, in particular, spent her career studying successfully managed commons where she argues that "reciprocity, reputation, and trust are at the core of an empirically tested, behavioral theory of collective action" with respect to the commons. Hardin describes his "commons" where rationally self-interested persons will individually continue to follow their own self-interest without any rational justification for why individuals would participate knowingly in such self-defeating and resource-exhausting manners. Much work has been accomplished since Hardin initially wrote his theory on the recognition of business and communities in needing to account for exhaustible resources, such as air and water, in determining courses of business practice. The laws and business ethics of economic development have changed significantly to recognize the need to manage resources as part of stakeholder theories of corporate ethics and social responsibility.

Frischmann, Mariano, and Ramello summarize the problem with Hardin's commons example:

The allegory, however, is reductionist and distorting. It includes a series of assumptions with respect to both resources and resource management that severely limits its generalizability. Simply put, Hardin's description of the tragedy of the commons ruled out – by assumption – the possibility that people might communicate and find ways to cooperate.

Similarly, Hardin's lifeboat articles articulate prejudices as facts where he assumes that the poor will continue to grow their population uncontrollably if not stopped and that developed nation states

such as the United States will require constraints against reproductivity and borders to keep out the poor from "swamping" the lifestyles of the wealthy.

Hardin's ultimate goal is control of population size. As he states quite baldly, "freedom to breed is intolerable," and he further states that the UN Declaration of Human Rights is invalid in its claim of the right of families to determine their size. He further notes that "the social arrangements that produce responsibility are arrangements that create coercion, of some sort." His conclusion is a call for coercive control of breeding, particularly with respect to populations in lesser developed countries.

## Cross-References

- [Distributive Justice](#)
- [Human Rights](#)

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## Transaction Costs and Business Ethics

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## Synonyms

Corporate governance; New institutional economics

## Definition/Introduction

Deal-making comes at a cost. Unless the parties trying to reach a deal – any deal – are thought of as having perfect knowledge (Jevons 1888), or taking part in free communication as if gathered in a single place (Edgeworth 1881), or informed about the terms of exchange in a public and centralized way, as on a stock market trading floor (Walras 2010), in real-world conditions a deal has to go through a process of information gathering about its potential benefits, which adds costs to the act of transacting. This kind of additional cost is known as a transaction cost, which according to Coase (1960) is borne of the act of finding the partner we want to deal with, informing her about the terms we require to make a deal, the negotiation of these terms, and framing guarantees for the deal to be observed.

Insofar as business ethics is defined as a “branch of applied ethics that studies the moral dimensions of commercial activity, frequently but not exclusively with respect to corporations” (Encyclopædia Britannica 2016), the role of transaction costs in business ethics becomes evident: The methods and strategies to carry out commercial activities bear certain transaction costs but not all methods and strategies, however efficient in economizing on transaction costs, are ethically permissible. Put differently, it can be said that the interface of transaction costs and business ethics branches out to the study of deontic constraints, i.e., obligations and permissibility, on profit-making strategies (Heath 2006).

## Description

Unlike other streams of business ethics following a *voluntaristic approach* concerned with the rightness of the behavior of executives and business people (Freeman and Reed 1983; Friedman and Miles 2006) – such as stakeholder theory – the combination of transaction cost economics (TCE) and business ethics aims to shed light on *issues of structure*, that is, to show how the constraints of law, organizational form, and culture condition the behavior of firms when implementing a set of methods and strategies to economize on the

cost of transacting. Thus, it is accepted from the outset that the contractual and quasi-contractual relations between a firm and its constituencies are normatively infused (Norman 2010).

Defining deontic constraints on profit-making strategies may open, however, a can of worms: From a purely normative point of view, it is difficult to determine the feasible limits to the ethical behavior expected from a firm – insufficiently qualified calls for firms to take stakeholders into consideration being all too familiar. Thus, TCE brings to business ethics a much-needed realism that can potentially temper ethical prescriptions.

It is not possible to identify, in the abstract, which specific methods and strategies to economize transaction costs are ethically permissible. TCE calls for a discriminating understanding of governance mechanisms that account for the organizational variety observed in market economies (Williamson 1984a), including markets, hierarchies, hybrids (i.e., combinations of market and hierarchical mechanisms, not to be confused with the “hybrid organizations” researched in management scholarship), and public bureaucracies (Williamson and Ouchi 1981; Williamson 1999).

## Example: The Corporation as Hierarchy

By way of illustration, a hierarchy that has attracted the most attention and controversy is the corporation. The corporation’s limited liability over owners’ private assets and the separation of ownership and control, that is, the executive managing the corporation is in principle separate from those who hold a share of the firm’s ownership, is not a spontaneous outcome of the evolution of capitalism. The modern corporation has been effectuated by legislators with an aim that over time has become apparent, namely to increase the sources of finance for firms whose assets are highly specific and therefore less likely to receive financing from banks. Since to get a loan one needs to have assets that can easily be transformed into cash, banks are less likely to consider highly specific assets as collateral (Williamson 1981, 1984a, b, 1985, 1988, 2002, 2008, 2011).

Ethical calls to regulate corporations often see corporate law – part of the structure that constrains

corporations' behavior – as the appropriate place to look for remedies to corporate misconduct. A TCE approach to the corporation would normally consider very seriously certain red lines, namely whether a reform of corporate law is a more efficient means to consider the interests of the worst off than, for instance, investing in social policy (Norman 2010), or whether the regulation of corporations can be better achieved by either tinkering with the prices they confront or revamping their structure (Easterbrook and Fischel 1996).

Thus, demanding a change in a corporation's structure to make it more accountable to non-equity stakeholders, without appropriate qualification, no matter how compatible with our moral convictions, is likely to reverse legislators' aim to unleash equity capital as a powerful source of economic progress. This would be the case if power in the boardroom is either lawfully or de facto shared with stakeholders whose interests would be better served by a management that does not meet shareholders' expectations of profitability. "As put by Marcoux (2000): Who would provide equity capital to such a firm, knowing that the very fact that they have equity capital to provide means that the firm, in most cases most of the time, will be distributing the benefits of the firm to others, rather than to oneself? (95)".

An ethical perspective on changes in the corporation's structure should keep this TCE insight in mind, and inquire further into the pros and cons of two basic normative approaches to thinking about the corporation: Will the corporation be thought of as containing the terms shareholders would have negotiated should the cost of arm's length negotiations be sufficiently low (Easterbrook and Fischel 1996)? and will the corporation be thought of as containing the terms society would have agreed upon should the cost of unanimity be sufficiently low (Michelman 1967)?

These two normative bases for conceiving the corporation, i.e., Easterbrook and Fischel's (1996) and Michelman's (1967) approaches, differ in the constituencies deemed entitled to have a say in shareholders' private matters (i.e., respectively shareholders alone versus stakeholders, more broadly), and can be the source of two equally

misleading conceptions of the corporation: libertarian and progressive, respectively.

On the one hand, conceiving the corporation in terms only shareholders would have negotiated assumes that the corporation has no significant impact on third parties. On the other hand, a corporation organized according to the terms society would have agreed upon assumes away the dis-incentives shareholders would face should the corporation be managed to the unqualified satisfaction of everyone. TCE can bring equanimity to our normative judgments.

Thus, the challenge the interface of transaction costs and business ethics is called to face is to provide a nuanced answer to the following question: Why would anybody accept less than an equal share of a corporation's output? The short answer is: Because investment in highly specific assets is likely to plummet if those most likely to finance them (shareholders) are forced to relinquish the benefits of presiding over managers in control of the very assets they finance (the corporation). Thus, anybody demanding an equal share of a corporation's output must ask herself whether she would be better off in a scenario which does not see highly specific assets being put to work. Or, to put it more concretely, can we reasonably expect Tesla and Panasonic to invest in the nascent industry of electric vehicles by agreeing to produce long-range battery packs specific to Tesla's vehicles if shareholders are not allowed to be the residual claimants of the uncertain benefits of this risky investment?

## Cross-References

- [Corporate Governance](#)
- [Corporate Governance and Values-Based Management](#)
- [Corporate Social Responsibility](#)

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## Transformational Leadership

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### Definitions/Introduction

Transformational leaders articulate an attractive and challenging vision of the future. They infuse work with meaning, stimulate followers intellectually, stress the importance of the collective, and inspire followers to transcend self-interests. Followers become motivated and committed to contribute to the collective (Bass 1985). Transformational leadership is therefore a vision-centered and values-driven form of leadership.

### Transactional Versus Transformational Leadership

One of the most influential leadership style models of the past few decades, the Full Range of Leadership Model, contrasts transformational with transactional and laissez-faire leadership. Laissez-faire leaders are essentially passive, not taking their leadership responsibility. More active are transactional leaders. Transactional leadership approaches leader-follower interactions from an exchange perspective. An effective transactional leader recognizes what followers want to get from their work and tries to see that they get what they desire if their performance warrants it. Transactional leaders exchange both material and immaterial rewards or promises thereof for the agreed and appropriate levels of effort and respond to followers’

self-interests as long as they are getting the job done (e.g., Bass 1985; Bass and Riggio 2006).

Transformational leaders go beyond this cost-benefit exchange and motivate and inspire followers to perform beyond expectations. The dynamics of transformational leadership involve strong personal identification with the leader, joining in a shared vision of the future, and going beyond self-interested exchanges of rewards for compliance. Transformational leadership theories predict followers' emotional attachment to the organization as well as emotional and motivational arousal of followers as a consequence of the leader's behavior. Transformational leaders tend to be extroverted and proactive; they try to improve their work and organization and are future, change, and goal oriented. Transformational leaders define the need for change, create a new and attractive vision of a possible future, and mobilize commitment to their vision in followers who become motivated to attain the goals inherent in the vision and identify more with the leader and the unit. Through this vision and their behaviors, transformational leaders can ultimately transform individual followers as well as the collective (e.g., Bass 1985, 1997; Bass and Riggio 2006).

Although this type of leadership is mostly referred to as transformational, other terms, such as transforming, charismatic, inspirational, visionary, or value-based, are also used for strongly related styles of leadership. A core element of transformational leadership and these related styles is articulating an attractive vision of a possible future. The vision describes a better future in ideological terms and is congruent with the dearly held values of followers. Shamir et al. (1993) propose that leaders can instill pride, gain respect and trust, and increase a sense of optimism and hope in followers through articulating such a vision. By linking the work of followers to the mission, the work becomes more meaningful to them and can serve as a form of self-expression. The leader communicates the vision and acts as a role model of desired behavior. In other words, the leader's personal example serves as a model of the kind of behavior that is required to attain the vision. Role modeling is important because in doing so the leader provides an ideal, a point of

reference, and focus for followers' emulation and vicarious learning.

Besides articulating a vision and modeling desired behavior, transformational leadership also has several other components. Related to communicating their vision is using inspirational motivation and displaying charisma and self-confidence. Also, while a leader's charisma may attract subordinates to a vision or mission, Bass (1985) holds that the leader's individualized consideration and support of followers is also needed to gain desired results. Such behavior helps meet individual subordinate's needs and contributes to achieving their potential. Individually considerate leaders act as coach or mentor and aim to aid the personal development of followers. They provide feedback and link the individual follower's current needs to the organization's mission. Individualized consideration implies treating each individual as valuable and unique, not just as a member of the group.

In many models, intellectual stimulation is also seen as an important element of transformational leadership (e.g., Bass 1985, 1997). An intellectually stimulating leader provides subordinates with a flow of challenging new ideas to stimulate them to rethink the old ways of doing things and come up with new ones. Such a leader empowers employees to question the status quo, asks them to be creative in problem-solving and think out of the box, and allows them to break habits and routines.

## Outcomes of Transformational Leadership

The mechanisms through which transformational leadership is proposed to have positive effects on both individual followers and the collective include role modeling, enhancing identification, making work more meaningful for followers, stimulating change, enhancing follower efficacy, and raising positive affect. Indeed, both primary studies in the field and in the lab and several meta-analyses show that transformational leaders when compared to transactional leaders have subordinates who report greater trust, satisfaction, well-being, and commitment. Their followers are also

more motivated and more often exert extra effort. Research also shows that transformational leadership is also usually positively related to behavioral outcomes such as employees' organizational citizenship, creativity, and proactive work behaviors. Effects on performance have also been studied. Transformational leaders typically receive higher ratings of effectiveness and performance themselves and also tend to have higher performing followers, units, and businesses (see, e.g., DeRue et al. 2011; Judge and Piccolo 2004; Lowe et al. 1996).

### Transformational Leadership Across Cultures

Although different tools to measure transformational leadership exist, one of the most frequently used is the Multifactor Leadership Questionnaire (MLQ) developed by Bass and his colleagues. This questionnaire has been used in many countries around the world, and findings show that a preference for transformational leadership over transactional leadership exists in most cultures and that transformational leadership also generally correlates more positively with desired outcomes than transactional leadership (Bass 1997). Bass cautions that this does not mean that transformational leadership is expressed in exactly the same way in every country. For example, such leadership may take more or less participative forms, which likely relates to societal norms and values regarding the distribution of power.

Other empirical evidence also shows that both the positive endorsement and the positive effects of this type of leadership are found in a very wide range of countries. For example, the GLOBE project is a large-scale research project designed to assess both similarities and differences in the cultural semantic definition of leadership. Over 15000 middle managers from more than 60 countries around the world rated leader attributes and behavior that they perceived to enhance or impede outstanding leadership in their organizations. Leadership attributes that were universally endorsed as contributing to outstanding leadership included many that relate to

transformational leadership such as being encouraging, positive, motivational, a confidence builder, dynamic, and a good communicator and team builder and to have foresight (e.g., Den Hartog et al. 1999).

### Transformational Leadership and Morality

The earliest empirical work on transformational leadership usually portrayed this form of leadership as positive, moral, and value-based. Burns (1978, p. 20) even described "transforming" leadership as a process whereby "leaders and followers raise one another to higher levels of motivation and morality" and "transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both" (p. 20). Bass (1985), however, started to emphasize that transformational leaders could use their influence toward pursuing moral ends or immoral ones. To try to distinguish this, researchers tried to differentiate so-called authentic and pseudo-transformational leadership (e.g., Bass and Steidlmeier 1999).

Similarly, in the related field of charisma, personalized ("unethical") and socialized ("ethical") charismatic leadership were distinguished (e.g., Howell and Shamir 2005). These approaches often focus on the prosocial versus self-oriented use of power as well as the morality of both the means and ends the leader pursues to differentiate between "ethical" and "unethical" transformational leaders (Den Hartog 2015). For example, Bass and Steidlmeier (1999) hold that authentic transformational leadership has a moral foundation and is a positive and ethical form of leadership that emphasizes serving the collective rather than oneself. In contrast, pseudo-transformational leaders focus on self-serving rather than collective goals, and such leaders do not shy back from behaving immorally.

A complicating factor is that it is not always easy for those being led to distinguish the "good" from the "bad" as this requires knowledge of the leader's true intentions. Pseudo- and authentic

transformational leaders show many similar behaviors, and pseudo-transformational manipulative behaviors may not be obvious and may be hard to recognize or distinguish from authentic transformational behaviors. Dasborough and Ashkanasy (2002) propose that followers' attribution of leader intentionality plays a central role and argue that both leaders' ability to hide intentions and followers' ability to distinguish intentions and read the related cues will affect followers' ability to distinguish pseudo- from authentic transformational leadership.

Price (2003, p. 75) notes that "while transformational leaders can 'wear the black hats of villains or the white hats of heroes' (Bass and Steidlmeier 1999, p. 187), the problem is that leaders and followers sometimes fail to see all the colors of their own hats." He warns that in the leadership process, threats to morality cannot be reduced to egoism. Authentic transformational leadership assumes that people act on altruistic values for the good of their group, organization, or society, yet altruistic values and a concern for the group's collective outcomes can still compete with morality. Leaders could be pursuing goals that are in the genuine interest of their own group, yet that deny legitimate moral demands or rights of those outside the group. These rights of others beyond their own group are often not clearly considered or reflected in leaders' values or decisions, be these leaders transformational or not (Den Hartog 2015; Price 2003).

## Criticism

The conceptual and empirical work on transformational leadership is not without its share of criticism (see especially Van Knippenberg and Sitkin 2013). Their critiques include that a clear conceptual definition of transformational leadership is lacking and that the current multi-dimensional conceptualizations of this form of leadership do not sufficiently specify how these different dimensions combine or how and when they have their causal effects on mediators or outcomes. In addition, the conceptualization and measurement tend to confound transformational

leadership with some of its effects and measurement tools often fail to reproduce the dimensional structure specified by theory.

## Cross-References

- [Charismatic Leadership](#)
- [Destructive Leadership](#)
- [Ethical Leadership](#)
- [Leadership Motives or Intentions](#)
- [Pseudo-Transformational Leadership](#)

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2019). Specific and difficult, yet attainable goals and high levels of self-efficacy are crucial for followers' work motivation and their sustained effort as a huge body of evidence on the goal-setting theory corroborates (cf. Locke and Latham 2002).

## Transformational Leadership and Goal Setting

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### Synonyms

Charismatic leadership; Goals; High-performance work cycle; Objectives

### Introduction

Transformational leaders are able to elevate their followers' motivation and to increase their performance beyond expectations (Bass 1985). Such leaders consider their followers individually, and are therefore aware of the needs, which drive their followers' behaviors, as well as of the values and aspirations they long for. Transformational leaders pick up these values in the vision they paint of the future of the workgroup or the entire organization. That way, they infuse work with purpose and intertwine work efforts with followers' self-views (Shamir et al. 1993). The higher meaning of work, which transformational leaders create through their inspiring vision, increases the intrinsic value of effort and thus followers' self-sacrificial behavior and performance beyond the call of duty (Shamir et al. 1993). Apart from communicating distal and vague visions, transformational leaders also set challenging goals and express confidence in their followers' abilities to fulfill the high-performance expectations they articulate (Yukl and Gardner

## Transformational Leadership, Visions, and Goals

The effectiveness of transformational leadership has commonly been attributed to the specific behaviors these leaders use in guiding and interacting with their followers (e.g., Shamir et al. 1993).

Transformational leaders show consideration for their followers and care about their personal needs and feelings (Podsakoff et al. 1990). Based on these close relationships, these leaders are not only aware of the values followers pursue, but also of the abilities, which set them apart, which is why they acknowledge their followers' contribution to the attainment of goals (Bass 1985). For that reason, transformational leaders delegate responsibility to their followers and stimulate them to re-examine their current way of working just as to develop new procedures and methods to conduct their work tasks (Bass 1985). In that, these leaders explicate the high expectations they have with regard to their followers' performance (Podsakoff et al. 1990). Transformational leaders develop and communicate an appealing vision tight to (ideological) values which followers aim to accomplish (Shamir et al. 1993). They, themselves, put more effort into work toward the achievement of the desirable future they communicate and align their words and actions. Therefore, transformational leaders become role models, which followers seek to emulate (Bass 1985).

Bass (1985) reasoned that the effectiveness of transformational leaders relies on their ability to increase followers' perception of the importance of organizational goals, to replace followers' self-interests by collective interests, and to implicate followers' higher-order needs. Likewise, Shamir et al. (1993) explained the effect of leaders'



charisma, a core component of transformational leadership, through their transforming impact on followers, which results from the leaders' ability to implicate followers' self-concepts by the vision they state. They reasoned that as transformational leaders align the vision they communicate with followers' values, working hard toward the attainment of the vision becomes a way of expressing oneself and one's belongingness to the social collective the higher-order vision serves. Effort becomes an important value itself as it contributes to the accomplishment of the compelling future end-state set out by the leader. If – in communicating their vision – transformational leaders manage to highlight effort as part of the collective identity of the workgroup, to which these leaders render their followers committed, effort becomes even more meaningful for each member. Accordingly, by emphasizing followers' collective identity and linking it with an attractive future state, transformational leaders are able to turn higher-order needs into followers' personal needs – self-interests and collective interests converge (cf. Shamir et al. 1993).

The articulation of an inspiring vision is hence one of the main motivational mechanisms of transformational leadership (cf. Shamir et al. 1993). Visions are commonly broad and general pictures of an abstract desirable end-state (Kirkpatrick and Locke 1996), although they may also pertain to the termination or prevention of an undesired state or to the provision of a more attractive alternative (Conger and Kanungo 1987). Visions concern an ideal, far-reaching, collective future, are commonly tight to shared ideological values or even moral aspects, are compelling, timeless and vague, they incorporate images in order to activate followers' emotions, and often highlight utopian outcomes (Berson et al. 2015; Kirkpatrick and Locke 1996). As such, visions are not necessarily meant to be attainable, but rather motivate followers' striving through their inspirational content (Kirkpatrick and Locke 1996). The desirable future end-state, the vision centers on, provides direction for followers' striving ("what?"), whereas its focus on the collective adds purpose to their efforts ("why?"; cf. Conger and Kanungo 1998).

Apart from their impact on followers' self-views and emotions, visions have also been described to stimulate exceptional performance through their impact on followers' cognitions (Ilies et al. 2006). According to Ilies et al. (2006), transformational leaders' visions may enhance the persistence, intensity and direction of followers' behavior, that is followers' motivation, through their translation into specific and concrete goals. The authors contend that specific goals arise from the overarching vision in terms of a cascading process: In this process, visions form the basis for the development of broader organizational strategies, which – in turn – are broken down into more proximal, concrete and finite, but also challenging goals (Ilies et al. 2006). This view is also shared by goal setting theory (Latham and Locke 1991). It suggests that effective leadership initially draws on an abstract vision for the team or organization to enrich work with meaning and to stir employees that way. Proximal goals are then used to implement the overarching vision, to transfer it into behavior, and to channel followers' actions during its pursuit.

## Transformational Leadership and Goal Setting

Setting followers goals is one of the primary tasks of leaders (Hogan and Kaiser 2005), and also transformational leaders complement their vision communication by the dissemination of challenging goals to their followers (Podsakoff et al. 1990). Just as visions, goals – defined as “the object or aim of an action” (Locke and Latham 2002, p. 705) – also refer to a desired end-state (Kirkpatrick and Locke 1996). Yet, they are tangible rather than abstract, have a limited and shorter temporal scope, relate to quantifiable performance, commonly concern a certain work unit and, most notably, should be attainable (Kirkpatrick and Locke 1996).

The crucial role that goals play for followers' work motivation and performance has widely been documented in laboratory and field settings (Locke and Latham 2002). Goal setting theory



(Latham and Locke 1991) or the high-performance work cycle (Locke and Latham 2002) are among the most studied theories in the field of organizational behavior. Among others, research aimed at identifying the core attributes of goals that are critical in eliciting followers' task performance. Findings show that goal setting is especially effective, if difficult and specific goals are set (Locke and Latham 2002).

Difficult goals evoke higher levels of performance as people are inclined to adjust their efforts to the requirements of a certain task, and simply strive harder if they work toward the attainment of more demanding goals (Latham and Locke 1991). Research confirms a linear relationship between goal difficulty and task performance (cf. Locke and Latham 2002). Specific goals, compared to vague or "do your best"-goals, on the other hand, lead to higher levels of performance as such goals provide a fixed external referent for adjusting one's efforts and evaluating one's goal pursuit. As the acceptable level of performance is clearly stated, individuals may not constantly redefine and adapt this level at their own discretion as would be possible if the goal was vague (Latham and Locke 1991). Specific goals provide clues on how to pursue them and thus help followers to focus on those behaviors, which contribute to accomplishing a particular goal (Berson et al. 2015). Evidence generally supports these assumptions if tasks are of low or moderate complexity. In case of complex tasks, though, specific goals turned out to be less important for an individual's performance (Locke and Latham 2002).

Leaders may thus directly affect followers' performance by the way they phrase and express the goals they set. Transformational leaders have a precise picture of the future end-state they want to achieve and are determined on their way toward its accomplishment. Therefore, they show personal sacrifice and exert themselves (Shamir et al. 1993), but also demand extraordinary performance on the part of their followers (Bass 1985). The goals transformational leaders set to supplement their vague vision, mirror their high demands and clear focus. They are high and specific.

Goal setting theory further states that the magnitude of the goal-performance relationship also depends on certain attitudes individuals may have with regard to the goals that have been set, most notably on their goal commitment: Only if people feel attached to them, high and specific goals may increase their task performance (Locke and Latham 2002). In order to develop commitment to a goal, followers, first, need to see its importance and, second, must perceive it as attainable. If people are convinced of the significance of a certain goal as well as of the consequences its attainment brings along, they likely adopt that goal as their own and try to accomplish it. As such, goal importance perceptions drive followers' determination in the goal pursuit (Maier and Brunstein 2001). High levels of goal importance perceptions, however, are not sufficient to increase a person's goal striving. People must equally feel able to attain the important goal. If they do not see any possibility for their efforts to pay off and their goal striving to be successful, they discard the goal rather than commit to it (Oettingen and Gollwitzer 2001). Perceiving a goal as attainable is thus necessary to first initiate one's goal pursuit (Heckhausen and Kuhl 1985). Accordingly, apart from boosting performance through the dissemination of high and specific goals, leaders may also stimulate followers' goal striving by getting them to perceive a goal as important and attainable (Locke and Latham 2002). Among others, leaders may emphasize the significance of a goal, describe it as an opportunity for self-improvement, provide reasonable rationales for its pursuit, spur followers' ambition, relate to the success of similar others, provide support in achieving it, or serve as role models of the behaviors necessary to progress toward its attainment (Latham and Locke 1991). Through the particular behaviors they use in guiding their followers, transformational leaders are even able to affect followers' goal importance and attainability perceptions in various ways and to induce higher levels of goal commitment.

**Transformational Leadership and Goal Importance** Transformational leaders are able to increase followers' perceptions of a specific

goal's importance (e.g., Steinmann et al. 2018). The concrete goals transformational leaders set are directly derived from the ideological vision they communicate to their followers (Ilies et al. 2006). As this vision is value-laden, appeals to followers' ideals, and implicates their self-concepts, goals cascaded from these visions are also congruent with followers' values and authentic interests (cf. Shamir et al. 1993). They are thus of high personal significance for them. By intertwining vision and goals with collective interests, transformational leaders further provide a rationale for the goals they set. If leaders explain the necessity of a goal, followers may comprehend its importance and commit to it (Locke and Latham 2002). Moreover, transformational leaders stimulate followers to reflect upon the meaningfulness of the goal that way as well as to consider the long-term consequences it might yield. Both lines of thought contribute to the adoption of a goal (Sheldon et al. 2002). In addition, these leaders illustrate the collective rewards associated with goal attainment, which directly fosters the importance followers attach to a goal.

Transformational leaders further involve followers in the decisions they take and delegate responsibility to them (Bass 1985). Followers may thus play an active part in the derivation and setting of goals. They develop a form of ownership if goals are jointly agreed upon, which results in higher levels of goal importance (Latham and Locke 1991). In addition, as transformational leaders involve followers, they also develop a deeper understanding of organizational tasks and affordances, and may better see how the specific goals contribute to the big picture they long for. By this means, goals also become more important.

Yet, leaders may also increase the importance of goals by their mere assignment due to the legitimate authority they have (Locke and Latham 2002). It has been reasoned that if leaders do not actively refuse the goals they are confronted with, they accept these goals and are motivated to pursue them (Latham and Locke 1991). Besides being authority figures, transformational leaders

are also role models, to which followers feel attached and with whom they personally identify (Steinmann et al. 2020). Followers admire these leaders, deeply appreciate what they do and say, and try to resemble them. Therefore, what these leaders consider significant also becomes significant for their followers. Accordingly, in the case of transformational leadership goal importance evolves from the leader's authority but also from identification processes.

**Transformational Leadership and Goal Attainability** Transformational leaders are equally able to boost followers' perceptions of a goal's attainability (e.g., Steinmann et al. 2018). The delegation of responsibility and the setting of challenging goals implies that transformational leaders consider their followers capable of reaching the standards they set (Latham and Locke 1991). They stimulate followers to question old ways of working and to break new grounds in achieving the team's goals. They are convinced of their followers' ability to contribute to the attainment of the higher-order vision and express confidence in their competencies (Yukl and Gardner 2019). Through these empowering leadership behaviors, transformational leaders create a general feeling of self-confidence and self-esteem, which positively impacts followers' goal-related self-efficacy and their attainability perceptions (cf. Ilies et al. 2006).

The intellectual stimulation of transformational leaders also helps followers to actually develop new abilities in analyzing and solving problems, which improve their goal pursuit and contribute to their success at work (Bass 1985). Improvements directly affect followers efficacy perceptions (Ilies et al. 2006). Followers further become aware of new procedures and methods for accomplishing their tasks as transformational leaders involve them in strategic considerations (Latham and Locke 1991). If they better understand the interplay of various proximal goals and how they relate to a targeted end-state, they might come up with new and more effective ways of approaching these goals. Moreover, transformational leaders also model the successful

attainment of goals so that followers learn certain procedures and behaviors through vicarious learning (cf. Shamir et al. 1993). As transformational leaders also provide instrumental support in the form of necessary resources, relevant information, or assistance on difficult tasks, their followers may achieve proximal goals during their progress toward the attainment of the far-reaching vision (Locke and Latham 2002). Distance to the desired future end-state diminishes gradually. This mastery experience, in turn, enhances followers' self-efficacy beliefs (Locke and Latham 2002). They build confidence in their ability to also attain more difficult or distant goals (Latham and Locke 1991).

Finally, transformational leaders are individually considerate about their followers and know their strengths and doubts (Bass 1985). They act as their coaches and therefore facilitate situations in which followers perceive a sense of control, competence and ability to cope (Shamir et al. 1993). As such, they may purposefully delegate those tasks, which help followers to develop personally and professionally, and increase their independence and empowerment that way (Bass 1985). Yet, they also provide social support. Especially in the case of failures, the leaders' appreciation and care may buffer any potential detrimental effects on followers' self-esteem or attainability perceptions.

## The Interplay of Vision Articulation and Goal Setting

Visions and goals are both cognitive and target-oriented concepts, which consider the discrepancy between a current and a compelling future end-state and which inspire goal-directed behavior (Kirkpatrick and Locke 1996). Yet, they differ with regard to their specificity, their focus and their timeframe. Although attributes of visions contradict those of effective goals according to the goal setting theory, abstract visions may also increase followers' performance (e.g., Kirkpatrick and Lowe 1996). Instead of assuming a mediating effect of goal setting in the vision-performance

relationship, more recent studies investigate the way both concepts may interplay. Drawing on construal level theory of psychological distance (Trope and Liberman 2010), Berson et al. (2015) suggest that the effectiveness of goals vs. visions might depend on the psychological distance between leaders and followers: Visions with their high hypothetical and temporally distant character should be more powerful to motivate followers if leaders and followers are socially and spatially distant. Concrete and time-constrained goals, by contrast, are meant to be the better motivator if leaders are socially and spatially close (Berson et al. 2015). In order to exert its full motivational potential, the level of abstractness vs. concreteness of the end-state thus needs to fit the level of psychological distance vs. proximity between leaders and followers. Van Houwelingen et al. (2017) further explained that in situations of low psychological distance to their leaders, followers rather attend to situational cues and concentrate on the feasibility of the end-state highlighted in the process of goal setting. In situations of high psychological distance, followers may rather consider what they want to achieve, as emphasized by the desirability of the abstract vision. Experimental studies support these assumptions (van Houwelingen et al. 2017). Rather than investigating the differential effectiveness of visions and goals across situations, a recent study (Gochmann et al. 2022) suggests that the effectiveness of a vision depends on the transformational leaders' goal setting behavior. Only if the specific goals, transformational leaders set to guide their followers' actions, are aligned with the values in the vision they communicate, they act in accordance with what they preach. This alignment of words and deeds is important for followers' perception of the leaders' behavioral integrity and their effectiveness in leading (Gochmann et al. 2022).

In sum, current research in the field of leadership thus suggests that leader behaviors related to vision communication and goal setting may indeed complement one another in elevating followers' motivation and increasing their performance beyond expectations.

## Cross-References

- [Destructive Leadership](#)
- [Differences Between Transactional and Transformational Leadership](#)
- [Ethical Leadership](#)
- [Leadership Moral Foundations](#)
- [Pseudo-Transformational Leadership](#)
- [Transformational Leadership](#)
- [Virtuous Leadership](#)

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## Trolling, Ethics, and Accountability

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## Synonyms

Online toxicity

## Introduction

Trolling is an intentional, instrumental, exploitative online interaction in which one user acts – usually negatively – at another’s expense (Cook 2021). Examples of trolling include posting fake product reviews on a website, posting inflammatory statements on a public forum to provoke discord, and posting a bait-and-switch – for instance, promising a Pokémon video in a video title and instead presenting a Rick Astley music video when a person clicks the link to watch. It ranges from the benign to the malicious, and has been explained by personality factors (Buckels et al. 2014), online environment, and social factors (Cook 2021). The present chapter provides 1) basic definitional criteria to determine if something is trolling or not, 2) differences between trolling and other similar online interaction types, and 3) a brief overview of business’ responsibilities when it comes to trolling and current practices for dealing with trolling in cyberspace.

## Trolling As a Negative Online Interaction

### Defining Trolling

To understand trolling, it is important to first know that its exact definition is an ongoing debate (Cook 2021). There are elements like deception, for instance, that appear in some definitions, but not others (e.g., Buckels et al. 2014). Trolling also exists across multiple platforms, such as online games, social media, and news websites, to name a few, further complicating the definition (Cook 2021). There are, however, a few common themes that emerge across definitions and study results, irrespective of platform: instrumentality, intentionality, and exploitation. Although this is not an exhaustive list of everything that can be a part of trolling, these elements are consistent across definitions made on myriad platforms using a variety of populations, and are thus the elements that are most likely to be generalizable across all trolls everywhere (Cook 2021).

The principle of instrumentality dictates that trolls do what they do for a reason, even if that reason is as abstract as personal entertainment or

as concrete as gatekeeping in a community (Cook 2021). In the case of certain political trolls, such as the Russian trolls – often scripted “bots” – this motivation could be patriotism or payment (Zannettou et al. 2019), while in the case of online gamers, it could be sadistic glee from frustrating newer players, or even just something to do to alleviate day-to-day boredom (Thacker and Griffiths 2012). There is ample evidence to suggest that personality is an important factor to consider as well, meaning some people may be inherently more likely to troll than others (e.g., Buckels et al. 2014); however, when asked directly, trolls consistently have a goal for their behavior, a reason for doing what they do, however vague (Cook 2021).

The first principle is highly connected to the second common element, intentionality, which means that trolling is something performed on purpose (Cook 2021). Connected, instrumentality and intentionality mean that trolls have a specific goal in mind, and they enact certain behaviors to achieve that goal. This presents a problem with trolling research: access to the troll is rare, but critical to establish intent. Practically, this means that a lot of the trolling that businesses and academics alike deal with may not actually be trolling, but just behavior that is perceived as trolling by the offended person. It is also worth noting that neither the goal nor the motivation for trolling has to be negative. There are several documented cases of trolling being enacted to make people laugh, or to forge relationships (Cook 2021). However, one person’s idea of a joke may be another’s idea of severe insult (Thacker and Griffiths 2012). Thus education, or at the least explanation as to why the troll’s behavior was unacceptable, is necessary to prevent future perceived trolling (Cook 2021).

Finally, trolling always includes some degree of exploitation, be it of website mechanics or of a person (Cook 2021). In other words, trolling is never truly victimless; it occurs at the expense of some entity. This is particularly evident in trolling in games, where there is often a particular person who is being victimized, usually for their lack of knowledge regarding game lore or mechanics (Thacker and Griffiths 2012). It can also be seen



in the business context, where people write false reviews of products, discrediting the seller in the process (Sanfilippo et al. 2017). The impact on the victim can be more or less intense and harmful, and the result of the trolling can vary significantly from case to case given the variety of positive and negative motivations and goals trolls have (Cook 2021). For instance, teasing and online pranking between friends is sometimes referred to as “trolling,” but in this case, the victim is more or less voluntary. However, even if the intended victim is not hurt by the trolling, given the public nature of the internet, it is entirely possible that someone else may be, particularly if the trolling refers to any kind of vulnerable group (e.g., sexual orientation, racial minority, religious affiliation). This situation reinforces the need for education alongside punitive action when it comes to trolling, as the affair is often more complex than the simple perception of someone having said or done something offensive or annoying (Cook 2021).

### **Trolling Versus Other Negative Online Phenomena**

All that said, trolling is not the only type of negative online interaction in cyberspace, and especially when issues of social justice come into play, it can become important to distinguish between the various terms in use, both legally and colloquially. One of the most common behaviors associated with trolling is cyberbullying (Cook 2021), defined extensively by Vandebosch and van Cleemput (2008) with a list of definition criteria including the intent to cause harm and a power imbalance between the bully and their victim. Trolling, too, has this critical component of intent, and particularly in cases where senior members of a community troll new members, there is often a power imbalance between troll and victim too (Cook 2021; Thacker and Griffiths 2012). There are, however, important distinctions to be made between the two phenomena. First, and most concretely, cyberbullying has a criterion of repetition (Vandebosch and van Cleemput 2008) that trolling does not share; if something is considered cyberbullying, the behavior has to have happened more than once between the same victim and

perpetrator, while trolling can be a one-off or repeated event (Cook 2021). In addition, although not a specific definitional criterion, cyberbullying almost always happens between known others, meaning people who have met in person offline (Vandebosch and van Cleemput 2008). This is not the case with trolling, where more often than not, the victim and perpetrator are strangers (Cook 2021). As previously discussed, the question of perceived trolling has yet to be answered conclusively, at the time of writing, the victim’s sense of being trolled is not necessary to define something as trolling or otherwise, even if it is a criterion used by researchers who are unable to access the trolls they seek (Cook 2021). Thus, although similar, cyberbullying and trolling are distinct types of negative online behavior.

Cyberbullying and trolling are not, however, the only types of negative online behavior; toxicity is one such construct that has become very popular in both the media and academia, although it is rarely defined (e.g., Blackburn and Kwak 2014). In lieu of a definition, it is often described as simply negative online behavior. This means that, practically, anything that is ever perceived by a user as unacceptable or offensive could potentially be called online toxicity; it is a blanket term for all negative online interactions. It can be a useful term for policy-makers or platform owners who want to cover all bases when writing rules or guidelines, but is easily challenged when rules need to be enforced because it has no concrete definition. Finally, there is digital hate, or “cyberhate,” which functions much like toxicity in practice, but is actually defined as “online messages demeaning people on the basis of their race/ethnicity, gender, national origin, or sexual preference” (Lee-Won et al. 2020). This directly mirrors most definitions of hate speech, only with the addition of the digital component. Essentially, anything that can be called hate speech offline can be called cyberhate or digital hate online. Although trolling can involve elements of racism or sexism (Thacker and Griffiths 2012), if it escalates to the point of hate speech, it can no longer be called trolling, as it enters the realm of criminal behavior and should be called cybercrime. Trolling, though usually negative, and sharing



elements with cyberbullying and cyberhate, is not a crime at this time.

However, this distinction between cybercrime and trolling is confounded by the fact that the internet is, with a few notable exceptions, shared internationally, while laws are largely confined to national borders. Most of the literature on cybercrime focuses on either North America or Europe (e.g., Anderson et al. 2013), which also adds to the confusion surrounding what is and is not cybercrime. Finally, both technology and law evolve over time, which means that, fundamentally, the definition of cybercrime cannot remain static, and must change to keep up with changes in both its foundations. Consequently, the exact distinction between trolling and cybercrime must also change as new laws are drafted and new technologies emerge. The bottom line, though, remains the same: if it is criminally prosecutable, it is not trolling, but rather cybercrime.

### **Ethical Considerations in Dealing with Trolling**

That said, despite the lack of legal culpability in the case of trolling, users still hold platform owners and managers accountable for offensive content on their websites (Cook et al. 2021). People expect to be taken care of when they are on the internet, and trolling can violate that expectation if not dealt with both swiftly and transparently by online platform owners. It is also important to note that there are few age restrictions in place on the internet, which means that children are also at risk to being exposed to the more controversial types of trolling that can appear in social media or their online games (Thacker and Griffiths 2012), adding an additional ethical consideration for platform owners and online businesses. Thus, even as laws and technologies change, even in the absence of a legal imperative, there is a moral responsibility on the part of these entities to protect their users (Cook et al. 2021), and there are several methods currently employed to that end.

Active content moderation is one such method, usually employed by social media platforms (Cook et al. 2021). Having either a volunteer or paid workforce removing content that has been deemed inappropriate, although post-hoc, can be an effective way to keep a platform “clean” of

trolling, particularly if the content moderators are transparent with users about how content is evaluated for appropriateness. Another option, taken by countries like China and India, is to get the government involved in approving content posted to the internet. This does, however, run the risk of confounding censorship and content moderation, and can be problematic in issues of free speech (Cook et al. 2021). Some websites also have a reporting function, a tool commonly used in online gaming that allows users to flag either posts or users as having acted against community regulations (Thacker and Griffiths 2012). This is sometimes used in conjunction with more proactive moderation techniques, sometimes separately as a stand-alone method. The common thread between all of these, however, is the necessity for clear guidelines for users regarding how to behave on the website in question. By using accurate, up-to-date terminology in their guidelines and by being transparent in their expectations of users’ online behavior, platforms can actively contribute toward the reduction of negative trolling on the internet while simultaneously protecting their own interests and their users’ (e.g., Cook 2021; Cook et al. 2021).

### **Cross-References**

- [Artificial Intelligence and Ethical Journalism](#)
- [Ethical Hacking: Is It Ethical?](#)

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## Trust and Institutions

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## Introduction

The role of institutions in the development, maintenance, or repair of trust has been somewhat neglected by many trust researchers who have looked at the phenomenon in a narrowly focused psychological perspective. In this strand of the literature, institutions are often conceptualized as

external factors which only have a marginal influence on the quality of social relationships. In this disciplinary view, institutions are neither considered as potential objects of trust nor have they been acknowledged as a constitutive part of a relationship between two actors.

Many trust researchers' relative ignorance of institutions also has to do with the fact that these are difficult to come to grips with because the elements of, for example, a country-specific institutional framework are numerous and tend to be fuzzy and overlapping. Thus, even when the more sociologically grounded trust research looks at macro-level factors and contexts of relationships it is inevitably confronted with significant methodological problems. These emerge when empirical research is to examine a given institutional framework as the object of trust or to systematically include the various institutional influences that can deeply affect the development of trust between two or more individual actors.

The question that is frequently asked is as follows: How can institutions be measured? Although not everything in the social world is "measurable" in the strict sense, this question, nonetheless, deserves to be taken seriously as it points to the fact that significant validity problems can easily occur when institutional arrangements are empirically investigated. This seems to be simply owed to the complexity of institutional frameworks and not so much depend on which methodological and epistemological approaches one might favor.

Despite such difficulties, trust researchers have managed to provide at least some key insights into the role of institutions in the context of trust processes. Zucker (1986) and Luhmann (1979) are seminal approaches to understanding institutional influences on trust. Bachmann and Inkpen (2011) and Kroeger (2012) are newer contributions which try to shed light on issues related to the phenomenon of institutional(-based) trust. In the following, major issues in the current debate on institutional trust will be discussed and an overview of where the literature on trust and institutions stands will be provided, acknowledging the fact that a number of issues are, and perhaps will remain, controversial in this research field.

## The Object of Trust

Institutional(-based) trust can be defined as “a form of individual or collective action that is constitutively embedded in the institutional environment in which a relationship is placed, building on favourable assumptions about the trustee’s future behaviour vis-à-vis such conditions” (Bachmann and Inkpen (2011: 284). This definition suggests using this term for trust that people have in each other in the face of institutional safeguards, and it does not denote trust that individuals may have in institutional arrangements.

It is useful to analytically be clear about what the object of trust is, namely an institutional arrangement itself or another social actor’s behavior which is constitutively shaped by its embeddedness in specific institutional arrangements. Admittedly, however, it is often difficult to make this distinction by drawing a clear line.

Even the trustor themselves may find it difficult to tell whether he or she trusts a trained and competent individual, for example, a physician, or – in this case – the medical system including its educational traditions, university curricula and exams, or the national medical association which medical experts have gone through or been checked by before they receive a license to treat patients (Bachmann 1998). In the first case, institutions are seen as a framework within which relationships between two actors take on a specific quality, one of the actors (i.e., the trustee) being the object of trust. In the latter case, the object of trust is a complex system of institutional arrangements or an organizational entity, where a set of institutionalized rules are emanating from, and underpinned by, the power and reliability of the relevant arrangements.

Different from, but related to, the concept of “institutional(-based) trust” is “generalized trust” (Uslaner 2014). The latter is usually described as a form of social capital that is rooted in cultural traditions as well as specific institutional arrangements. Fukuyama (1995) and many other scholars suggest that this form of trust is best captured at the societal level and that it has a vital function with regard to stimulating growth and innovation in countries and geographic regions. The concept of “generalized trust” does not necessarily

(directly) refer to the quality of inter-personal relationships or specific institutional arrangements as an object of trust. It is rather seen as a societal resource and in many ways regarded as similar to “institutional(-based) trust.” The difference, however, is that it is more open to all kinds of sources of trust and not specifically targeting or building on institutional arrangements.

## Institutional(-Based) Trust as Trust in Institutions

“Trust in institutions” refers to a situation where a specific individual who represents the police, the national education system, legal courts, etc. is actually not the object of trust. If this actor, for example, does his or her job poorly and thus is replaced by another individual to perform the same role, this would not normally significantly affect the trustor’s attitude toward the institution that stands or stood behind the unreliable individual. In this case, trust is directed more to the institution itself rather than the individual actor who represents it. In other words, if a trustor’s belief in the functioning of social systems, irrespective of whether they will appear as abstract sets of rules or more concrete organizational structures, will not really be compromised by a single individual who does not live up to the trustor’s expectations, “trust in institutions” is present.

Trust in institutions can, just like trust in an individual actor, build on the trustor’s repeated experiences in interaction with the trustee, but it can also be deeply embedded in abstract cultural, political, and ideological worldviews which are not backed by any experiential basis. This, for example, leads individuals to trust foreign countries’ institutions less than their native countries’ ones and to invariably prefer to take serious conflicts with international business partners to a court in their home country. This shows that the psychic distance people have to relevant institutions is often much more influenced by cultural traditions and collective beliefs than by empirically verifiable observations and experiences.

However, individual representatives of abstract social systems are not irrelevant and have an

important function for producing and reproducing trust in institutions. Role fulfillment and rule following behavior of human beings who can be touched and one can talk to need to appear occasionally in order to assure trustors that there are well-trained and responsible real actors who are in control of the social systems which affect their well-being or even life chances. Giddens (1990) calls it “face-work” where individual representatives of institutions take this role. He argues that subsystems of modern societies which build on highly differentiated expert knowledge, e.g., health care systems, research and development departments of automobile manufacturers, or the global financial system, depend on the existence of human control and people who at least once in a while become visible to lay people to underpin complex institutions’ trustworthiness. Only under these circumstance, Giddens (1990) argues, highly complex expert systems can be “re-embedded” at the level of very concrete and practical interaction between individuals. Only this process allows depersonalized institutional arrangements to actually become the object of trust.

The term “institutional(-based) trust,” in this perspective, concerns the trust that social actors may have in systemic patterns of collective action or organizational structures. This form of trust is often examined by way of large-scale surveys, such as the Edelman Barometer (2016). These surveys tend to follow a longitudinal and comparative approach and try to measure changes in the public’s trust in media, law courts, governments, and other institutions over time in various parts of the world.

### **Institutional(-Based) Trust as Trust Between Actors *in the Face of* Strong and Reliable Institutions**

The term “institutional trust(-based)” often also denotes trust between two individual actors whose interaction is rooted in institutional arrangements that deeply influence their behavior. Where this concept of “institutional(-based)trust” is evoked, the underlying understanding is that an

individual actor trusts another actor in the face of the specific quality of an institutional environment which constitutively contributes to individuals’ decisions and behavior.

In order to unravel how institutions precisely can influence trust development, it seems useful to compare the arrangements leading to institutional (-based) trust between two or more actors to a situation where inter-personal trust prevails, i.e. trust between two individual actors that emerges in their relationship without institutional arrangements playing a significant role, and personal experiences that actors have with each other being essential. These constellations exist, for example, in private and intimate relationships, and they are what those trust researchers seem to have in mind who tend to ignore institutions and predominantly focus on the psychological aspects and dynamics of a trust-based relationship. As opposed to institutional(-based) trust, such forms of trust have been described as “inter-personal” or “interaction-based” trust.

The latter form of trust is dependent on both parties establishing some common ground between them. If there is no shared knowledge at all, it is simply impossible that trust can develop. However, if the two actors discover shared personal characteristics or learn about each other’s behavioral preferences by way of repeated interaction, “characteristic-based” trust or “process-based trust” – to use Zucker’s (1986) terminology – can be developed. Both parties need to be able to draw on a “world-in-common” in order to create trust. The latter is a precondition to building trust between two actors because only this allows the trustor and the trustee to make grounded assumptions about each other’s intentions, expectations, and future behavior.

Analogously, institutional arrangements can be seen as functional equivalents to face-to-face experiences or, for example, a similar ethnic background. In other words, institutions do essentially the same job as shared ascriptive personal characteristics or positive experiences in interacting with another actor. If a potential trustor and a potential trustee know that their sense-making of a specific situation is embedded in and shaped by the same institutional environment – consisting of legal

norms, standards of academic or vocational education, social and cultural rules about what is acceptable social behavior, etc. – institutions will tacitly mold and align actors' mutual expectations of their future behaviors (Bachmann 2001). Thus, institutions can generate and maintain the common ground that is an essential precondition for the development of trust, just as shared ascriptive characteristics or repeated experiences do in the case of inter-personal trust.

Legal norms and technical standards, industry associations, or quality certification systems are examples of institutional arrangements which can assure actors that they have a shared understanding of what is "common practice" and what is expected behavior in specific situations. From a potential trustor's point of view, this reduces the risk that his or her trust is misplaced and, thus, encourages them to actually invest trust in a relationship. The reduction of risk – or risk perception, to be precise – can be achieved by establishing a social environment in which relationships between actors are systematically embedded. This facilitates trust which otherwise two actors might not be able to create.

Irrespective of the safeguards that may exist, any potential trustor is confronted with the problem that he or she needs to accept a certain level of risk. This is indeed inevitable because trust will not occur nor is it needed if there is no risk at all. But a potential trustor will always be keen to at least roughly assess the risk that comes with his or her decision to invest trust in a relationship. And this is exactly the point where past experiences, ascriptive personal characteristics of the potential trustee, and institutions become relevant and indeed appear to be very similar in functional terms. They reduce risk to a level where the "leap of faith" (Möllering 2006) seems possible or even a good behavioral choice for the trustor. This is how institutions influence the behavior of individual actors, and it explains why they can play such an important role in trust development processes.

In principle, there are two strands of literature, which build on different epistemological premises

and make divergent assumptions on how, for example, reliable courts and pervasive legal norms can exert their influence on a potential trustor's behavior. First, actors make a rational decision, and possible sanctions emanating from legal regulation are considered as one variable among others in their calculations. If this variable reaches – *ceteris paribus* – a value over a certain threshold, for example, in terms of the maximum of damage caused by possible sanctions, this is predicted to discourage potential trustors to actually invest trust in a relationship. Vice versa, where the value is below this threshold, it encourages the potential trustor to invest trust in a relationship. The underlying assumption is that the trustee will then be more likely to behave trustworthily as he or she will fear legal sanctions that might be mobilized against them. This perspective is deeply rooted in positivistic premises as upheld by Rational Choice Theory (Coleman 1990).

The problem with this approach that is it is questionable whether the prosed conceptualization of trust has actually much to do with what trust is all about. Coleman (1990) suggests viewing the trustor as if he or she was placing a bet, for example, on a racehorse. The difference between trustors and bettors, however, is that the latter do not deal with fuzzy knowledge whereas a trustor does precisely this. A bettor has exact information on the odds and amount of money he or she can lose or win. This does indeed allow for a purely calculative risk assessment. However, where this is possible, one might argue, there is neither room nor any need for trust. Trust, by contrast, has its place, exactly where rational decisions are not possible because the available knowledge is fuzzy and diffuse.

Second, a different and perhaps more realistic strand of literature offers a conceptual grip on how institutions may influence individual behavior on the basis of phenomenological premises. New Institutional Theory (Powell and DiMaggio 1991), Structuration Theory (Giddens 1984), and Systems Theory (Luhmann 1979) are good examples here. In this perspective, institutional arrangements only bundle and channel the



behaviors of actors such as potential trustors in a certain direction. For example, legal norms are not seen to be controlling rational actors' behavior by way of fear of sanctions; a large number of semi-conscious individuals' behaviors are molded and drawn to share assumptions if institutions work effectively. Institutions are not a variable in an explicit and fully rational decision-making process. Legal norms and social norms alike are grounded in institutional arrangements that usually remain latent and influence actors who tend to make their decisions semi-conscious (Luhmann 1979). This perspective may indeed be much closer to empirically observable human behavior than the calculation-based approach advocated by Rational Choice Theory.

## Conclusion

There are different ways to explain how institutions precisely do their job with regard to trust building and maintaining. While some scholars suggest that calculative considerations are underlying trust decisions, a major part of the trust research community connects to phenomenological traditions of epistemological and theoretical thought. Only where trust is viewed as a merely psychological phenomenon, institutional arrangements are seen as more or less negligible, and the functioning of larger social systems will remain unexplained.

Advanced socioeconomic systems need to coordinate individual actors' expectations and interaction. They either draw on strong institutional arrangements, to generate institutional (-based) trust, or indeed need to fall back on other social coordination mechanism, such as power or monetary incentive systems, to fulfill this function. There are certainly also dark sides of institutional(-based) trust. Too much of it can reduce competition and incentives for individuals to strive for creativity and innovation. On the whole, however, institutional(-based) trust is a very valuable and, in many cases, scarce resource which socioeconomic systems need to draw on in order to save transaction costs and encourage

economic innovation and performance (Zaheer et al. 1998).

## Cross-References

- [Business and Society](#)
- [Social Norms](#)
- [Theoretical Perspective on the Relationship Between Management Accounting Control and Trust](#)
- [Trust and Value-Based Management and Leadership](#)

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## Trust and Value-Based Management and Leadership

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### Introduction

Management and leadership<sup>1</sup> experts generally agree that trust is an essential element of corporate culture and governance in order to ensure the loyalty of employees, customers, shareholders, neighbors, and other stakeholders. This is true whether the corporation is a business, a university, a hospital, or a charitable organization.

Value-based management is a term that has two quite different meanings, but each assumes a level of trust to be fulfilled.

### What Is Trust?

“Trust” is the belief in the reliability, truthfulness, and certainty of another person. When there is trust, we can have confidence in the word and pledge of a boss, coworker, or employee. In the words of Charles James Fox in 1785, “the right of governing was not property but a trust.” Trust is based on a compact or covenant between parties that is bound by the word or pledge of each one. Trust does not require a signed document. With trust, each person is expected to be reliable. The manifestations of trust are mutual respect, the ability to disagree without being disagreeable,

and the belief that one can be right without the other being wrong.

In employment matters, trust means that members of the group can assume that their security, safety, and well-being will be honored, that no superior or subordinate will either malign or demean them. In terms of corporate governance, trust means that the board can rely on management to be transparent about business strategies, algorithm assumptions, and compliance with government regulations.

### What Is Value-Based?

Value-based management or leadership is the term used to describe the relationship between organizational goals and employees’ personal values. Managers and leaders communicate the values expected in executing corporate strategies for achieving goals. These include honesty and a sense of corporate social responsibility, assuming that employees will find a personal commitment to the company’s mission and goals. By focusing on core values, such as openness to new ideas, commitment to environmental sustainability, honoring diversity, encouraging opportunities for growth, assuring customer satisfaction, etc., managers and leaders can expect to inspire employees to believe in the sincerity of the organization.

In a value-based organization, there is a culture of conscience in decision-making, not just a commitment to legal compliance. A value-based organization is one in which one should expect few surprises and no iconic figures who are beyond question.

The value-based organization is one that is principled, not *ad hoc* in its relationships, and neither manipulative nor disrespectful in relations.

### What Is Value-Based Management and Leadership?

With this understanding of the terms “trust” and “value-based,” what can we say about value-based management (VBM)? VBM requires consistency in the approach to setting a mission,

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<sup>1</sup> By leadership, I mean the role that expresses the vision to fulfill a mission and the overall strategies for achieving it. By management, I mean the role responsible for executing the strategies.

including the values that are fundamental to the organization; developing a theory of governance to oversee strategy and communication standards; promoting a corporate culture understandable to all; establishing an organization; formulating principles for decision-making, performance goals, and a reward system; and monitoring the processes and systems necessary to fulfill the strategies designed to fulfill the mission. This is the goal of strategic planning.

Strategic planning includes the following elements: (1) articulating the mission or purpose, as well as the values, of the institution; (2) identifying principles for decision-making that acknowledge the heritage and the mission of the organization; (3) setting priorities for action developed with consensus; (4) stating assumptions about the internal and external forces at work and clarifying alternative courses of action; (5) identifying the results desired and the resources needed; (6) articulating strategies for achieving goals; (7) noting the milestones and metrics for monitoring progress, knowing that some milestones are subjective and cannot be measured with numbers; and (8) ensuring that there are periods of time for reflection and a community-wide review of values, goals, and progress.

Values are of two types. The one most often referenced relates to “shareholder” value, i.e., assets, discounted future cash flows, and the like. This approach places share price, quarterly results against forecasts, and profitability as the highest values, even when the actions taken to achieve these goals may not be in the long-term interest of the corporation.

The second type is “stakeholder” value. This approach places responsibility for the mission, employees, customers, and communities over profitability, although profitability must be achieved. Some refer to this approach as corporate social responsibility or “triple bottom line,” i.e., taking into account the social impact, environmental impact, and financial impact of the corporation. In this case, finances are not ignored, but neither are the impacts on social institutions or the natural ecology. This approach to value results from a governance system that fosters a culture of conscience, i.e., behavior based on ethics, as

well as a culture of compliance, i.e., motivated by complying with laws and regulations to avoid sanctions.

The culture of conscience fosters open-mindedness, intellectual humility, moderation, civility, and respect. It requires management to operate on the basis of pragmatism instead of acting on “gut” instinct or some abstract ideology. The culture of the corporation should make compliance a matter of conscience. This is the responsibility of leadership as it fulfills the goals of the board and guides the actions of management.

There are four components of leadership (Scott 2018): listening, reading, speaking, and writing, and each is guided by values. Listening can mean seeking both formal and informal times to hear people comment on how things are going and what they wish could be improved. Leaders listen by walking the halls and pathways, attending events, and otherwise putting themselves in a position to hear from constituents. When listening, leaders pay attention; they do not just wait their turn to rebut what was said. Listening carefully also includes watching intently to pay attention to physical expressions, to acknowledge one’s partner, and to affirm what has been heard. Active listening requires memory as well as comprehension.

Another way to take in information, ideas, and inspiration is by reading. Leaders need to keep up with the news and informed opinion, they need to know about the latest technologies and developments in science, and they need to know what is happening in relevant areas of policy and practice. Leaders should read history in order to understand context, biographies to learn how others have faced challenges, and fiction and poetry to see imaginations soar and find new ways of refining their use of language and imagery. History, biography, and fiction, followed by reflection, are also good sources for leaders to find meaning in their own lives.

Leaders also express themselves through speech. Every leader gives speeches, talks, and welcoming comments to groups of all types and sizes. These are opportunities for leaders to express values, emphasize the unique features of the organization, and tell stories that illustrate how

the mission is being fulfilled. These stories become like fables, legends that illuminate the history and heritage of the organization. Every talk, whether spontaneous or prepared, whether short or long, should have a message beyond "Welcome." Each is an opportunity to broadcast the mission, vision, and unique nature of the corporation. Such speeches are usually more effective when they are authored and delivered with personal passion rather than scripted by a professional speechwriter.

Sometimes, speaking is in the form of a request for help. Leaders should not be afraid to do so. At other times, speaking is part of a negotiation on some issue. Such speaking may become compromise, but a compromise of position does not necessarily mean a compromise of principles. Indeed, compromises are often necessary for processes to work, even in business.

Finally, writing is an essential art for effective leadership. Many times leaders have come up through the ranks of accounting, marketing, or technology, and any writing undertaken was mostly for relatively narrow professional audiences that often have vocabularies of their own. Leaders should be encouraged to write for publication in more popular outlets as well as their professional journals. Writing op-ed pieces for the daily or weekly newspaper or an e-newsletter is good practice. It is a form of intellectual leadership, with the general public instead of a group of professional colleagues as the audience. Such writing can raise the profile of the organization as well as of the individual leader or manager.

### **What Are the Consequences of Trust and Value-Based Management and Leadership?**

The benefits of trust and value-based management and leadership may be found in the relations with employees, customers, the community, the shareholders, government agencies, and other stakeholders. If leaders and managers act with integrity, others are more likely to follow their lead. If they do not act ethically, their actions

may provide an incentive for others to act unethically too.

Think of the consequences for hiring talented staff and retaining them. If the environment at the organization is one of backbiting and competition, prospective employees many stay away and employee retention can be weakened. Prospective employees want to know about the culture as well as compensation and benefits. Will they fit in or will they find unbridled rivalry? Will they be able to maximize their chances for success or will the cultural climate induce fear?

Customers too are influenced by corporate conduct. If products (or services) are unsatisfactory, does the organization take responsibility or does it assert, in essence, let the buyer beware? If the district manager of a soap distribution company says he does not care if the products are "flushed down the toilet" as long as they are purchased, how will this influence the new salesperson under his tutelage?

The community and neighbors nearby to the organization care about its behavior too. How will they react if there is evidence of water or air pollution, or of fraudulent practices in employment or finances? They can seek revenge and retribution the next time the organization seeks local regulatory approval for a construction project or zoning change.

Shareholders want the value of their stock to increase and their dividends to be consistent. But they also want to be treated fairly, and not learn that management has taken actions that may increase the value of stock in the short term but limit the prospects of the company in the long term. They also want to know that management is being compensated fairly and is not engaging in financial manipulation that boosts profits to meet a quarterly target but is neither ethical nor legal.

State and local governments enact laws and regulations to protect the public from activities that can endanger it financially or in terms of health and safety. When the board and leaders of an organization allow practices that "over-ride" environmental regulations, or ignore reasonable and rational calculations of consequences, the governmental and public consequences can be

severe. It is the shareholders who lose most when companies must pay fines.

## Conclusion

When corporations of all kinds operate with a culture of conscience, and not just compliance, their behavior can engender the quality of trust that is needed to ensure the loyalty and even forbearance of employees, customers, shareholders, neighbors, and government regulators. Most management and leadership experts assume that “trust” is the value proposition necessary to inspire followers. While some leaders in some settings act as if “fear” is the better path to take, the evidence is that motivation by fear does not lead to trust or sustainable relationships.

Therefore, we can assume that trust is an important value for leaders and managers to convey, that value-based, or value-infused, management and leadership requires trust, and that value-based management and leadership are more effective than other means for guiding long-term strategies to achieve long-term goals.

## Cross-References

- ▶ [Charismatic Leadership](#)
- ▶ [Corporate Governance and Values-Based Management](#)
- ▶ [Ethical Leadership](#)
- ▶ [Leadership Development](#)
- ▶ [Leadership Integrity](#)
- ▶ [Leadership Motives or Intentions](#)
- ▶ [Leadership Theory](#)
- ▶ [Organizational Culture and Corruption](#)
- ▶ [Toxic Leadership](#)
- ▶ [Transformational Leadership](#)

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## Truth and Ethics in Labor-Management Negotiations: The Accounting Information Behind the Scenes

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## Synonyms

Collective Bargaining

## Introduction

Trust is an essential part of our lives, personally and professionally. Distrust in people or information can change the decisions that we make and can cause the lines to blur between ethical and unethical. This entry examines the ethicality and trust in the information used in labor management negotiations, specifically the accounting information. Distrust in the information and the ethicality of those providing it can hamper the use of accounting information and affect the relationships that drive the success (or otherwise) of the negotiations. From financial statements to management accounting data, financial information is critical to the outcome of negotiations. Can it be trusted?

Labor negotiations occur in many jurisdictions, organizations, and contexts. Although for convenience here, I will reference primarily the unionized context, the issues raised should be equally relevant in other contexts where labor freely negotiates wages with employers. Regardless of context the individuals involved are often the high-ranking executives in charge of the best interests of the company and union leadership or those who are responsible for representing the interests of employees. There are three elements that lead to the concluding discussion about their intersection; the labor-management negotiations context, the trust in relationships between company and union officials, and the accounting

numbers themselves. Each element involves different levels of truth and ethicality.

## Labor-Management Negotiations

Labor-management negotiations begin long before the first official discussion takes place between the union and the company. Information, financial and nonfinancial, is requested by the union well before the contract expires and that information is used to create the requests for wage or pension increases and additional benefits. Then when negotiations begin, there are presentations and discussions surrounding the changes to be made to the labor contract, often using accounting information as a basis for the debates that follow.

Negotiations historically have been about getting as much as possible for each side. When unions were at the height of their strength in the mid-1900s, they were often successful in achieving a great deal for their membership, partially because there was a significant economic growth in most companies during that time and they were willing to spread the wealth. Throughout the following decades, into the early 2000s union membership in North America was declining and the companies were turning to their employees for concessions to their wage structure, pension allowances, and benefits. Particularly in a time of economic decline, it was argued by corporations that cuts were needed and it was not unusual for a company to turn to its employees for concessions. It is important to note this shift in requests, as this affects the relationships of those involved.

## Trust in Relationships

Trust is crucial to both the building and maintenance of any relationship (Cook et al. 2005). Along with credibility and reliability, relationships develop over time. There is often minimal trust in the relationship between the union and management individuals involved in negotiations, as they are constantly at odds over what's best for their respective "stakeholders." Lack of trust is not particularly new, and it is a common finding

across different organizations (Walton et al. 2000). Within labor-management negotiations, relationships are also often tested by the change of individuals involved or shifts in economic context, and it is trust in their relationships that is particularly important.

Within the context of labor-management relationships, trust (or lack of trust) in accounting information is particularly important. Information is not always being shared within negotiations, and when it is there can be significant skepticism about its veracity. It isn't a matter of whether it is or is not right, but whether people trust it. Not all numbers can be verified and this is an important contribution to the tension or mistrust in these labor relationships.

## Accounting Numbers

Financial data is an essential ingredient to rational business decisions therefore one would assume such data plays a major role in labor-management negotiations. Within the process of labor-management, negotiations is an exchange of information that often includes financial statements, management accounting estimates for labor cost per hour, future sales levels, new product lines, and future management plans. The information that is shared by management is often proprietary and confidential and there is minimal recourse for verifying the data by the union. There can be a constant debate as to whether these pieces of information that are being passed back and forth can be trusted. In preparing accounting data, there is a variety of different assumptions that can be used.

There are two different perspectives about the use of information within labor-management negotiations. One is that information is barely used within the context, suggesting that unions are relatively unsophisticated and unable to use the accounting information even if it is provided to them (Craig and Amernic 1997). The other more recent position argues that union leadership teaches itself how to use accounting information to its advantage (Kenno and Free 2017); that the accounting information is important to requests for changes in wages, pensions, and benefits.

This latter position lends itself to saying that accounting information can be paramount within negotiations and is the basis for requests of changes in the labor contract from both union and management.

Information provided by the company by its management may not always be faithfully represented, particularly accounting information (McBarnet et al. 1993; Waterhouse et al. 1993). Publicly available accounting information, including financial statements, has rules and standards that must be followed. Even though this information is typically audited by an independent source with public companies or can be recreated through applying accounting rules, these documents do not impact negotiations as often as internal information does. The internal information, or management accounting information, does not have particular standards or rules that must be followed. Without being able to recreate or confirm calculations of internal numbers, where does that leave those who are dependent on their ability to trust the truth of the information and the ethicality of those providing it? This can create significant issues of trust in the respective relationships.

## People, Accounting, and Negotiations

Trust is crucial to negotiations. Accounting is highly important. The problem for the latter, as was alluded to above, is that “accounting information is a malleable resource” (Ogden and Bougen 1985); accounting information may be changed often. There may even be disputes about the basic methodology behind the accounting calculations. Negotiations can break down over competing interpretations (Toms 1998) and give rise to arguments about trust and the ethicality of the individuals providing the accounting information.

The trust and ethicality of those involved are inexplicably tied together. If there is no trust in those with whom you are dealing, there may be no reliance on the information that they provide. As trust can be viewed as a continuum, relationships can shift back and forth, depending on the

circumstances but the foundation needs to be there. Trust is not implicitly placed in either the people involved or the accounting provided but is built and earned over time. The relationship in labor-management negotiations is just as important as the numbers. Negotiations can be won or lost with the numbers, but it can also be lost if an individual in the negotiations is deemed to be untrustworthy. Labor-management negotiations are a complicated set of discussions between company and union officials. Within these discussions, both accounting information and relationships are critical to successful outcomes.

## Conclusion

The effect of trust in individuals in a labor-management negotiation relationship extends to the information that is shared within that context. As labor-management negotiations are not a trivial part of any organization’s functions, the relationships and outcome of negotiations can play a substantial role in the future of the company. It is the combination of the people and the numbers that affects the level of trust within those relationships. Accounting information may play an integral part in the negotiations or it will be discarded as fundamentally untrustworthy.

## Cross-References

- [Collective Bargaining \(USA\)](#)
- [Ethical Blind Spots and Accounting](#)

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## UN Guiding Principles and Transnational Business Governance

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### Synonyms

Business and Human Rights (BHR); Responsible business conduct; “Ruggie framework”; “Ruggie principles”; The corporate responsibility to respect human rights; Transnational law; UN (“Respect, Protect and Remedy”) Framework

### Introduction

The United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs) are a soft-law instrument adopted by the UN Human Rights Council in 2008. The UNGPs set out three pillars: (1) the state duty to protect (human rights against business-related infringements), (2) the corporate responsibility to respect human rights, and (3) access to remedy (for victims of business-related human rights harm). The UNGPs apply in all states and to all types of businesses enterprises, including their transnational operations whether involving the

company itself or its business relations, such as supply chains. Transnational governance denotes governance that combines public and private actors, activities, and interests across national borders and territories. Spanning the public and private spheres and transnational business operations, the UNGPs constitute the leading instrument for transnational business governance with regard to human rights. They are also a prime example of a governance instrument developed upon request of a public international organization, with the aim of addressing governance gaps related to transnational business governance. Moreover, the UNGPs have lent inspiration to a number of other transnational business governance instruments, both public, private, and hybrid. In particular, the UNGPs’ elaboration of risk-based due diligence as a management process for companies to identify and manage harmful societal impacts has had a major impact on transnational business governance. This entry explains these concepts and the UNGPs through the following structure: the first section introduces the UNGPs. The second introduces transnational business governance. The third elaborates the significance of the UNGPs and key aspects of their contents and background in regard to transnational business governance. The final section sums up.

### The UNGPs

The United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs) (UN 2011)

are a soft-law instrument adopted by the UN Human Rights Council in 2011. The UNGPs apply in all states and to all types of businesses enterprises, including their transnational operations whether involving the company itself or its business relations, such as supply chains. The UNGPs spell out operational steps based on an inherent connection between the private and the public aspects of preventing and managing human rights harm related to business activities. They do so around a structure of three “Pillars” of (1) the state duty to *protect* human rights against business-related human rights infringements, (2) the corporate responsibility to *respect* human rights, and (3) enhanced access to *remedy* for victims.

The UNGPs are the result of an three-year study at the request of the UN Secretary-General, following a previous three-year study, the so-called “UN Framework” report with the long title: UN “Respect, Protect and Remedy” Framework (UN 2008) that in addition to the structure of the pillars proposed several key concepts in Business and Human Rights (BHR) that are elaborated and operationalized by the UNGPs. The UNGPs and UN Framework do not create new human rights or obligations, but explain the implications of existing human rights standards for states and companies with regard to business-related human rights impacts.

Based on requests and terms of reference (so-called “mandates”) from the UN’s political human rights bodies, both studies were charged on professor John Ruggie, a political scientist who had previously worked as Assistant UN Secretary-General and in that capacity had played a major part in the development of the UN Global Compact. Like the UN Framework, the UNGPs were developed through multistakeholder processes involving business organizations, intergovernmental organizations, state representatives, civil society, and academics. A request for such an inclusive multistakeholder process was set out in the mandate that governed the work towards the reports.

The UNGPs are sometimes referred to as the “Ruggie Principles.” However, since they were developed as a task set up by the UN Secretary-

General, and moreover were adopted by the UN Human Rights Council in 2011, they are correctly referenced as the *UN Guiding Principles*. (Similarly, the UN “Respect, Protect and Remedy” Framework report that preceded the UNGPs, which is sometimes referred to as the “Ruggie Framework,” is correctly referenced the *UN Framework*.)

Pillar 1, *the state duty to protect* is based on the idea of “horizontal” human rights obligation of states. This means that they must protect individuals or communities against human rights abuses by third parties (such as companies). They should do so through policies, regulation, monitoring, and enforcement. As part of this, states may issue guidance to companies, for example, on human rights due diligence (HRDD) as a process for companies to prevent and manage human rights risks. States are also encouraged to recommend or require specific actions by companies, for example, reporting on their human rights impacts and their HRDD processes.

Pillar 2, *the corporate responsibility to respect*, is based on recognition that societies and stakeholders expect firms not only to comply with domestic law but, where it is inadequate or even conflicts with accepted human rights standards, to go beyond it by respecting international human rights law. Companies should as a minimum respect the rights set out in the so-called International Bill of Human Rights (comprising the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights) and the core labor standards set out by the International Labour Organisation (ILO)’s fundamental conventions (the elimination of child labor, the abolition of slavery and forced labor; the right to form and join trade unions and engage in collective negotiations; and the freedom from discrimination in employment). This corresponds to the commitments that members of the UN Global Compact undertake in regard to the Compact’s Principles 1–2 on human rights and 3–6 on labor standards. However, the UNGPs set out much more detailed guidance for companies to respect human rights

than what is provided by the Global Compact principles.

In particular and as one of its the major contributions to transnational business governance, the UNGPs spell out the steps that companies should undertake as part of their human rights due diligence. A management process related to other forms of risk-management, HRDD was proposed by the UN Framework. The UNGPs elaborate the actions that companies should take to identify risks of business related adverse human rights impact, to prevent such impact, to mitigate impact that has already occurred, and to remedy damage done. By contrast to some other risk-management processes that focus on preventing and managing risks to the company (including financial and legal liability due diligence), HRDD is first and foremost directed at risk to society. Naturally, when a company carefully exercises HRDD to identify and manage societal harm that it may be involved in, it may also help prevent harm to itself, for example, by reducing loss of social license to operate. HRDD is an ongoing process that should begin when a new project or idea is conceived and only ends when the project and its impacts are fully over. Assessments of impacts should be regularly revisited as human rights impact are dynamic and may be influenced by other events.

Moreover, companies should adopt a human rights policy (supported by the highest management level in order to ensure its effectiveness throughout the organization), and they should engage in providing remedy when human rights harm occurs (or is seen to occur) despite policy commitments and the exercise of human rights due diligence.

Pillar 3, enhanced *access to remedy* for victims of business related human rights abuse, sets out that remedy should not only be offered by state institutions but also established within a business context (“operational level”). Remedy entails both a complaint (or grievance) handling institution and compensation, which must be appropriate and specific to the culture and context in which it applies. Operational-level remedy is intended to help identify and address potential or actual human rights harm early on and to provide fast and often simpler access than what is often

possible through remedy offered by state institutions. Operational level remedy does not rule out the significance of victims having access to courts or other state-based remedy institutions.

By contrast to some strategic business management theories on the business case or the creation of shared valued, the UNGPs insist that business enterprises must respect human rights and engage in processes to identify and manage potential or actual harm, whether or not they see strategic advantages in doing so.

## Transnational Business Governance

From an institutional perspective, governance actors and competences are typically delimited by the public or the private spheres. Moreover, governance, in particular public governance, at the national level is generally delimited by territorial boundaries, which define the reach of legislative and judicial competences of nation states. National boundaries also set limits to the reach of private governance because it is by default subject to public law within the territory of each nation state. At the international level, the governance of international business encounters particular challenges. International law is not only made by states, but also traditionally *for* states. This does not mean that international law cannot address the private sector: in principle, international law can be made to address the private sector, provided the political will by states to adopt such law. In practice, an absence of political agreement has been a major impediment to international regulation of business with regard to responsibilities for their impacts on society. This stands in marked contrast to agreements at the international level and by regional organizations to adopt trade agreements that enhanced the economic rights and opportunities of business during the second half the twentieth century and the first decades of the twenty-first century (Ruggie 2013).

As a response to this situation which led to companies de facto being able to benefit from national and international governance gaps in regard to a balance between economic rights and societal duties, various actors have sought to

enhance the governance of business enterprises and their transnational activities. Several such initiatives launched by non-state actors (such as business associations, sector organizations, and/or civil society) emerged in the late twentieth century. Being initiated by non-state actors and addressing the private sector, these are referred to as private business governance.

Transnational governance exceeds the limits of the private and the public spheres by reaching into both, and connecting both, and by applying across national borders. Transnational governance can evolve through multistakeholder initiatives. There is not absolute agreement in the literature on whether or not transnational business governance by default must involve the public sector as a regulator (Eberlein et al. 2014), but most definitions of transnational governance assume a regulatory role to be played by public organizations (Zumbansen 2012; Koh 1997). Such organizations range from national governments to regional and international organizations, such as the UN. In order to make a meaningful distinction between purely private governance and purely public governance and to discuss the UNGPs as an example of transnational business governance, this chapter defines transnational business governance as involving one or more public organizations, typically in a regulatory capacity, and applying to private actors in regard to their transnational conduct. This does not exclude private sector participation in the regulatory process; nor does it exclude public actors from being covered by the resulting standards of conduct. As evidenced by the UN Global Compact, launched by the (then) Secretary-General of the UN, which is the world's largest international organization whose members comprise most of the world's states, public organizations can play a major role for the evolution of transnational business governance schemes aiming to reduce harmful business-related societal impacts. With the adoption of the UN *Protect, Respect and Remedy* Framework in 2008 and its operationalization through the 2011 UNGPs, the transnational regulation of business impact on society has undergone significant further evolution.

Besides being an example of transnational business governance in a broad sense (Buhmann 2015), the UNGPs can be considered an example of transnational soft law. Like transnational business governance in the broad sense, transnational law applies to or involves public and private actors, often of an international, respectively, multinational character and also often operates across the boundaries of national or regional legal systems. Transnational law merges elements of conventional public (international, regional, and sometimes even national) law and conventional private law as well as new forms of law and rule-making, including private self-regulation, such as corporate or sector-wise codes of conduct for companies with transnational operations (Zumbansen 2012; Koh 1997).

Territorial and political limitations of national and international public law reduce the possibilities of public regulators to regulate transnational business conduct directly. However, territorial limitations on the applicability of public law need not cause a government or authority to be without a role in regulating business conduct. Governments not only engage in shaping business conduct through instruments guiding firms. To the political scientist, the limited reach of national law beyond national boundaries and the limited enforcement of international law may speak to an absence of the state and irrelevance of the law. Yet the international law scholar notes that because international law enforcement institutions are generally weak, the distinction between “hard” and “soft” international law is often of limited significance for practical purposes. International lawyers may argue that what matters in a system lacking strong enforcement mechanisms is whether a rule has a “compliance pull” generating respect based on voluntary acceptance on norms being perceived as legitimate in the sense that they are seen as reasonable and worth following (Franck 1990). From this perspective, the multi-stakeholder approach that led to agreement on the UNGPs (and the UN Framework) may be what can help drive such a compliance pull, at least for companies that understand the ethical, economic, and social license implications of understanding and managing their human rights impacts. In

practice, this is complemented by operational and state-based remedy institutions (Ruggie 2013; Buhmann 2015).

The emergence of transnational business governance of is largely a result of the fact that markets have internationalized while governments remain by definition bound by their borders. Norm-setting by international organizations becomes transnationalized when it relates to issues that used to be subject to private or national regulation, often in an effort to remedy governance gaps resulting from the inability by national legal systems to adequately regulate transnational business and its social impact. International organizations like the UN and the Organisation for Economic Cooperation and Development (OECD) have been active in set norms of conduct for transnational business operations. After a jump start in the late 1970s with soft-law instruments adopted by the OECD and the International Labour Organisation (ILO), norm-setting for transnational business operations by public international organizations slowed down due to various disagreements among states and non-state actors. Following a series of private efforts at governing business operations with regard to corporate social responsibility (CSR), renewed efforts emerged in the late 1990s. Concern with the harmful human rights impacts of business led to transnational business governance focused on human and labor rights. The UNGPs emerged out of these efforts. The UNGPs build on conventional international law (human rights law) but go beyond this in seeking to regulate business conduct across territorial borders in an effort to address governance gaps leading to business-related human rights abuse.

### Significance of the UNGPs for Transnational Business Governance

The UNGPs are currently the most comprehensive and recent instrument offering guidance on how businesses enterprises should respect human rights and how states should support those actions. Negotiations that have been going on with the UN since 2014 towards a potential

international treaty on business and human rights take many of their cues from the UNGPs. The treaty process currently looks set to develop obligations for states to support the implementation of the UNGP's ideals, but not to result in direct obligations for companies.

The UNGPs have had a major influence on several other instruments of transnational business governance as well as CSR normativity in a broader sense. In particular, several other organizations have adopted the approach of HRDD as a management process for enterprises to identify and manage their societal harm. In several cases, this has been expanded to cover environmental and other societal impacts. For example, this applies to emergent legislation from the European Union (EU) and guidance from the Organisation for Economic Cooperation and Development (OECD) in regard to guidance on what these organizations refer to as *responsible business conduct* (RBC). Similarly, the International Standardisation Organisation's (ISO) 26000 Guidance Standard on Social Responsibility applies the UNGPs' risk-based due diligence approach, and the UN Global Compact references the UNGPs and therefore their comprehensive guidance. Notably, the implementation provisions of Agenda 2030 under its provisions on the role of business for the Sustainable Development Goals (SDGs) include an explicit reference to the UNGPs (UN 2015, para 67). This means that in their efforts to deliver on sustainable development as set out by the 17 SDGs, businesses as well as governments should ensure observance of the UNGPs and the operational steps that the UNGPs set forth. In other words, Agenda 2030 calls on states and the private sector to ensure that businesses respect human rights in accordance with the UNGPs when they engage in contributing to fulfillment of the specific SDG objectives.

### Conclusion

Drawing on the UN "Respect, Protect and Remedy" Framework, the UNGPs address business-related human rights abuse. The UNGP take their cue from the "*do-no-harm*" focus of the UN



Framework and elaborate on the operational steps out by that report for companies to identify and manage adverse impacts, and for governments to support this. Some of those steps, in particular, the risk-based (human rights) due diligence approach, have been taken up by other transnational governance instruments, such as ISO's 26000 Social Responsibility Guidance Standard and the 2011 update of OECD's Guidelines for Multinational Enterprises, broadening the scope and application beyond human and labor rights to environment, bribery and other issues and underscoring the do-no-harm imperative. Accordingly, the UNGPs have played a major role in institutionalizing norms around business impacts on human rights in transnational business governance.

## Cross-References

- [Child Labour and Child Slave Labour in the World of International Business](#)
- [Corporate Sustainability and Climate Change](#)
- [Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
- [Human Rights](#)
- [Human Rights and Environmental Change](#)
- [Modern Slavery in Global Supply Chains](#)

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## Understanding the Governance Structures that Underpin Responsible Investment Decision-Making

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## Synonyms

Ambiguity; Decision-making; Governance; Uncertainty

## Introduction

The aim of this chapter is to consider the extent to which best practice governance can be adapted to support effective responsible investment (RI) decision-making. Governance refers to the mechanisms and processes by which decision-making is managed. Best practice governance emphasizes institutional coherence, expertise, and effective processes of deliberation (Clark and Urwin 2008). This chapter focuses on institutional investors with long-term investments horizons, such as pension funds, endowments, and sovereign wealth funds. As universal owners, it is widely held that these investors must incorporate relevant environmental and social issues into their investment decision-making to achieve their investment objectives.<sup>1</sup>

<sup>1</sup> Universal owners hold diversified and long-term portfolios that are representative of global capital markets. Therefore, universal owners cannot ignore the externalities associated with individual investments.

This chapter argues that adding environmental and social dimensions to the already complex process of investment decision-making requires increasing and ongoing investment in an investor's own governance. The form of governance required depends on the perspective motivating an investor's RI strategy. The literature can be divided broadly into two perspectives. The first perspective suggests that investors should limit their consideration to environmental, social and governance (ESG) issues that are underpinned by a sound business case in the form of a financial risk or opportunity. A second perspective suggests that financial risks and opportunities at the portfolio level cannot always be meaningfully separated from broader political, ethical, and sustainability issues. This second perspective requires that investors adopt a more reflexive form of governance to understand how their own decision-making frameworks interact with and contribute to shaping risks and opportunities at the systems level.

### **Business Case Perspective of Investment Decision-Making**

The business case perspective, which historically has dominated the RI literature, suggests that trustees have a fiduciary obligation to take into account material ESG information in their investment decisions. Materiality refers to a substantial likelihood that disclosure would impact an investor's decision. The concept relies on traditional corporate valuation parameters for determining financial impact.<sup>2</sup> There is an emerging consensus among academics that, at least over the long-term, companies with strong material ESG performance demonstrate enhanced operational performance and are considered to be less risky. The business

case has been widely influential in institutional investors' adoption of RI policies.

### **Governance Challenge for the Business Case**

The governance challenge facing institutional investors seeking to implement an RI strategy, like the challenge facing any investor, is making decisions and managing risk in the context of complex and rapidly changing global financial markets. Asset owners often delegate significant responsibilities for investment decisions to the asset management industry, which, in turn, delegates responsibility for selecting and implementing productive projects to corporate managers. The governance challenge is often framed in principal-agent terms, where ESG information asymmetries inhibit market efficiency.

### **Best Practice Governance for the Business Case**

From the business case perspective, it is assumed that implementing an RI strategy requires only limited change to an asset owner's existing governance processes. For example, Woods and Urwin (2012) adapt Clark and Urwin's (2008) best practice governance to inform a practical framework for pension funds seeking to implement an RI strategy. Their framework allows investors to integrate material ESG issues, while noting that nonfinancial (e.g., ethical) concerns should only be addressed by investors that are not bound by fiduciary duty. Moreover, it is widely held that trustees should delegate authority for investment decision-making to independent experts to ensure depoliticized decision-making.

Among the changes to governance that are required for an RI strategy, Woods and Urwin recommend that trustees identify the resources necessary for the investment strategy, promote strong leadership to manage conflicting views, implement a risk budget framework to capture quantifiable ESG risks, and ensure asset managers have appropriate skills to integrate ESG issues. Their framework pays close attention to two dimensions of governance: clarity of mandate and investment beliefs.

*Clarity of mandate:* When implementing an RI strategy, investors should adopt an RI mission

<sup>2</sup> As a legal concept, the US Supreme Court defines information as material if there is a "substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." This definition informs the Sustainable Accounting Standards Board (SASB) reporting framework.

statement that aligns with their other mission statements. Moreover, the commitment of all agents in the asset management chain to the RI mandate is considered essential. Securing this commitment requires asset owners to assess the ESG skills of managers, integrate ESG reporting expectations into mandates, and ensure that the management and selection of ESG issues are integrated into performance reviews.

*Investment beliefs:* Securing this commitment also requires asset owners to ensure that investment mandates align their managers' investment approach with their own investment beliefs. Explicitly stated investment beliefs that are evaluated against future scenarios are essential to an effective RI strategy. While Woods and Urwin note that uncertainty and ambiguity are problematic for forming investment beliefs related to some ESG issues, they distinguish between the subjective investment beliefs of naive investors and the investment beliefs of experts. Implicit in this argument is that experts can reduce uncertainty and ambiguity to risk by using the machinery of probability. The authors predict that at some point the goals of RI will become internalized into institutional investors' belief systems, as fiduciary duty standards evolve to reflect new norms underpinning investment.

### **Integrated Perspective of Investment Decision-Making**

There are, however, reasons why fiduciary duty may not evolve in the way suggested above. As a standard for investment behavior, scholars often point out that fiduciary duty looks to convention rather than innovation. This does not mean that the legal concept is itself static. Interpretations of fiduciary duty evolve to reflect interests of those with power to shape its interpretation. As such, Clark et al. (2015) suggest that government has a role to play in clarifying fiduciary duty in ways that protect the interests of vulnerable groups, such as future generations. Some scholars go so far as to argue that the business case has reached its limits, citing examples of where the business case fails to provide for meaningful action on ESG

issues that manifest at the systems level and that interact with and shape portfolio-level risks.<sup>3</sup>

This second, integrated, perspective implies that investment strategies that focus solely on portfolio-level risks and opportunities are insufficient to achieve long-term financial return objectives. Some scholars have placed emphasis on the ethical dimensions for ESG investing, noting that ethical motivations can encourage investor action when the business case fails. Other scholars emphasize the long term and draw attention to the importance of considering broader sustainability issues for which materiality is indeterminate or ambiguous at the portfolio level. For example, a long-term perspective requires pension funds to pay attention to consequences of issues like climate change over several decades to fulfill their responsibility to balance the interests of current generations with those of future generations.

### **Governance Challenge for the Integrated Investment Perspective**

While different philosophical approaches underpin this second perspective, these approaches share an appreciation for the ambiguity inherent in modern investment decision-making. Ambiguity is a problem of interpretation, rather than a problem of information. Problems of interpretation arise because complexity and interdependence obscures efforts to measure risks using conventional finance tools that rely on probabilistic reasoning. In other words, decision-makers do not have sufficient information about the structure of the problem they are trying to solve.<sup>4</sup> Therefore, the Bayesian decision-making model that explains how decision-makers transform

<sup>3</sup>The Investment Integration Project encourages investors to consider how systemic-level issues interact with and shape risks and opportunities at the portfolio level. For an overview of the framework, see Lydenberg, S. (2015). Portfolios and Systemic Framework Integration: Towards a Theory and Practice. Exposure Draft, November 2015 and Lydenburg's "New Models of Finance" in this volume.

<sup>4</sup>For example, "Calibrating the geographical impact of climate change thereby discriminating between regions of the earth on the basis of likely environmental conditions over the next 20, 50 to 100 years remains a significant challenge" (Clark et al. 2015, 604).

uncertainty and ambiguity into risk by learning and updating their beliefs overestimates what agents can learn under changing and complex environments.<sup>5</sup>

To make this discussion more concrete, consider the example of climate change. Adopting a business case perspective allows investors to focus on specific aspects of climate change risk at the individual company and the portfolio level. Investors can make decisions based on their beliefs about the probability of climate change policies eliminating oil and coal reserves from corporate balance sheets or increasing the risk associated with the portfolio's carbon intensity. Moreover, investors can find solace in the certainty of their decisions and can justify their decisions to others. But in doing so, decision-makers necessarily ignore complex interactions that cannot be quantified and understood in probabilistic terms.

For example, carbon footprinting is intended to help investors to shift their portfolios into investments with lower carbon intensities and to reduce climate change risks to their portfolio. While these metrics can provide investors with information to determine which investments to shift away from, critics note that the analysis often omits consideration for a company's future strategies. A company that is a heavy user of fossil fuel but that intends to launch a new energy project or technology that could have system-wide impacts on the reduction of carbon emissions may not have access to capital to implement the project.

To address these limitations, investors and their agents must be allowed to use their discretion. For example, the *Montreal Carbon Pledge* includes consideration for a corporation's future climate change strategy alongside its emissions and a recommendation that investors or their agents undertake further qualitative analysis.<sup>6</sup> This discretion allows room for evaluating investments at both the portfolio and the systems levels. But discretion also introduces new governance

challenges. Subjective evaluations that rely on human judgments and interpretations can introduce behavioral biases, strategic interpretation, and political interests into investment decision-making; those pathologies that the financial industry has sought to eradicate.

An example of how these pathologies can manifest is the strategic interpretation of corporate sustainability ratings. The Center for Political Accountability (CPA) rankings of political spending disclosure practices of S&P 500 companies are intended to provide investors with information to make better decisions and to ensure that political spending benefits the company rather than the personal interests of corporate managers. In a brief advising of corporate managers on how to respond to shareholder proposals on political spending, a law firm promotes its services to "help companies be perceived by these group as good corporate citizens. . . without altering current practices."<sup>7</sup>

It is often assumed that opportunities to exploit such market inefficiencies will be resolved over time, as institutions and organizational forms evolve to correct for transaction frictions and behavioral distortions. For example, the Sustainability Accounting Standards Board aims to eliminate ambiguity in corporate sustainability reporting by supplying the market with a comprehensive set of standards. But who holds the standard setters accountable?<sup>8</sup> Moreover, it is possible that market institutions can remain "locked in the past," as standards of performance used to evaluate asset managers and consultants tend to discount innovation in favor of arrangements that are considered legitimate (Clark and Monk 2015).

<sup>5</sup> For an example of decision-making under changing and complex environments, see Epstein and Schneider (2007).

<sup>6</sup> <http://montrealpledge.org/>

<sup>7</sup> Covington & Burling LLP claims that it can "provide clients with the least invasive and least intrusive disclosures they can make and still receive full credit. This lowest denominator approach can help companies increase their scores without adding unnecessarily burdensome compliance and information gathering systems." See page 16, Corporate Governance Advisor, volume 32, Number 2, March/April 2015.

<sup>8</sup> As noted in a letter to SASB dated July 2016 authored by the Investor Environmental Health Network, "the practical reality is that as a market leader, SASB and its standards do not only provide information that investors seek – it effectively plays the role of advising investors as to the type of information that they should seek."

Another way that investors can reduce market inefficiencies is by using relational contracts to promote mutually beneficial behavior by invoking a long-term relationship. Given the risk and uncertainty that characterizes financial markets, relational contracts are common in the investment management industry. There is an implicit assumption in the relational contracting literature that the parties share an understanding of the promise underlying the relational contract. But what if they do not share the same understanding? An ambiguous understanding of the promise underlying the relational contract provides room for interpretation of contracts in ways that can be more beneficial to one party than to the other. This clarity problem draws attention to the possibility that reasonable people can hold different understandings of a relational contract, even over the long-term (Gibbons and Henderson 2013).

Consider the potential for different understandings between asset managers and asset owners. Asset managers and consultants are often in a privileged position relative to their clients due to network effects and informational advantages. That is, by virtue of repeated transactions and interactions, intermediaries often have access to better information and better relationships than their clients. This positioning allows intermediaries to interpret institutional arrangements (e.g., contracts) in ways that align with their own interests, often at the expense of their clients' long-term interests. Contrary to best practice governance, clarity of an RI mandate across the asset management chain is not always possible.

As these examples demonstrate, the ability to see and to act in shades of gray is increasingly important in complex and interdependent financial markets. But so is the ability to justify decisions in black and white. The tension between these two imperatives lies at the heart of the governance challenge for the integrated investment perspective.

### **Best Practice Governance for the Integrated Investment Perspective**

The integrated investment perspective requires a deeper commitment to the governance of decision-making than the business case

perspective. In particular, the integrated investment perspective requires adapting decision-making frameworks to contexts where uncertainty and ambiguity cannot be reduced to risk by using subjective probabilities or eliminated with standards and relational contracts.

One response to the governance challenges facing asset owners in complex environments has been to bring investment management in-house to ensure closer control over decisions. A key dimension of success with this strategy is the ability to offer competitive pay in order to attract talent. For many smaller funds that lack resources and capabilities, bringing investment management in-house is not a viable option. Moreover, despite their challenges, intermediaries also provide significant benefits. For example, Clark and Monk (2015) find that investment consultants complement investors' resources and capabilities and are essential to innovation and success in complex decision-making environments.

Recognizing the value of intermediation in complex investment environments, governance of RI decision-making from the integrated perspective requires asset owners to manage and to negotiate competing interpretations of complex and evolving sets of information with the asset management industry. Key to success is reflexivity. As a governing principle, reflexivity requires institutional investors to understand how their own decision-making frameworks interact with and contribute to shaping systemic-level risks and opportunities and to learn from their mistakes (Clark et al. 2015).

In practical terms, investors can exercise reflexivity in reviewing the investment beliefs and strategies of their managers and assessing ESG skills and performance of their managers. For example, reflexivity allows asset owners to see the inherent contradiction between short-term performance metrics often used to evaluate their managers and the long-term ESG investment mandates that are awarded to these same managers. Similarly, reflexivity allows asset owners to recognize that it is insufficient to award an ESG mandate to managers without also dedicating resources to ongoing monitoring and dialogue with managers to ensure a shared understanding



of the mandate against evolving and complex investment contexts.

## Conclusion

This chapter has argued that the form of governance required for effective decision-making depends on the perspective that is motivating the investor's RI mandate. Investment decision-making that is motivated by the business case can be managed by adapting traditional governance frameworks that emphasize de-politicized decision-making and clarity of mandate. But those investors that view their investment decisions as interdependent with broader financial, environmental, and societal systems will need to make greater investments in their governance to manage investment decision-making in a complex environment. This is because market efficiency is inhibited, not only by problems of information but also by problems of interpretation. This chapter has focused on the potential lack of clarity of the RI mandate across the asset management chain and the importance of reflexivity in governance. More research is needed to understand how other aspects of governance, such as leadership, incentive design, and systems of deliberation, can cope with the ambiguity inherent in complex decision environments.

## Cross-References

- [Investor Response to the Climate Change Challenge](#)
- [New Models of Finance](#)
- [SRI's Normative and Ethics-Based Rationales](#)

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## United Nations Environment Programme

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## Synonyms

United Nations' approach to environmental planetary health and pollution

## Introduction

Recognizing the impact of human activities on the environment, for the past five decades world leaders have convened at global summits to make collective decisions about how to take responsibility and tackle global environmental problems. The first UN Conference on the Human Environment took place in Stockholm, Sweden, in 1972, the result of increasing public and government awareness about environmental problems and the inextricable link between pollution and public and planetary health. One of the most visible and enduring outcomes of the 1972 Stockholm Conference was the creation of the first, and still arguably the premier, global environmental institution: the United Nations Environment Programme (UNEP) headquartered in Nairobi, Kenya.



“Since 1972 UNEP has been the mothership for watching the horizon, identifying both emerging environmental challenges and solutions; and delivering the science for decision making,” noted Inger Andersen, UNEP’s Executive Director. “It has played an important part in moving the environmental needle on a number of critical issues” (Ivanova 2021). UNEP has successfully addressed major global environmental problems, including the reversal of the depletion of the ozone layer, curbing of regional seas pollution, and the launch of international regulation of chemicals and waste. Though UNEP has faced challenges due to limited capacity, connectivity, and credibility, it has increased awareness about the environment and catalyzed the creation of a number of multilateral environmental agreements. This chapter presents an overview of UNEP’s creation, accomplishments, and difficulties since its creation.<sup>1</sup>

## Anchor Institution for the Global Environment

Designed as a nimble, fast, and flexible entity at the core of the UN system, UNEP was to be the world’s ecological conscience and the center of gravity for environmental affairs, the anchor institution for the global environment. It was to assess the state of the global environment, provide policy guidance, and coordinate the environmental activities across the UN system. UN General Assembly Resolution 2997 of December 15, 1972 on *Institutional and Financial Arrangements for International Environmental Cooperation* created the United Nations Environment Programme with a Governing Council comprising 58 member states representing the five UN regions for 3-year terms, a small secretariat headed by an Executive Director, a voluntary Environment Fund to provide financing to enable the new institution to fulfill its policy role, and an Environment Coordination

Board to ensure efficient coordination of environmental activities in the UN system (UNGA Resolution 2997).

Coordination of the environmental activities in the UN system was UNEP’s *raison d’être* and the institution was created as an explicitly normative body that offered a framework for member states to exchange information and views, develop and legitimize policies, and negotiate binding legal agreements. When creating international entities within the UN system, states have three main choices: a specialized agency, a subsidiary organ within the UN General Assembly and the Economic and Social Council, or an office within the UN Secretariat.

Specialized agencies are autonomous organizations set up independently and linked to the UN through special agreements in accordance with Articles 57 and 63 of the UN Charter. They are created through the adoption and ratification of intergovernmental treaties, and the UN General Assembly has no direct administrative, programmatic, or financial authority over them. Specialized agencies need no approval from the UN General Assembly or any other UN authority to make or implement decisions that fall within their mandate. Examples include the International Labour Organization and the World Health Organization. Subsidiary organs are entities created under Article 22 of the UN Charter to address emerging problems and issues in international economic, social, and humanitarian fields. They can have many different formal designations – programs, funds, boards, committees, commissions, councils, panels, and working groups – and governance structures. The UN General Assembly exercises oversight over subsidiary organs, which usually have a limited membership designed to be geographically representative and voluntary financing mechanisms. Examples include the UN Development Programme and UNICEF. The third institutional option is an office within the UN Secretariat with discrete responsibilities in an issue area or overarching coordination functions. The Office for Coordination of Humanitarian Affairs (OCHA) is an example.

Governments created UNEP as a subsidiary body, for three main reasons. First, a new

<sup>1</sup> The narrative draws on the author’s recent book *The Untold Story of the World’s Leading Environmental Institution: UNEP at Fifty*, MIT Press 2021.

specialized agency would need to assume functions already performed by existing agencies and create unnecessary duplication. Second, relegating the entire integrative concept of the “environment” to one specialized agency was deemed disadvantageous because the focus on the environment as another “sector” ran the risk of isolating and miring the new agency in jurisdictional difficulties. Third, creating an entity through a UNGA resolution was the simplest and quickest way of creating the new entity as opposed to a lengthy treaty negotiation process.

Over time, UNEP has grown from a small entity in Nairobi to an organization of over 1,200 staff in 45 duty stations in 43 countries around the world (Figs. 1 and 2). It has also continued to be “the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment” (UNEP 2019). However, torn between a highly normative mandate to measure the state of the environment and to catalyze and coordinate action, and the pull to respond and act on concrete demands for immediate support, UNEP has struggled to find its place and its voice and to define its institutional identity. Seeking to find its place among the existing UN agencies – larger in terms of staff, resources, and infrastructure – UNEP has moved toward a more operational role. Concrete projects are noticeable, easy to showcase and report on, and promise direct return on investment, a compelling response in the competitive climate for financing and political attention.

As an explicitly normative institution, UNEP was designed to measure, envision, and craft a program, and let others carry it out. Many scholars and policymakers have assumed that UNEP had an intentionally deficient institutional design and argue that if institutional design were to change, any deficiencies would disappear (Biermann 2007). The almost exclusive focus on UNEP’s status as a subsidiary body as the root problem has led to repeated arguments in favor of a fundamental institutional redesign that would

“upgrade” UNEP to a specialized agency. However, a careful analysis of UNEP’s achievements and challenges shows that the vision for “upgrading” institutional design is based on faulty assumptions and needs to be recalibrated. Importantly, changing institutional form does not automatically improve performance. The transformation of the UN Industrial Development Organization (UNIDO) from a subsidiary body to a specialized agency in the 1970s, for example, has not produced evidence of a considerably stronger organization.

## UNEP’s Performance

UNEP has delivered several aspects of its ambitious mandate. It has increased the prominence of global environmental concerns, has led the resolution of a major global environmental problem – ozone layer depletion – and remains highly relevant as recognition of the critical value of the environment increases. It has, however, not been as successful in setting priorities, planning properly, making decisions, and efficiently using its resources. Resolution of problems and launch of important processes happened when UNEP had the means to provide scientific evidence, the authority and political support to convene policy deliberations, and the courage and capacity to create and guide the necessary institutions to support implementation.

Among the most significant successes are the reversal of the depletion of the ozone layer, addressing regional seas pollution, and regulation of chemicals and waste. UNEP also has been critical to the launch of the regulatory regimes on climate change, land degradation, and the loss of species and forests. Importantly, the major success in global environmental governance at large – the reversal of the depletion of the ozone layer – is one of UNEP’s landmark successes and created “a model for effective multilateral action” for tackling major global problems (Benedick 1991). Another important UNEP achievement is the initiative to convene governments in Mediterranean coastal states to develop an action plan for the protection of the marine

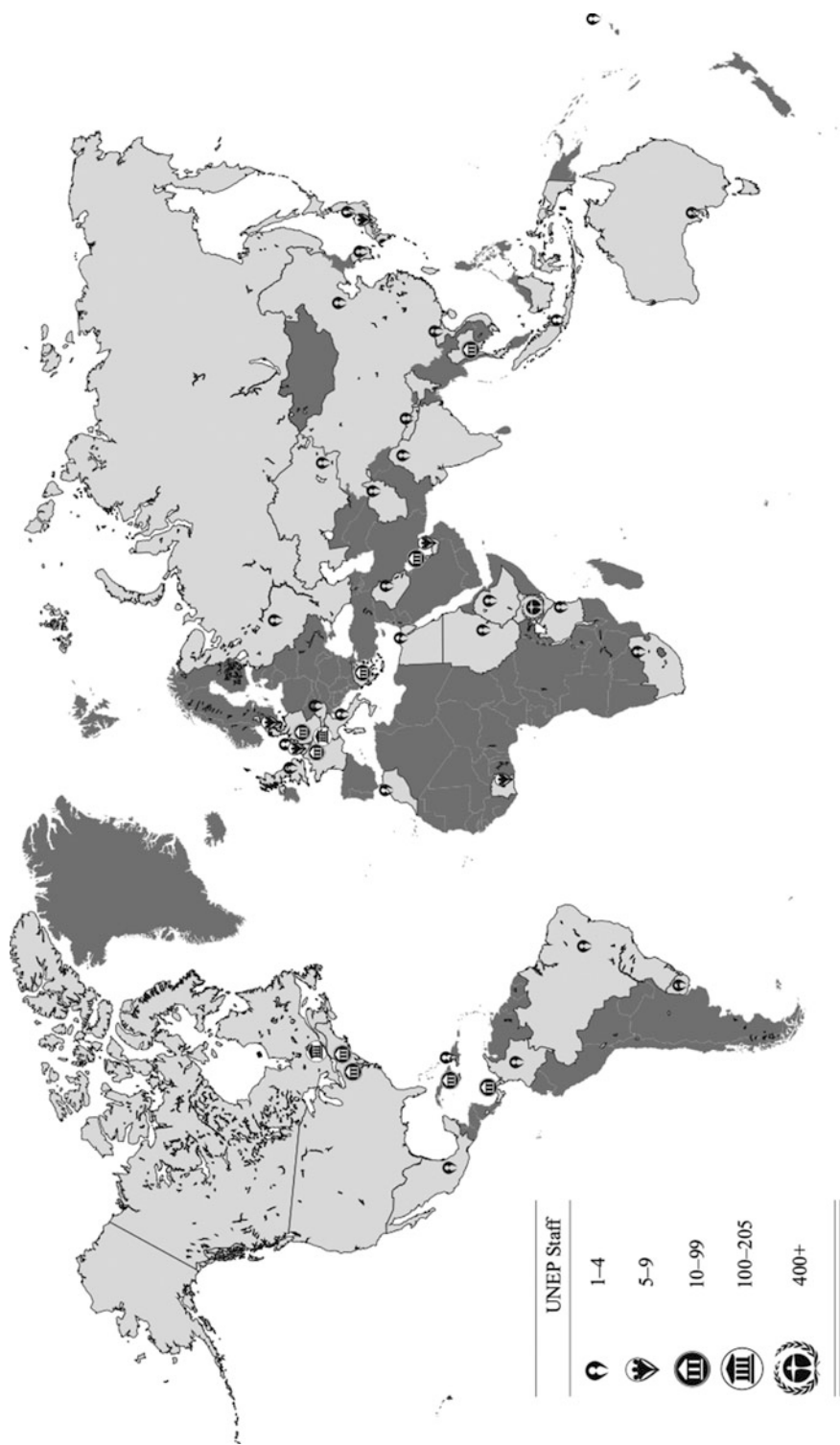


**United Nations Environment Programme, Fig. 1** The people of UNEP. (Data Source: UNEP, “Human Resources Management Report,” December 31, 2019. Figure appears in Ivanova [2021](#))

environment and ensure a balance between scientific investigation and legal commitment. The Mediterranean Sea Programme facilitated the creation of a regional network of over 80 laboratories and research institutions from 15 coastal states to share data for baseline studies, pollution source determination, and research. Through consistent efforts on science, policy, and politics, UNEP

enabled states to collaborate to an unprecedented degree to reverse ozone depletion and to limit pollution of shared seas.

Success has eluded UNEP when it competed with other institutions and failed to renew its commitment, sustain its engagement, and provide continuity to projects, programs, and initiatives. Often, governments set up new bodies for the



United Nations Environment Programme, Fig. 2 UNEP offices around the world. (Figure appears in Ivanova 2021)

**United Nations Environment Programme, Table 1** Main sources of financing for UNEP

| Categories                | Description and Source                                                                                                                                                                                               | Focus                                                         |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| UN regular budget         | Constitutes the share allocated from the UN regular budget to UNEP                                                                                                                                                   | Supports mainly the work of UNEP's governing bodies           |
| Environment Fund          | Constitutes non-earmarked contributions from member states                                                                                                                                                           | Supports implementation of UNEP's Programme of Work           |
| Earmarked contributions   | Constitutes trust funds and other earmarked contributions from member states, the Global Environment Facility (GEF), the Green Climate Fund, the European Commission, foundations, the private sector, and UN bodies | Supports selective implementation of UNEP's Programme of Work |
| Conventions and protocols | Constitutes trust funds for fifteen MEAs for which UNEP provides secretariat functions                                                                                                                               | Supports the implementation of MEAs administered by UNEP      |
| Multilateral Fund         | Constitutes assessed contributions from 49 member states                                                                                                                                                             | Supports the implementation of the Montreal Protocol          |

problems UNEP had identified and, as these bodies gained operational independence, UNEP's influence diminished, rendering coordination and collaboration more challenging and costly. Importantly, many of UNEP's challenges are due to limited capacity, connectivity, and credibility.

## Financial Mechanisms

Finances shape performance, but finances are also dependent on performance. Money flows in to support ideas that donors and recipients support, but the ability to deliver on these ideas also affects donations. Careful financial analysis of UNEP's total income over the past 50 years reveals that it is not so much the level of funding as its unpredictability that has been the problem in every decade and under every executive director. The harsh reality of scarce, inconsistent, fragile finances was the result of a political minefield that UNEP had to navigate; under these circumstances, priorities shifted, messages changed, agendas within the United Nations competed, and UNEP was hard-pressed to find its identity and place within the system.

UNEP's financial resources comprise voluntary contributions from member states. They include regular UN budget allocations, member-state contributions to the Environment Fund, and earmarked contributions. In addition, UNEP's revenues include contributions to fifteen multilateral environmental agreements (MEAs) hosted by

UNEP. Assessed contributions to UNEP comprise UN regular budget allocations and assessed contributions to the MEAs and the Multilateral Fund, whereas other funding elements are based solely on voluntary contributions (see Table 1).

In nominal terms, the Environment Fund has more than doubled in 40 years – from \$31.5 million in 1979 to \$70 million in 2019. When adjusted for inflation, however, it decreased by close to 40% – from almost \$111 million to \$70 million. And although UNEP's overall income has grown to \$570 million in 2018, the bulk of it, 87%, came from extrabudgetary, earmarked resources that respond primarily to donor preferences and limit the organization's initiative.

## Leadership and Location

Leadership influences the vision, management, and culture of the organization, its sense of identity and purpose, and is critical to capacity and credibility. The highest leadership post at UNEP is the Executive Director. In the first 20 years, from 1972 to 1993, only two executive directors led UNEP, Maurice Strong, from 1972 to 1975 and Mostafa Tolba, from 1976 to 1993. Subsequently, five executive directors served in office as Table 2 illustrates.

Every executive director has left their indelible mark on the institution. Seeking to reshape the organization's identity, each articulated a new narrative about UNEP's institutional priorities.

**United Nations Environment Programme, Table 2** UNEP Executive Directors

| Executive director   | Term in office |
|----------------------|----------------|
| Maurice Strong       | 1972–1975      |
| Mostafa Tolba        | 1975–1992      |
| Elizabeth Dowdeswell | 1993–1998      |
| Klaus Töpfer         | 1998–2006      |
| Achim Steiner        | 2006–2016      |
| Erik Solheim         | 2016–2018      |
| Inger Andersen       | 2019–present   |

Operating in complex social-relational systems, each executive director has had to balance the demands to serve as technical expert, manager, politician, and visionary. Each had a distinct leadership style and skills and the external and internal pressures within which they operated, shaped the direction in which they took the organization. They had to promote the organization externally to ensure its financing stream and provide direction and vision internally to shape culture and values, the basis for organizational identity. And building on the foundation of their predecessors, each has left a lasting imprint on the organization.

UNEP evolved from an idea about a catalytic entity that would inspire environmental action across a multitude of actors to an independent body that has claimed a place at the UN table. As an anchor institution, UNEP has been shaped by its location in Nairobi, Kenya. It has been anchored in the local community, which has provided much of the labor force, and has influenced the working environment, and the quality of life along with infrastructure and telecommunication. They also anchor the local economy because they are a major employer and customer of goods and services. Much like universities, international organizations have created their own enclaves or campuses that operate as cities within a city, with their own planning, transportation, public safety, health care, and even education.

Contiguous, physically and operationally, with the city of Nairobi, UNEP has been shaped by its location through influencing whom it can recruit and retain, how connected it is to its constituencies, and how accessible it is to existing and emerging partners. The physical distance from

the rest of the UN system and challenging communications in the early decades made UNEP's normative mandate, and its coordination task, daunting. With its headquarters located far outside the dense “hotspots” of political activity, UNEP has been isolated from the UN agencies it was expected to work with closely. Even UNEP's headquarters in Nairobi, has been divorced from the rest of the organization, which is spread around the world with only a handful of staff in each office. UNEP's offices in Paris, New York, and Geneva have tried to step into the liaison role but have been limited by the lack of headquarters status, the reluctance of headquarters to delegate necessary and appropriate responsibility, and scarce human and financial resources. UNEP's isolation from the political pressures of the UN system has, on the other hand, enabled it to carve out its own identity and retain staff for longer periods.

As the first UN institution headquartered in the Global South, UNEP has been at the forefront of environmental challenges and witnessed the tensions among a growing population, development demands, pressure on dwindling resources, degradation of ecosystems, and threats to human security. Staff have seen the urgent demand for technical assistance and felt the need to be more responsive to the needs of recipient countries. Donor governments, however, have continued to send contradictory signals by demanding concrete results rather than broad policy guidance thus pushing UNEP to engage on the ground while also insisting that it remain exclusively normative.

## UNEP'S Potential

UNEP's performance cannot be characterized simply as success or failure. Its track record is complex and nuanced and has evolved over time. Throughout its 50-year history, UNEP has achieved success and has also stumbled. Importantly, UNEP remains the only international institution with the explicit mandate to see the 3,000 piece puzzle from 30,000 feet up and with the ability to put the various pieces together. Its performance, however, has been limited by capacity



constraints, the remoteness from the institutions that UNEP had to influence and coordinate, connectivity challenges in Nairobi, and the uneven credibility of the institution.

In essence, UNEP's performance is characterized by a dichotomy: The organization remains highly relevant, its evolving mandate is ambitious and necessary, and it has increased the prominence of global environmental concerns. It has, however, faced difficulties in setting priorities, creating a clear identity, and efficiently using its resources.

As environmental concerns become more pressing and urgent, it will be critical for UNEP to strengthen its standing as the global environmental authority starting with an inspirational internal vision, capable management, and a clear, confident voice. UNEP's fiftieth anniversary in 2022 provides a symbolic opportunity for fundamental transformation into the authority on the global environment. This commemoration moment has the potential to spur the necessary momentum and political will to launch a transformation through integrated solutions. UNEP could and should become the go-to institution for information on the state of the planet, for a normative vision of global environmental governance, and for support for domestic environmental agendas and non-state actors. It is also time, however, to embrace the two arcs of UNEP's mission – the normative and the operational – in an integrated manner.

## Cross-References

- [Corporate Sustainability and Climate Change](#)
- [Directors' Duties to Tie Executive Pay to Environmental Protection](#)
- [Environmental Assessment and Resource Extraction](#)
- [Environmental Ethics and Sustainability](#)
- [Ethical Climate and Ethical Culture](#)
- [Human Rights and Environmental Change](#)
- [Human Rights Duties Towards Future Generations and Achieving Climate Justice](#)
- [Indigenous Land Management: Responsibility-Based Ethics](#)

- [Investor Response to the Climate Change Challenge](#)
- [Medical Ethics and the Land Ethic](#)
- [Polar Tourism: Ethical Issues](#)
- [Sustainability Reporting](#)
- [UN Guiding Principles and Transnational Business Governance](#)
- [Water Security: Ethical Debates](#)
- [Women on Corporate Boards and Sustainable Development](#)

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## Universities and Corporate Social Responsibility

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## Synonyms

Universities and corporate governance; Universities and social responsibility

## Introduction

The university is an inconsistent institution. It is not one community but several (Kerr 2001).

While that was no doubt true in 1963, the university today is ever so much more so and more multifunctional today than it was then. The question which will be examined in this chapter is whether the university is sufficiently corporatized to be considered a good candidate for accountability under the terms of corporate social responsibility. This is a controversial topic with two divided sides – nominally discussed under the heading of the purpose of a university. Both sides of this controversy will be discussed here.

While the history of universities is very old and varied, dating back to medieval times, this chapter will focus on the university of the twentieth century.

## The Purpose of the Twentieth-Century University

Particularly in democratic nation states, universities had their largest contemporary transformation as institutions after World War II. As Poff notes (2022),

Rhetoric at the time was idealistic and expansive with respect to the benefits of higher education and the future of the state and its citizens. University education would serve as a vehicle for the social and economic mobility of veterans and their children. . . .

In Canada, as in other countries, the promotion of this idealism and aspirational commitment to higher education included the introduction of various forms of subventions through affordable tuition, grant, and loan programs as well as extensive “new build” of a number of new universities. Goals for university education typically identified the following:

- A larger educated population to increase the informed participation in democratic and civic development
- A more highly educated and consequently more prosperous population of World War II

veterans who would reintegrate and flourish in their respective nations

- A larger percentage of educated and skilled professionals to diversify the number and type of job classifications and to advance new science and technology
- A broader population base of educated professionals to increase competitiveness and the GDP in many nations
- Individual social and economic benefits to those achieving higher education
- Better quality of life and health for a better educated population

This idealism also resonated with older traditions of identifying higher education with higher order service to the state and the public and so was well-received and to a large extent accepted as the purpose of a university. Such ideals and beliefs are still part of the vision of what universities should do particularly among university faculty and certainly some parents of university-attending students.

This version of the purpose of a university flourished until two challenges arose in recent history. The first was student activism in the 1960s and 1970s, consistent with increased political militancy more generally in democratic societies. These criticisms essentially attacked universities as not meeting their avowed purpose and in failing to educate students in anticipation of their full purpose as engaged citizens in their nations and in the globe. While this did rattle some governments and parents in terms of the legitimacy of the current state of universities, it had rather minor impact when compared to the global neo-liberal movement beginning in the 1970s with Reagan and Thatcher.

This second movement coincided with privatization and the increased globalization of the economy around the world. The value system which resulted in many privatizations of previously publicly owned services had a sympathetic influence and impact on the value of education for the individual and for the society. Some factors Poff (2022) included,

...The globalization of universities offering access to higher education and research and competing between and among nation states for students and reputation.

...[and] the shift in emphasis to thinking of universities as institutions of higher education for the teaching of future professionals...to characterizing universities as corporate entities existing within a highly competitive national and international environment vying to attract consumers (i.e., students) as well as competing for prestigious grants...

The shifts in ideology...to more conservative “neoliberal” views results in a shifting perspective on the purpose of university education...to private interest [s] with the implication that personal, private funds should pay for the cost of education and the viability of institutions...

The consequent reduction of public dollars for university base operating budgets which has led to increased tuition, more corporate philanthropy... and increased activity in securing alternative funding, including industry-university partnerships and the entry of universities into various commercial ventures.

Traditionally universities have had some commercial ventures. However, such ventures were typically directly related to student needs (e.g., residences, food services, book stores). In the new era of competition, universities have included restaurants, hotels, convention centers, recreation facilities, malls, industrial parks, incubator services for industry, etc.

The issue that emerges in this context is: Is it reasonable to allow universities to operate so many commercial functions while still considering themselves legally and corporately to be non-profit institutions with the primary function of education and research?

Some universities do not think so. The University College of London has accepted its multifaceted, multifunctional activities as requiring a set of principles governing its corporate social responsibility.

The key dispute here appears to be between those who contend that to call universities corporate entities and argue for treating universities as such entities which require the imposition of corporate accountabilities is to further bolster the marginalization of the true purpose of universities which is to teach and create new knowledge. The

other side of the argument is that to allow universities to participate in so many commercial ventures while operating under nonprofit institutional status is to create public institutions which are remiss in their private responsibilities and accountabilities.

Some argue that these are merely political contingencies and that a shift in politics can return universities to their original purpose and status. Others argue that independent of any particular ideological shift, the university of the twenty-first century will necessarily have positive and purposive reasons to operate within an industry-university context. This is the nature of applied scientific and industrial discovery and the future of universities whatever the political context.

## Cross-References

► [Academic Integrity and University Corporate Accountability](#)

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## Usury

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## Synonyms

Borrowing; Interest; Loans; Loan-sharking; Moneylending; Payday lending

## Introduction

In Western economies, the charging of interest on loans is something that is rarely questioned. It is deemed necessary, in order to generate income and to offset the risk that loans might not be repaid (Benfield 1968). Modern Western legal prohibitions against usury, such as they are, center on the notion of preventing financial service organizations from charging *excessive* interest (Lewison 1999), which is certainly how modern dictionaries define it (Oxford Living Dictionaries 2017). However, this was, and is, not always the case.

For millennia, the charging of any interest on loans at all was considered ethically wrong in many cultures and religions (El-Gamal 2006; Meislin and Cohen 1964). In both premedieval Europe and the Middle East, the charging of interest on loans was prohibited by religious authorities (Mews and Abraham 2007). However, during the Renaissance and Reformation, the twin influences of Protestantism and commercialization shifted the understanding of, and proscription against, charging interest to that of charging excessive interest for loans (Lewison 1999). However, Islamic finance organizations do not charge interest on loans to this day.

Thus, over time, various legal, economic, and religious perspectives have resulted in two rather distinct understandings of usury, even though the same word is commonly used to describe both. These two understandings are differentiated in this entry by using usury<sup>i</sup> to refer to the prohibition of charging of any *interest* on loans, while usury<sup>ei</sup> refers to the prohibition of charging of *excessive interest* on loans. Usury<sup>i</sup> will be considered first, as it has the longest history.

## Usury<sup>i</sup>: As the Prohibition Against Charging of Interest for Loans

There is more than one reason why usury<sup>i</sup> was proscribed. While exploitation of the poor and needy is a recurrent refrain, other reasons include that the income has not been earned through actual work (unearned income), which seemed to have originated with Aristotle (Meislin and Cohen

1964), although this was also noted later by theologians due to their understanding of the nature and virtue of manual work (Visser and Macintosh 1998). Other objections are that interest on a loan means that the debtor effectively pays for an item more than once (double billing) (Sauer 2002; Visser and Macintosh 1998). The vast majority of authors, though, understand that the main reason that usury<sup>i</sup> is considered as being unethical is that it adds to the burden of the poor, and it is unconscionable that the rich should profit due to the suffering of the poor (Chewning 1995).

The earliest references to usury<sup>i</sup> appear to be Babylonian (Blitz and Long 1965), although other authors noted detailed codification in Indian religious texts and similar developments in the Torah or Pentateuch (first five books of the Old Testament) (Visser and Macintosh 1998). From a philosophical perspective, Aristotle, Plato, and Seneca were among the ancient philosophers who argued against charging any interest on loans (Visser and Macintosh 1998). Thus, for thousands of years, philosophers and religious leaders from many cultures have concurrently argued against charging of interest on loans.

The proscription of usury<sup>i</sup> in the Torah or Pentateuch is important as it informs three great monotheistic religions, Judaism, Christianity, and Islam (Jafri and Margolis 1999), all of which hold these five books as sacred. In Judaism, the charging of interest on loans to the poor or to other Jews is clearly forbidden [Exodus 22:25], although charging of interest in business dealings with foreigners is allowed [Deuteronomy, 23:19–20] (Visser and Macintosh 1998). In Islamic finance, the prohibition of interest on loans – *riba* in Arabic – is still in force [Qur'an Surah al-Baqarah, 2:275] (Sauer 2002; Visser and Macintosh 1998). Thus, from ancient times, many religions have forbidden charging of interest on loans, largely to protect the poor.

Drawing on both the Old Testament (including the Pentateuch) and New Testament scriptures [Luke 6:35], usury was broadly condemned in Europe with the earliest formal church ban in 325 AD (Lewison 1999). This continued for centuries and in medieval times, culminating in its prohibition in both church and secular laws

(Visser and Macintosh 1998), the Catholic church teaching that charging interest resulted in loss of salvation (Reed and Bekar 2003). While Ekelund et al. (1989) argue that this was just a form of rent seeking by the church in order to reduce their own interest rates, this underemphasizes the theological importance of financial justice for the poor and that the benefit of canon law injunctions would likely be felt by all of society, not just the Catholic Church itself (Glaeser and Scheinkman 1998; Reed and Bekar 2003). As will be noted in the next section, Christian thinking shifted significantly during the Reformation period.

Most religions hold that repaying a debt is considered a religious obligation of the debtor (El-Gamal 2006; Tamari 1990). Thus, debt itself is not prohibited, but once in debt, a person needed to repay that debt. In ancient societies, failure to repay a debt typically resulted in imprisonment or slavery for the debtor (Ford 1926) or a flogging (Silberg and Ben Porath 1961). Thus, there was considerable religious and legal coercion to repay debt. Note, the giving, receiving, and repayment of loans were not an issue, while the charging of interest and the nonrepayment of loans were. These are not separate issues, as charging interest makes it more difficult for a debtor to repay the loan. Usury<sup>i</sup> is, therefore, both a religious and an economic issue, to which there were often legal implications.

It is important to note that when religious rules around usury<sup>i</sup> were established, there were no real financial institutions, nor welfare systems in place, or at least none apart from religious organizations themselves. In these contexts Glaeser and Scheinkman (1998) provide an extended economic argument that usury laws were a form of social insurance, while Reed and Bekar (2003) develop this further, noting the role philanthropy has in ensuring the needs of the poor are met. Thus, religious teaching provides two forms of finance that are available to the poor in years of need: alms (philanthropic gifts which do not need to be repaid) from religious institutions and loans (which need to be repaid, albeit without interest) (Reed and Bekar 2003).

Core to the arguments of Glaeser and Scheinkman (1998) and Reed and Bekar (2003)

is the idea that alms and loans act as a form of social insurance to smooth out temporary financial shortages for the poor. In good times when relatively rich, individuals invest in religious institutions through tithes/zakat and offerings (formal pooling of resources) as well as in neighborhood networks through philanthropy and giving loans (informal pooling of resources) (Reed and Bekar 2003). In lean times when relatively poor, these same individuals can make withdrawals from those systems.

Usury<sup>i</sup> disrupts both these economic distribution systems. In terms of charging interest for loans, usury<sup>i</sup> does not equitably and temporarily shift assets in a social system. Instead the charging of interest transfers wealth permanently from the relatively poor to the relatively rich (Glaeser and Scheinkman 1998), as both capital and interest on the loan are paid. The “rich get richer and the poor get poorer,” which is the antithesis of a system designed for neighbors to simply help each other through difficult times. As Visser and Macintosh (1998) note, this is one of the strongest economic arguments against usury<sup>i</sup>, as the overall utility of the economy is reduced.

Reed and Bekar (2003) note that usury<sup>i</sup> also disrupts philanthropy. Lending money at interest, reduces the amount of capital wealthy people have to donate philanthropically. Thus, while their rewards on earth (finances) increase, their rewards in heaven (from almsgiving) decrease (Reed and Bekar 2003), not to mention decreasing the amount available to give to the poor. Thus, usury<sup>i</sup> limits surplus cash available for the relatively rich to give philanthropically. This, in turn, inhibits the ability of organizations to meet the needs of the poor, as they receive reduced donations.

While in many Western countries it is now considered normal to charge interest on loans, it is worth noting that as late as the sixteenth century, it was illegal to charge interest on loans in England (Posner 1995). The discussion above outlines why such bans may be morally and economically justifiable, particularly when there is little or no government-sponsored welfare system. Legal prohibitions against usury thus act to maintain social and religious insurance mechanisms

and ensure the poor have access to finance so as to overcome temporary need.

In many parts of the world, prohibition against usury<sup>i</sup> still exists. While many Western democracies with a Christian heritage have legalized the charging of interest, some authors charge that biblical principles still apply, and in particular that interest should not be charged on loans to the poor (Chewning 1995; Meislin and Cohen 1964). In many Jewish communities, the prohibition against charging interest, particularly to their own community, is often still taken literally with interest-free loans being common. As noted earlier, in Islamic finance, usury<sup>i</sup> is prohibited. However, it should be noted that Islamic finance is a well-developed and comprehensive approach to financial services and should not be reduced to just not charging interest (El-Gamal 2006).

### **Usury<sup>ei</sup>: As the Charging of Excessive Interest for Loans.**

As outlined above, for most of recorded history, religions and societies had prohibited usury<sup>i</sup>, understood as the charging of interest on loans. Over time, however, the understanding of usury shifted in many, although not all, contexts to mean a prohibition against charging *excessive* interest, or what I am terming usury<sup>ei</sup>. Note the core concerns which drove discussion of usury<sup>i</sup> also drive discussions of usury<sup>ei</sup> – how to avoid exploiting the poor (Visser and Macintosh 1998).

As early as 200 AD in India, the focus had shifted to considering when the charging of interest on loans might be above a rate that would be considered socially acceptable (Visser and Macintosh 1998). This undermines the attempt by some authors to lay the shift from usury<sup>i</sup> to usury<sup>ei</sup> squarely at the feet of a single theologian, John Calvin, and while often mentioned, this sole causal connection has been strongly contested (George 1957). While the influence of Calvin is discussed below, it is important to note that there were also social shifts (particularly the declining influence of the Roman Catholic Church on Protestant states), high inflation rates, and the development of market economies hungry for capital

that all contributed to the development of usury<sup>ei</sup> (Glaeser and Scheinkman 1998). Thus, medieval prohibitions on usury<sup>i</sup> gave way, under forces of the Reformation, Renaissance, and the rise of market economies in Europe, to a narrower condemnation of charging excessive interest (usury<sup>ei</sup>) (Visser and Macintosh 1998).

As a thinker, Calvin was highly influential as he deliberately sought to apply theological concepts to issues which would now be considered the realm of economics, governance law, politics, and sociology (Gatgounis and George 1996). Lewison (1999) argues that there were actually two shifts in Western thinking that were articulated by Calvin: the first was to differentiate between charging interest and charging *excessive* interest on loans. This distinction still frames much of current thinking about usury, including this article. The other is to differentiate between commercial loans and personal loans.

Theologically, the shift in Europe occurred initially in relation to differentiating between commercial transactions and personal financial transactions (Chewning 1995). Meislin and Cohen (1964) argue that usury<sup>i</sup>, charging interest on loans, was allowable particularly in relation to trade. Most biblical references to giving and receiving loans focus on transactions between individuals, not between institutions and individuals (Chewning 1995). Even in Jewish and Islamic traditions, different forms of contract have been developed which allow for the advancement of funds and for the generating of a commercial return, while not violating the proscription of usury<sup>i</sup> (Lewison 1999). While these mechanisms have been criticized as a hidden form of interest, the issue is to differentiate between just compensation for labor and usury<sup>i</sup> (Mews and Abraham 2007).

The Hebrew word used in the Old Testament book of Exodus for usury<sup>i</sup> means to bite or gnaw (Conter 1989; George 1957) and is understood as a prohibition on the consumption of future earnings of the debtor (Chewning 1995). For Calvin, this was critical as he understood usury<sup>ei</sup> – the gnawing by the lender of the future income of the debtor – to mean charging excessive interest, rather than interest plain and simple (Graafland 2010; Lewison



1999). Meislin and Cohen (1964) agree, arguing the biblical prohibition was mainly against loans specifically targeted against the poor (usury<sup>i</sup>) or against charging excessive interest to those engaged in trade (usury<sup>ei</sup>). Aside from those two exceptions, charging reasonable amount of interest in business transactions was deemed acceptable (Chewning 1995; Meislin and Cohen 1964).

Graafland (2010), while noting Calvin's prohibition on charging interest to the poor, also notes that Calvin did not provide *carte blanche* approval of commercial interest on loans, but instead provided a number of conditions. Firstly, providing loans at interest should not prohibit philanthropy or providing interest-free loans to the poor (Graafland 2010), thus addressing the concern raised by Reed and Bekar (2003) earlier. Secondly, any interest charged should be such that the lenders would be prepared to pay themselves, which addresses the issue of exorbitant interest. Finally the loan should enable the debtor to make a higher profit, even after repaying the interest, than if the loan had not been given (Graafland 2010). If these conditions were not met, then an interest-free loan should be provided.

Adam Smith and John Keynes both opposed laws which prohibited charging interest on loans (usury<sup>i</sup>) while endorsing laws that prohibited the charging of excessive interest (usury<sup>ei</sup>) (Visser and Macintosh 1998). Adam Smith proposed the legal imposition of a cap on interest rates as the mechanism to do this (Visser and Macintosh 1998). This is not without precedent as the Babylonian King Hammurabi imposed a 10% cap on interest, as did Henry VIII of England (Horack 1941). In 1965, a US federal law put a cap of 7% on national banks, to curb excessive interest (Blitz and Long 1965). While the amount of interest capped varied over time, as does the definition of "excessive interest," modern Western usury<sup>ei</sup> laws are seen to prevent oppression of the poor on grounds of unconscionable conduct (Cavalier 2013; Posner 1995). Glaeser and Scheinkman (1998) note that sometimes legislation has been repealed in order to allow market forces to set maximum interest rates, and Mews and Abraham (2007) note that usury laws were repealed in England by 1854, largely due to the arguments

of Jeremy Bentham against Adam Smith (Hollander 1999).

While many countries have usury<sup>ei</sup> laws in place, organizations which provide financial services outside the traditional banking sector, such as rent-to-own, payday lenders, and pawnbrokers, typically charge interest rates that are often considerably higher than banks (Lewison 1999). For example, the rent-to-own approach results in charges up to 450% higher than a cash sale (Lewison 1999), which is justified largely based on the perception that people with lower incomes have a higher risk of defaulting. Similar concerns have been raised in relation to high interest rates being charged to the poor by microfinance organizations (Sandberg 2012). Such high interest rates surely must raise questions regarding whether we need to reexamine the need for usury<sup>ei</sup> laws to prevent exploitation of the poor.

From an economic perspective, charging higher interest rates can be justified on the basis of risk – where ventures which are riskier can be financed and the risk offset by charging higher rates of interest. This is one of the criticisms of the capped approach to interest rates as this may preclude some business people, with riskier ventures, from gaining access to loans (Benfield 1968). However, this still points to a differentiation between personal lending and commercial lending, as argued by Calvin.

## Conclusion

While discussion of usury<sup>i</sup> is often considered archaic, some prohibitions were still in place across Europe relatively recently (Horack 1941) and are still in force across many Islamic countries (El-Gamal 2006). After medieval times, in Europe, the prohibition in both economic and theological thought shifted away from usury<sup>i</sup> to notions of unconscionably high interest rates (usury<sup>ei</sup>). Today, in Europe and nations which draw on a European legal heritage, such as Australia and the USA, it is usury<sup>ei</sup> which still exercises the concern of economists, lawyers, politicians, and theologians alike.

However, the growing prominence and viability of Jewish and Islamic financial systems have led many authors to re-question some of the core concerns of usury<sup>i</sup> (Helfand 2011; Mews and Abraham 2007; Reed and Bekar 2003; Sauer 2002). Mansfield (2000) argued that the winding back of usury<sup>ei</sup> laws contributed to subprime home equity market issues as early as 2000 (Mansfield 2000). Likewise, the global financial crisis (GFC) of 2008 caused some authors to revisit the core concerns of usury<sup>i</sup>. Some extensively considered whether the specific stipulations of Calvin (Graafland 2010) or even the prohibitions and mechanisms of Islamic finance (Cavalier 2013) might have curbed some of the worse elements of the GFC.

## Cross-References

- Capitalism
- Christianity and Business Ethics
- Gender and Microcredit
- Islam and Business Ethics
- New Models of Finance
- Religion, Spirituality, and Business Ethics

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## Utilitarianism

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### Synonyms

Average utility maximization; Consequentialism; Maximizing good

### Definition

Sometimes defined as the greatest good for the greatest number where everyone is to count as one and no one as more than one. The purpose here is to maximize average utility or good outcomes. An ethical theory that argues that what is morally good is related to the consequences of following actions or rules whose purpose is to minimize harm while maximizing good outcomes to persons or other sentient beings. Good is variously defined as pleasure while harm is defined as pain. This definition was the initial definition by Bentham. Mill later articulated various higher and lower (by quality and quantity) types of good or types of happiness.

### Introduction

Utilitarianism is one of the strongest and most popular ethical theories in contemporary moral thought (the other main contenders being Deontology and Virtue Ethics). Utilitarianism is most closely identified with Jeremy Bentham and John Stewart Mill, although there were other advocates both in the nineteenth century (notably Sidgwick) and numerous advocates in contemporary times. Mill (1806–1873) was the intellectual heir to the philosophy of Jeremy Bentham (1748–1832). Bentham was a friend and patron of Mill's father, James Mill. He was jointly raised under the highly eccentric pedagogical approach of his father and with considerable influence from Bentham. Mill

spent his early adult years collecting and editing Bentham's writings which were previously unpublished. Mill's work consequently resulted in the introduction of Benthamite Utilitarianism to the world.

Utilitarianism was so named because of the assumption that there is more utility in a moral calculus where behavior and choices which maximize happiness are considered morally good and where actions and rules that do the opposite are considered morally bad. This theory is also referred to as a consequentialist theory because appropriate moral actions and choices are evaluated as such by virtue of the consequences or outcomes of those actions and choices. Utilitarian theory differs radically from theories which claim that actions and choices are intrinsically or universally and categorically morally correct independent of any consequences of following certainly moral maxims or precepts. Among other criticisms, this has led to the charge that utilitarianism is relativist, pragmatic, and instrumental in nature.

Mill also called Utilitarianism a theory which was based on the Greatest Happiness Principle. This principle, according to Mill, "holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse." Further he explained,

According to the Greatest Happiness Principle. . .the ultimate end, with reference to and for the sake of which all other things are desirable (whether we are considering our own good or that of other people), is an existence as far as possible from pain, and as rich as possible in enjoyments, both in point of quantity and quality; the test of quality, and the rule for measuring it against quantity, being the preference felt by those who in their opportunities of experience, to which must be added their habits of self-consciousness and self-observation, are best furnished with the means of comparison.

In explaining utilitarianism in this manner, he not only elaborates upon Bentham's understanding of utility as maximization of pleasure and minimization of pain but also addresses critics of utilitarianism who cast it as hedonistic and low in its focus on pleasure and pain. In his book, *Utilitarianism*, Mill spends considerable attention in articulating a hierarchy of happiness or goods to

explain that in a civilized and educated population, persons will generally abjure merely sensual pleasures and instead choose higher order sources of happiness, such as, art, poetry, and informed opinion. Mill also believes that with education comes impartiality. This is not self-denial as everyone, including the self-interested individual choosing happiness, gets to count as one but not as more than one.

## Act Utilitarianism

Act utilitarianism (usually more closely associated with Bentham) evaluates the consequences of acts in terms of the amount of good the act produces. In Bentham's original description of description of utilitarianism, he spoke of maximizing pleasure and minimizing pain. Thus, an act is morally good if it produces more pleasure than pain. Bentham did not distinguish between different types of pain and pleasure but did articulate a number of conditions (e.g., duration and intensity) to quantify the differences among different pleasure and pain experiences.

## Rule Utilitarianism

Rule utilitarianism evaluates the consequences of following rules as a methodology for maximizing good and minimizing harm. To use a contemporary example, many countries have laws which require that all drivers of automobiles wear seat belts. While such a rule eliminates freedom of choice with respect to choosing to wear a seat belt (although one may choose to break the law with all of the consequences which may follow from that), the good outcomes are fewer automobile fatalities and fewer serious accidents. This, in turn, results in fewer costs to the state in countries where health facilities are state subsidized.

## Criticisms

The following are the most common criticisms of utilitarianism.

1. Because the requirement is only to maximize utility, it can be unfair to the minority or lead to a kind of scapegoating of some if it is in the interests of reaching average utility.
2. It is a theory where the means justifies the ends. Similar to the first criticism, utilitarianism argues that it doesn't matter if you treat some individuals as a means to an end if the majority's happiness is maximized.
3. You cannot adequately define what is good for everyone. Some individuals enjoy being unhappy. How do masochists, for example, figure into the calculus?
4. Consequences, particularly the long-term consequences of rule utilitarianism, are difficult to determine and the future is uncertain and indeterminate.
5. It is unrealistic and unreasonable to demand that everyone impartially adopt the greatest good for the greatest number principle. In fact, it is contrary to basic human nature which is essentially selfish.

While utilitarians, including Mill, have extensively responded to these and other criticisms, the arguments continue. Among other reasons, this is due to a fundamental difference among competing ethical theories, particularly theories like deontology which assumes that all persons must be treated as an end in themselves and that ethical principles are universal, categorical, and immutable in their nature.

## Business Ethics

Utilitarianism is frequently called upon in ethical discussions of contemporary business ethic dilemmas. One of the most meaningful contributions to ethical debate has been the discussion of who or what gets to count in discussions about business practices and business ethics. While traditionally, only stockholders or stakeholders were deemed to be relevant actors and beneficiaries of business decisions, significant changes have occurred in the debate such that shareholders are now understood to be fair actors and contributors in decisions which impact more than just narrowly

defined stockholders/stakeholders. This includes, for example, indigenous people whose traditional lifestyle is compromised and threatened by resource extraction industries. It also includes externalities like the environment itself. Such discussions have resulted in a larger discourse than just narrow adjudications about profit maximization.

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## Cross-References

- [Animal Ethics and Business Ethics](#)
- [Distributive Justice](#)
- [History and Philosophical Foundations of Ethics](#)

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## Values and Ethics and Federalism

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### Synonyms

Distribution of powers; Division of powers; Unity in diversity

### Definition

The term federalism derives from the word federal which, in turn, comes from the Latin *foedus*, meaning covenant. Experts most often describe federalism as a theory or philosophy of government; by this they mean that federalism represents a set of practical and ethical guidelines for the design of political institutions. When federalism is applied to the design of political institutions, it generally entails two interlinked outcomes: (1) the constitutional enshrinement of a division of powers between two or more levels of government and (2) the institutional accommodation of national, ethnic, territorial, or regional diversity.

## The Two Traditions of Federalism

There are two long-standing intellectual traditions of federalism, each of which offers different justifications for dividing powers between levels of government. The Swiss tradition of federalism is based on the premise that some states are composed of several *demoi* (or peoples) each with its distinct language, religion, customs, and/or traditions. According to this tradition – which was inspired by the Swiss confederal arrangement that lasted between 1291 and 1847 – the division of powers is thus needed to preserve unity within the state but also protect the diversity of territorially concentrated ethnic, national, linguistic, and/or religious minorities.

The American tradition of federalism is based on the dual premise that a state contains only one *demos* (or people) and that it is human nature to want to impose one's will on another. This tradition of federalism – which is best exemplified by the *Federalist Papers* (1788) of James Madison, Alexander Hamilton, and John Jay – therefore views the division of powers as a means to constrain the *demos* and, in so doing, to preserve individual rights and democratic institutions. According to the American tradition of federalism, the division of powers should multiply the centers of public authority in a democracy; in theory, this should protect and preserve democratic institutions by making it difficult if not



impossible for a tyrant or populist majority to fully consolidate power.

### **Federations and Other Systems of Government: Similarities and Differences**

The institutionalization of federalism leads to the creation of a federation that “involves the linking of individuals, groups, and polities in lasting but limited union” (Elazar 1987, p. 5). A number of democracies, including Canada, the United States, India, Germany, Switzerland, Australia, and Belgium, have chosen to implement and to institutionalize federalism. The constitutions of these federations divide powers between two levels of government: a national/central/federal government, on the one hand, and subnational units of government, on the other. These subnational units of government are called states in the United States, India, and Australia, cantons in Switzerland, provinces in Canada, regions in Belgium, and *Länder* in Germany.

Federations share some similarities with confederations and unitary states but differ from these systems of government in important ways. For example, confederations – such as the long-lasting Swiss confederation (1291–1847) and the short-lived Articles of Confederation (1776–1789) that governed post-revolutionary America – have tended to vest policy making jurisdiction primarily in the hands of the subnational constituent units of government and to endow national governments with largely symbolic powers. By comparison, both levels of government in a federation have autonomous jurisdiction over certain policy areas and share jurisdiction over other policy areas. In the Canadian federation, for instance, the federal government has sole jurisdiction over trade policy, taxation, the postal service, the military, and census taking, while provinces have sole jurisdiction over health and education policy, public lands, and property rights; both the federal government and Canada’s provinces share jurisdiction over agriculture, public works, old-age pensions, and immigration policy.

Unitary states (e.g., France, Japan, Sweden, Israel, and Italy) differ from federations in that

the division of powers here is contingent rather than constitutionally enshrined. This means that the central government in a unitary state has the right to rescind the division of powers and to re-centralize public authority at its discretion. Conversely, neither the national/central/federal government nor the subnational constituent units of government in a federation can unilaterally alter the constitutional division of powers. Instead the dissolution of the covenant requires the consent of and collaborative action of more than one of the state’s constitutive *demoi*.

### **Variants of Federalism: Executive, Collaborative, Symmetrical, and Asymmetrical**

Federalism is sometimes used to describe the operations and functions of a particular federation, and in such cases, it is accompanied by one of the following qualifiers: executive, collaborative, symmetrical, or asymmetrical. Executive federalism is used to describe a situation when the central government is clearly the leader among the many constituent units of the federation. By contrast, collaborative federalism (also called cooperative federalism) refers to a state of affairs where the national/central/federal government and the subnational units of government are true and equitable partners in the decision-making process. Symmetrical federalism is used to describe an institutional variant of a federation where all subnational units of government have the same competencies, legal rights, and policy jurisdiction. By contrast, asymmetrical federalism is used to designate a type of federation where one or more, but not all, of the subnational units of government has/have special competencies, legal rights, and/or exclusive jurisdiction over specific policy areas.

### **Multinational Federalism and Minority Accommodation**

There has been renewed interest in the study of federalism in recent years. This interest has been driven in large part by a critique of the American

tradition of federalism. This critique is based first and foremost on the acknowledgment that many modern democracies are multinational in composition. A multinational democracy (e.g., Canada, the United Kingdom, and Spain) comprises a national majority as well as one or several national minorities (e.g., the Québécois minority in Canada; the Scottish, Welsh, and Northern Irish minorities in the United Kingdom; and the Catalan and Basque minorities in Spain). Public institutions in multinational democracies tend to reflect the culture, language, religions, customs, and/or traditions of the national majority. In turn, many national minorities have made and continue to make demands for the recognition of group-differentiated rights (i.e. demands for linguistic, religious autonomy) that, in a federal setting, would require the design and implementation of an asymmetrical federal arrangement. However, the American tradition of federalism views all constituent units of a federation as equal and therefore advocates a federalism that is “constitutionally symmetrical” (Stepan 1999, p. 21). At a more fundamental level, the American tradition of federalism embraces a territorial logic that fails to recognize the coexistence of different “peoples” within the same state (Seymour and Gagnon 2012, p. 5).

Basing themselves on these and other critiques, a growing number of social scientists and philosophers now advocate the design and implementation of multinational federalism. Although a multinational federation would also constitutionally enshrine a division of powers between different levels of government, it would nonetheless differ from other federations in a significant fashion. More precisely, a multinational federation would formally recognize the distinct status of national minorities, it would include national minorities in foreign policy making, and it would operate under the auspices of asymmetrical federalism (McGarry and O’Leary 2005, p. 273).

The developing consensus in contemporary writing on federalism is that democracies marked by deep national diversity must embrace multinational federalism and put in place institutions that reflect, respect, accommodate, enrich, and protect

this diversity. Paradoxically, very few multinational democracies have institutionalized multinational federalism, and those that have undertaken this project have done so only in a symbolic manner.

There are three potential roadblocks to the full realization of multinational federalism. First, national/central/federal governments have unitarist or centralizing tendencies, and consequently, they rarely accept that subnational governments are their equal partners. Second, both majority and minority *demos* tend to favor the status quo and to be averse to revisiting and revising constitutions. Third, the biggest roadblock to the full realization of multinational federalism is the rise and mainstreaming of right-wing populist political parties across developed democracies. These political parties are united in their opposition to “globalism” and, most importantly, by their mobilization of mono-national ideas of belonging. Their continuing success in electoral politics in Europe as well as in North America therefore presents a real obstacle to the institutionalization of multinational federalism in these continents.

Overcoming the roadblocks to creating multinational federations can help to empower national minorities. However, the design and implementation of multinational federalism may also prove to be problematic, particularly as it concerns the accommodation of other minority groups. Multinational federalism is rooted in a “multinationalism” that has been severely critiqued because it fails to recognize the distinct cultures of minorities borne out of individual and familial immigration as well as those of collective identities founded on lifestyles, gender, and sexual orientation (Karmis 2003, pp. 95–98). Proponents of federalism are therefore faced with new and challenging ethical considerations in the age of migration and minority mobilization; they must not only imagine how to preserve unity in states with multiple *demos* but also envisage the means to fully protect the diversity of all minorities. In brief, ensuring federalism’s promise of institutions that fully embody the dual values of unity and diversity is a complex and ongoing project.

## Cross-References

- [\(Managing\) Diversity](#)
- [Immigration and Business Ethics](#)
- [Racial and Ethnic Diversity in Business](#)

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groups to proceed by lobbying. EU consultations and legislative procedures have increased, allowing inputs from member states, regional authorities, EU agencies, professional bodies, trade unions, citizen-driven organizations, etc. In such context, while there are probably as many definitions of lobbying as there are lobbyists, all definitions should nevertheless refer to the process of influencing decision making. Even though the content and boundaries of the concept remain unclear (Coen 2008), lobbying is a political process which aims to influence public policy and resource-allocation decisions within political, economic, and social systems and institutions. Lobbying is a paid activity with the purpose of influencing decision makers toward a desired action often related to legislation. Actors on both sides of the Atlantic are using synonyms like advocacy and public affairs to distinguish between “public” and “corporate” interests or to minimize the content of the activity. Many professionals choose to designate their activity according to the perception of “lobbying” by the public.

## Values and Ethics with Respect to Lobbying

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## Synonyms

Advocacy; Institutional affairs; Public affairs; Public relations

## Definition

In Brussels, particularly since the Lisbon Treaty (2009), the way European institutions are functioning provide many possibilities for interest

## Introduction

The importance of lobbying, long established in the USA and more recently in the European Union raises many critiques. This entry, in a comparative perspective, presents the regulations of the European Union and the USA. It illustrates differences on this subject, which are central in our societies structured by influence techniques and the primacy of communication.

Two values appear as fundamental with respect to lobbying, namely, transparency and accountability.

Ethics, connected to morals, is characterized by normative, prescriptive, or evaluative statements. This entry briefly presents the laws and codes of conduct developed by the European Union and by the USA for the regulation of lobbying. It also summarizes the activities of many NGOs whose actions result in monitoring and the establishment of programs. Finally, it raises tensions between values, ethics, actors, and practices.

## Regulation Within the European Union

According to the European Parliament, lobbying is defined as “all activities carried out with the objective of directly or indirectly influencing the formulation or implementation of policy and the decision-making processes of the EU institutions, irrespective of the channel or medium of communication used.” These activities include, inter alia, contacting members, officials, or other staff of the EU institutions, circulating information – including written material, organizing events for which invitations have been sent to members, officials, or other staff of the EU institutions.<sup>1</sup>

In Brussels, lobbying focuses its actions and its legitimacy on delivering information to civil servants of the Commission and to politicians, mostly members of the European Parliament. These two latter groups argue that they need information in elaborating laws or during votes at the Parliament. The political process in the European Union is divided between three actors: the Commission which initiates directives, the Parliament which votes, and the European Council, representing the member states. Finally, treaties at the EU level do not define lobbying and its regulation.

### A Transparency Register

In order to develop a knowledge base on lobbying, the Commission and the Parliament have established a unique register. Since 2011, the register aggregates actors into six categories and on January 3, 2018, included 11,607 entities, namely:

- I – Professional consultancies/law firms/self-employed consultants: **1,328**
- II – In-house lobbyists and trade/business/professional associations: **5,746**
- III – Nongovernmental organizations: **3,041**

IV – Think tanks, research and academic institutions: **893**

V – Organizations representing churches and religious communities: **51**

VI – Organizations representing local, regional, and municipal authorities, other public or mixed entities, etc.: **548**<sup>2</sup>

On a voluntary basis, actors have to register into one of such categories. The register exposes the EU activities covered, the number of persons involved and the ones accredited to the European Parliament premises, the field of interest, and financial data. This register also contributes to identifying meetings with Commissioners and Members of the European Parliament (MEP). A code of conduct connected to the register is signed at the end of the procedure of registration. The most important points of the code of conduct are the necessity to identify meetings with officials and institutions, to indicate the organization represented, the objectives of the meeting, the interests involved, and the names of the clients.

For more efficiency, since December 1, 2014, commissioners are required to publish on their websites contacts and meetings with interest groups on topics related to European policy and its implementation. The NGO *EU integrity watch* is monitoring this activity by listing meetings with lobbyists that EU commissioners report and the MEPs' declarations of financial interests.

In 2017, the main results are visibility of actions of interest groups, a better empowerment of European institutions, and the possibilities of NGOs and citizens to raise their awareness on European mechanisms and decision procedures. The president of the European Commission, Jean-Claude Juncker, would like to make the register compulsory for the institutions (Commission, Parliament, Council), nevertheless the legal base is lacking in the European Treaties and the activities of the Council are not yet concerned by the register.

<sup>1</sup> [www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130558/LDM\\_BRI%282013%29130558\\_REV1\\_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130558/LDM_BRI%282013%29130558_REV1_EN.pdf) (February 2014).

<sup>2</sup> Source: <http://ec.europa.eu/transparencyregister>

## USA: Regulation Based on Checks and Balances

In the USA, lobbying is defined as “the act of directly expressing your views to elected officials in order to influence the action of that person or persons with the goal of affecting the law” (Libby 2012, in Scott 2015, p. 18). Lobbying relies on the possibilities of grievances and petition proposed by the first amendment of the USA: “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.”<sup>3</sup>

In Washington, the places for lobbying are the Congress, federal agencies, and the Supreme Court. Four acts regulate lobbying activities: *Federal regulation of lobbying act* (1946), *Lobbying disclosure act* (1995), *Honest leadership and open government act* (2007), and *Federal lobbying disclosure act* (LDA) (2008). The legislation defines a lobbyist, lobbyist activities, registration procedures, filing requirements, and the penalties in case of noncompliance.

## A Register for Transparency

The need to register as a lobbyist depends on a threshold of expenses. Above a certain level, the lobbyist should register at the Office of the Clerk of the United States House of Representatives.

Professional consultancies, law firms, and corporations should indicate if they hire former civil servants for federal agencies. The register obliges lobbyists to indicate their clients and the expenses for performing their tasks. They should file a report every 3 or 6 months. Lobbying in the USA is structured by checks and balances, where the influence of one group is ostensibly counterbalanced by another interest group, according to the theory proposed by James Madison (Federalist papers n° 10). The equilibrium is

believed to be in the general interest of society and contributes to enhancing the decision-making process. Behind this model, where separation of powers theoretically contributes to an equilibrium, reality shows more complexity. The means, actions, and quality of information provided varies according to the actors, the sectors they work in, and their ethics.

## Focusing on Values and Ethics: Regulation by Law, by NGOs, and by Citizen-Driven Initiatives

The European Union is a multilevel governance institution and, more precisely, a hybrid of inter-governmental and supranational institutions where the members of the Commission do not have to run for office. The US system, even with numerous agencies and federal organizations, focuses lobbying actions on the Congress, where its members seek public office and have to be reelected.

An interinstitutional agreement (IIA) is the framework that rules lobbying in the EU. In the USA, as previously mentioned, four statutes apply. The IIA focuses on three main issues: the quality of the register linked to access to Members of Parliament (MP), the existence of a code of conduct, and the waiting period before switching from administration to lobbying activities and vice versa.

To improve regulation according to democratic values, two other channels exist: one by NGOs and another by citizen-driven initiatives. At the EU level, two NGOs based in Brussels are “lobbying” against lobbying: Alter-EU and the Corporate Europe Observatory.<sup>4</sup> In Washington, at least two similar organizations exist, namely, Open Secrets and Citizens for Responsibility and Ethics.<sup>5</sup> These NGOs focus on the debate regarding lobbying with respect to making an inventory of MEP and Congress members’ activities. They provide reports explaining lobbying and argue for better regulation and transparency through the

<sup>3</sup> Source: [www.law.cornell.edu/constitution/first\\_amendment](http://www.law.cornell.edu/constitution/first_amendment) (January 2018).

<sup>4</sup> [www.alter-eu.org](http://www.alter-eu.org) and [https://corporateeurope.org](http://corporateeurope.org)

<sup>5</sup> [www.opensecrets.org](http://www.opensecrets.org) and [www.citizensforethics.org](http://www.citizensforethics.org)

registering of meetings between lobbyists and decision makers. By shedding light on lobbying activities, NGOs, especially the European ones, use a “blame and shame” register and focus their actions on corporations.

Citizen-driven initiatives use open data for a better governance. Such initiatives use available data to develop a platform and analyze and monitor the activities of the MPs.<sup>6</sup> These initiatives insist on evaluation of behaviors (presence, absence in parliament), votes (for, against, abstention), and the policy positions of MEPs and congressmen. The key word is accountability, which in liberal democracies, has become an important issue in the last 10 years.

Values may be seen as a point of view from which a person evaluates social behaviors. In this sense, regulation of lobbying in liberal democracies reflects two elements: first, the commitment of a profession to organize itself through a code of conduct; then second, the degree of acceptance of a population toward lobbying activities.

In a profession, the ethical dimension is reflected by the self-imposed obligations that professionals are ready to respect in order to act in conformity with rules. Desmoulin (2017) argues: “individual ethics of lobbyists are based on a fine know how of the law, on a comprehension of the role of the code of conduct in the professionalisation processes and of professional legitimation and of a capacity to regain control of these codes.” It also assumes an awareness of its own values in the eminent subjectivity and the pragmatic acceptance of anxiety and frustrations engendered by ethical concerns.<sup>7</sup> Values and

ethics are enclosed in mechanisms such as transparency of decision-making processes, pluralist expressions of interest groups and systems of control, and evaluation of information provided by lobbyists in official registers in order to reduce the possibilities of manipulation. In an ethical perspective, no registration law nor other sophisticated system can totally avoid pressure on politicians. In the long run, a civilized morality and good governance are key to regulate lobbying.

## Cross-References

► [Core Values](#)

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## Values in Management for Online Employers

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## Synonyms

e-commuting; Flex work; Remote working; Telecommuting; Virtual working; Work at home; Work from home

<sup>6</sup>For examples see [www.regardscitoyens.org](http://www.regardscitoyens.org), [www.votewatch.eu](http://www.votewatch.eu) or [www.mepranking.eu](http://www.mepranking.eu). For a list of national organizations supporting the accountability in national parliaments in the world, see [www.openingparliament.org/organizations](http://www.openingparliament.org/organizations)

<sup>7</sup>L'éthique individuelle des lobbyistes se nourrit d'une connaissance fine du droit, d'une compréhension du rôle joué par les chartes dans des dynamiques de professionnalisation et de légitimation professionnelle et d'une capacité de réappropriation de ces chartes. Elle suppose aussi la conscience de ses propres valeurs dans leur éminente subjectivité, et l'acceptation pragmatique de l'inquiétude et des frustrations engendrées par le souci éthique. (Our translation).



## Introduction

Managing a remote workforce postpandemic presents unprecedented challenges. Employees are demanding their employers allow them to work at home. According to a CNBC article, 64% of the current workforce plan to quit their jobs if they are not allowed to work at home (Smith 2022). Employers are giving in to this demand, given the state of the Great Resignation taking place (Fox 2022). This means that managers, trained and used to manage their employees in the shared physical space, are now faced with managing a workforce they cannot see. As a result of the demanding challenge, feelings of frustration, uncertainty, and even fear occur for the managers now facing this challenge. This is all grim, but with a light at the end of the tunnel. There is a way for this new management situation to be handled and have optimum outcomes. Managing a remote workforce involves three central values: respect, trust, and positivity.

## Values in Remote Management for Best Outcomes

There are two types of prepandemic employees: (1) people who were working onsite in a shared working space with their managers and (2) people who were working online at home performing their job tasks for their online employer. People working onsite were sited to have children cared for at daycare and were used to commuting from their home location to their work location. However, when the COVID-19 Pandemic forced the closing of offices and businesses, mandating that everyone “shelters at home,” nearly 48.7 million people realized a new working experience, most of whom were used to working on site (Coate 2021). Suddenly, and without warning or preparation, these 48.7 million people were working online performing job tasks online working from their living room, kitchen, garage, basement, family room, kitchen table, or somewhere at home where they could have separation from the rest of the family who were also at home.

The mandated “at home” order meant that everything was happening at home, including schooling for children, which presented a challenge for even those who were already remote workers working at home before the lockdown. Working at home while the children are at school is what those remote employees were used to; so, when the lockdown occurred, they too felt overwhelmed with the working at home now mandated for everyone. Both types of prepandemic employees experienced unfamiliar challenges with the lockdown, forcing work performance to take place remotely, children home from school, prohibited from leaving the house except for getting groceries or picking up an order of prepared meals that were brought to the curbside, and other happenstances because of this pandemic. It was a strange and very unfamiliar circumstance to all employers and employees.

Because of the lockdown and people could not travel, businesses in the travel, hospitality, and restaurant industry struggled to stay afloat financially but succumbed to the economic downturn and were forced to close. Other companies and businesses in different industries followed suit, and because of these closings, thousands of people lost their jobs. In these crises, employers and employees working from a distance were forced to find a way to stay connected in cyberspace.

“You are muted” became the familiar phrase during online meetings that were forced to occur due to the lockdown. Online Zoom, WebEx, Google Hangout, and Facebook Messenger Facetime were used hourly for communications and information sharing to keep the workforce connected between management and their employees. In this crisis, managers and their employees were faced with keeping their working relationship intact despite the physical distance. Emerging values such as empathy, sympathy, and determination were front and center during this period for personal and professional survival. During the lockdown crisis, these values helped employers and employees overcome the formidable challenges of forced remote working. Now that the pandemic has subsided and it is no longer a health risk to work in the same physical space, businesses want

to return to prepandemic conditions, but their employees do not (Smith 2022).

If the pushback from employees was not enough to cause havoc for the employers, there is also a situation where the populous of people do not wish to work. This period is called “The Great Resignation” (Fox 2022). Burnt out from working remotely, scared there is still a health risk looming, people of working age (18–78 years old) have quit their jobs to seek better opportunities. The cost of inflation has caused rent to increase, the cost of gas for the car has exploded, and all other expenses have risen to the point where even earning \$15.00 per hour does not cover the cost of living. Being overwhelmed with all the rising costs and the looming future health scares associated with working near coworkers, people have resigned from their jobs. This Great Resignation poses even a more significant unprecedented challenge to the employers, so much so that they are meeting the demands of the workforce for working at home postpandemic, creating a remote workforce forcing the management of remote employees.

Working at home remotely postpandemic for employers means their management must manage people they cannot see, which is not what they were trained to do. Their training was based on being able to share the same workspace with their employees. Consequently, the management of onsite employees, with imposed and expected values such as commitment, dedication, diligence, and the like, is not the same values that must be front and center when managing a remote workforce. When managing people, you cannot see and work remotely; the three central management values need to be respect, trust, and positivity.

### **Values for Management of a Remote Workforce**

When managing a remote workforce, respect, trust, and positivity are managers’ values. Employees working remotely need to feel respected and trusted by their employer to have an organizational commitment. An article written by Ed O’Boyle showed findings from a workplace

survey indicating one common need and expectation among the working generations. One common need and expectation is that “the organization cares about employees’ wellbeing” (O’Boyle 2021, p.1). The need to perceive their employer cares about them, what they are going through in their personal lives, and how that impacts their job performance is critical in the working relationship between a remote employee and an online employer (Cetin et al. 2015). When this caring and compassion is perceived, it is natural for the remote employee to have dedication, diligence, organizational commitment, and want to perform well for their employer. By managing with respect and trust, the remote employee feels they are accepted and valued and cared for.

Positivity is also a factor when managing a remote workforce. Managers of remote employees need to exude positive vibes, even from a distance, for their employees to feel safe, secure, and satisfied with their relationship with their employer. That means the manager needs to manage their employees working remotely differently than initially trained. The first of these three values is one of the most important values a manager can have toward their remote employees, and that value is respect.

### **Respect**

“Organizational respect can be understood as recognizing an employee’s worth and contribution” (2020, p.1). Respectful engagement by the manager includes sustained actions of supportive behaviors, including attentiveness and appreciation. Most remote employees want to know in their minds and feel it in their hearts that they are contributing value to their work and there is meaning in their work. Managers who communicate that with articulation and visible actions foster a work environment that includes affective commitment, closeness, and connectedness, leading to cooperative collaboration. Remote teams, most significantly, need to feel the close connectedness and cohesion from a distance that compensates for the absence of a shared physical workspace. With this respect, remote employees are accepting and

responsive to their managers. Also, with this respect taking place, building the next central value of trust in the working relationship between online employers and remote employees is more achievable.

## Trust

Trust is defined as “assured reliance on the character, ability, strength, or truth of someone or something” (Merriam-Webster) and was the topic of debate among employers’ prepandemic. “How can we have employees working remotely and trust they will do their job, be accountable and productive?” (Gupta 2020). This was why employers, prepandemic, pushed back on allowing their employees to work at home. However, working at home during a time of lockdown, maintaining, and, in some cases, working with greater productivity and a high level of accountability put to rest the argument against the viability of having remote workers. Trust was built and maintained when managers had to ease the reins remotely. Psychological capital such as trust directly correlates with affective commitment, loyalty, dedication, job satisfaction, and employee retention (Norman et al. 2020). Relinquishing control and beefing up communication are two ways to build trust in the management relationship between online employers and remote employees. Having workers working out of view means that they are responsible for the work they produce without the watchful eye of their supervisor. With the trust maintained and appreciated, there is a natural progression to the third value of positivity.

## Positivity

This is a forgotten value in management, yet it is a substantial value that needs to be included when managing a remote workforce (Shahid and Muchiri 2019). Positivity is referred to as being positive or optimistic in attitude and belief. This value creates a pleasant and attractive working environment where creativity, innovation, and

collaboration thrive (Losada and Heaphy 2004). Having a positive attitude exuded in word and deed fosters a working relationship between the online employer and remote employee filled with possibilities that otherwise would not exist. Options such as fresh new ideas that could enhance productivity lead to more excellent values in the marketplace. Imagine what this could mean to the company and its place in the industry. Additionally, having a positive working environment is one that the remote employees are likely to appreciate, enjoy, and not want to leave. When employees, especially remote employees, are leaving their managers as the reason for leaving their company, it is imperative to manage with positivity.

## Optimum Outcomes

When managing a remote workforce with the values of respect, trust, and positivity, outcomes such as affective commitment, high levels of satisfaction, loyalty, trustworthiness, dedication, diligence, reliability, and dependability are likely to occur. Retaining the workforce of qualified and motivated employees, especially when they are working remotely, is the responsibility of the management. In an age when technology is advancing and readily available, and when remote employees are searching for companies that care about them, this is the time for managers to manage their remote employees with respect, trust, and positivity, thereby demonstrating their care for their wellbeing and the appreciation for the value of their contribution. With this caring and gratitude, remote employees are likely to remain. They wholeheartedly contribute toward the success of the company and their career success, making this working arrangement a win-win for all.

## Cross-References

- [Future of Work: Values and Ethical Issues](#)
- [Human Resource Management](#)
- [Online Employees and Employer Relations](#)

- [Respect and Business Ethics](#)
- [Trust and Value-Based Management and Leadership](#)

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## Values-Based Consumption

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## Synonyms

Conscious consumption; Consumerism; Ethical consumerism; Ethical consumption; Ethics based consumption

## Definition

Values-based consumption is the notion that consumers use attributes beyond convenience, brand, functionality, and price in deciding what to buy or not to buy. Values driven consumers buy products and services in keeping with their economic, social, and ecological concerns.

When Starbucks announced on January 29, 2017, that the company would hire 10,000 refugees over the course of the ensuing 5 years, CEO Howard Schultz may have been acting from personal feeling about the actions of President Trump in the preceding days. But he likely also intended to stimulate values-based consumption. Values, here, refers to ideas about what should be valued by consumers in society, rather than the dictionary definition of values, which might suggest consumption congruent with any kind of motivation, including power values, achievement values, or self-direction values (see Swartz 1992 for a detailed description). The commonly accepted meaning of values-based consumption is more in keeping with the term “ethical consumption.” So in terms of the Starbucks example above, people who oppose the United States’ changed policy with respect to refugees might be motivated to purchase Starbucks coffee because of the announcement; that is, consumption of Starbucks products accords with their ethics.

As the example suggests, ethical consumption is not the same as “consumer ethics.” Consumer ethics encompasses a wide range of consumer behavior not limited to, but including, such concepts as accepting more change from a Starbucks’ cashier than is owed, or not telling the Starbucks cashier if the price that is rung up for an item is lower than the actual sales price. Ethical consumption describes the antecedents to and the act of consumption of an ethically designed and produced good or service. Ethical desires emerge across the many phases of consumption such as needs assessment, information gathering, shopping behavior, decision making, and finally the disposal, reuse, or recycle of the good. Moreover, ethical consumption can also take a more circuitous route as in the example of Starbucks above. In this case, ethical consumers would choose to support the ethical behavior of the firm from which it consumes; a firm or cause with which they believe themselves to be ethically congruent.

When consumers recognize a disconnect between their ideal state and their reality, they develop a desire for goods or services. This need does not need to be satiated unless the consumers find that disconnect to be a problem. If consumers find that a purchase needs to be made then they evaluate product choice, product attributes, and whether or not these products will improve their lives. For ethical consumers, their purchasing decisions factor in product attributes beyond functionality, esthetics, price, or availability. The disconnect between their desired state and their reality relates not only to a personal need but also to the degree of dissonance they experience in the world. Values-based consumption allows them to buy and consume in a manner fitting their beliefs. If they are concerned, for example, about the impact of their consumption on the health of the earth, they may purchase products that offset that concern. In effect, ethical consumers do not only consider the product in the decision but the materials that went into making it, how, where and by whom it was made, how it made its way to the point of purchase, and/or what will happen to it when it comes time to dispose of it. Ethical consumers attach weight to their

purchase beyond utility; often this is a social or environmental meaning and impact.

## Contemporary Consumerism

The trend toward consumer activism reflects the idea that there is a moral minimum by which individuals and institutions should act to prevent negative social and ecological consequences. The term has often been taken to signify just a concern for the environment because the much of ethical consumers’ attention focused on environmental issues throughout the 1980s and 1990s.

Ethical consumption reflects a growing consumer interest in the social and environmental outcomes of production and consumption levels. Just as it leads consumers to select products they consider ethical, it leads them to withdraw their interest in products they consider unethical. When consumers organize group ethical consumerism, they engage in practices known as boycotting and buycotting. For example, consumers who objected to the labor practices of Nike initiated a boycott in the 1990s to compel the sneaker company to abandon its sweatshop practices. In another example, consumers who objected to a boycott of Chick-a-Fil related to the allegations of homophobia conducted a buycott in which they patronized the restaurant on a designated day.

Some of the issues of concern to ethical consumers are:

- Working conditions in developing countries
- Inequality between the needs of disadvantaged producers and business in developed economies
- Over extraction of natural resources
- Pollution
- Biodiversity loss
- Desertification
- Climate change
- Global warming
- Water shortage
- Concern about excessive consumption in excess of what is needed to sustain oneself
- Genetically modified organisms
- Plastic use

- Excessive landfill leading to environmental degradation
- Animal rights
- Factory farming
- Chemicals used in production

Which issues the very diverse set of ethical consumers will take up depends on a complex set of factors. Values-based consumption is complex and the antecedents to such behavior might include personal motivations, locus of control, perceived consumer effectiveness, price, willingness to pay more to achieve a values-based objective, world-views, availability, the range and scale of the problems, fear of being fooled by opportunistic firms, moral blindness, information overload, education, and demographics, just to name a few. Ethical consumer demand has grown for:

- |                                                                    |
|--------------------------------------------------------------------|
| • BPA-free plastic                                                 |
| • Cage-free chicken                                                |
| • Clothing made with sustainable or recycled materials             |
| • Community trade products                                         |
| • Cradle-to-cradle certified products                              |
| • Fair trade products                                              |
| • Fuel-efficient cars                                              |
| • Natural cleaning products                                        |
| • Meat-free food alternatives                                      |
| • Natural makeup and skincare products                             |
| • Pasture-raised meat                                              |
| • Products certified not created by forced, child, or bonded labor |
| • Rain Forest alliance certified products                          |
| • Reusable shopping bags                                           |
| • Solar powered products                                           |
| • Stainless steel and glass water bottles                          |
| • Sustainable flooring, furniture, and homes                       |
| • Sustainable palm oil products                                    |
| • Tiny houses                                                      |

The fact that the market offers a wide array of products for the ethically minded consumer to choose from, may force individuals with budget constraints to create a hierarchy of the issues. Given that some ethical products are more expensive than regular alternative supporting one cause may prevent consumers from supporting another. This might lead consumers right back to a state of dissonance. Furthermore, as some of these products are not widely available in more mainstream

distribution channels may be enough to dissuade the ethically minded consumer from consuming ethical products when they face other lifestyle challenges like time constraints. Finding the time to source ethical product alternatives and travel to buy them puts two forces in opposition: time and ethics. This distinction between consumers' ethical product preferences and not actually buying ethical products is often described as the ethics gap.

## Conclusion

Consumers hold business responsible for overuse of resources, pollution, and exploitative labor practices. Businesses might respond that consumers demand ever increasing improvements in their products without consenting to higher prices. In reality, both parties, as well as government oversight, are necessary to develop models of business and consumption that are both fair and sustainable. While “buy nothing” policies in theory seek to circumvent this reality, the large unmet demand in developing economies, as well as other factors, makes this a limited strategy. There are many social and political reasons to encourage a sustainable level of consumption. Values-based consumption seeks to achieve this level while mitigating its effect on the environment and society.

In addition to consumers, businesses, and governments, scholars have a role to play in addressing the negative consequences of consumption. The ethical consumer movement dates to the 1700s; scholars would do well to explore this history so that the contemporary movement can learn from it. Kassarian's look at attitudes toward environmentally friendly fuel (Kassarjian 1971) preceded the fierce uptick in research on other forms of ethical consumption. This interest from scholars must continue at an even more intensive pace given the gravity of the problems in the natural world and in societies across the globe.

## Cross-References

- [Animal Ethics](#)
- [Collaborations between Grassroots Advocacy Groups and Business](#)



- [Distributive Justice](#)
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## Values-Based Management Theory

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## Synonyms

Actionable values; Core values; Managing by values

## Introduction

Values-based management is defined “as a series of interconnected managerial activities to ensure the acceptance of relevant organizational values inside and outside the organization” (Jaakson 2010). The theory holds that human values are at the core of managing organizations. Managers’ help to identify and support shared values within and outside of the organization (Fig. 1). The centrality of values in this theory of management stands in stark contrast to more mechanistic, bureaucratic, and scientific views of management as an “objective” science with little regard to human values, needs, or desires. The values-based approach posits that human values drive the mission, goals, and objectives of organizations and inform leadership, strategy, decision-making, ethics, and social responsibility. In short, human values underlie and are manifest in all aspects of managing organizations and, indeed, human organizing represents a direct expression of values.

In its purest form, values-based management argues that values inform every aspect of organizational functioning. From values, flows everything else. The organization’s mission is perhaps the most crucial embodiment of and expression of deeply held values. The values-based mission, in turn, permeates all other areas of the organization. Identifying, aligning, and behaving in accordance with organizational values requires diligence and perseverance.

## Values-Based Management Theory,

**Fig. 1** Values-based Management Theory

- Values drive mission and vision
- Values statement declares organizational values in writing
- Values statement is shared with all stakeholders
- Managers identify and support shared values
- Espoused values and values in-use must be aligned
- Values inform all organizational processes
- Ethics and values are connected
- Values influence employee attitudes and behavior
- Values affect the bottom line and accountability
- Embracing shared values creates competitive advantage

The recognition of the significance of values in management is hardly surprising. Values comprise the very basis for human existence. Values are defined as core beliefs about what is important in life. Values are considered to be the deepest level of personality and values find expression in attitudes, needs, and expectations (Natale et al. 2004). Values are one of the few variables that are studied in all social sciences and are now recognized as a major component of successfully managing people and organizations.

## Individual Values

Individual values are the ideals that have significance throughout life. Personal values are formed in early childhood and are affected by the values of parents, family, religious participation, and the environment. Values represent rules that guide an individual's priorities and actions. Values underlie motivation and behavior across social settings. Living in a manner consistent with one's personal values increases the likelihood of a satisfying and meaningful life. Values emerge from personal experiences and challenges. Values reflect inner growth and personal development in different phases of life.

Values are relatively stable in contrast to attitudes that are more changeable and malleable. Several arguments have explained the stability of values. Rokeach (1973) suggested that values develop in isolation from each other in an "all-or-nothing" fashion. This type of absolute learning is presumed to be strong and durable. Others have noted that values acquisition requires energy, effort, and discomfort. People want to keep things that they struggle to acquire (effort-reward theory). Further, values are rewarded on a partial

reinforcement schedule making them resistant to extinction. However, over the course of a lifetime, new values and priorities develop, making it important for people to rediscover and remain in touch with their values. There is a tendency for values to become more conservative over one's life such that excitement is valued in youth while a quieter, more predictable environment is valued later in life.

Values at the individual level have numerous conceptualizations, realizations, frameworks, and typologies (Ramburuth 2013). Yet, there is a general recognition that values are a critical determinant of individual, social, and organizational behavior. The adage "know thyself" is essentially referring to the understanding of the values that one holds dear. Values can be quite broad such as those identified in the *Study of Values*: Theoretical (truth), Economic (what is useful), Aesthetic (form, beauty, and harmony), Social (love of people), Political (power), and Religious (unity). Values can also be differentiated by their consequences. Rokeach (1973) postulated instrumental values (relating to personal conduct) and terminal values (relating to desirable end states in life). Examples of instrumental values include being logical, helpful, and self-controlled, whereas terminal values are wisdom, an exciting life, and a sense of accomplishment. Rokeach (1973) proposed a relationship between instrumental and terminal values such that instrumental values are associated with the attainment of terminal values.

## Values in Organizational Context

*Individual values at work.* Individual values are quite important in the work domain as well (Meglino and Ravlin 1998). The exact connection

between individual and organizational values has been considered in the literature (Jaakson 2010). Organizational values are widely recognized particularly with respect to organizational culture. Yet, organizations as legal entities and abstract representations do not have intrinsic values in the same sense that individuals do. The way in which individual variables affect the organization and organizational values affect individuals needs to be explicitly identified. Are organizational values the modal values of all organizational members or are such values completely unrelated and independent of each other? How does values-based management solve this quandary?

Consider an individual joining a work organization. There are two essential matches that relate to how an individual “fits” their work environment: (1) knowledge, skills, and abilities fitting the requirements of the position; and (2) individual values meshing with organizational environment and culture. The vast majority of involuntary turnover decisions (i.e., the employee is terminated) involve a mismatch between the employee’s values and corporate culture. Being qualified for a job is a necessary but insufficient condition for successful adjustment in an organization. Personal values play a big part that transcends qualifications. Values connect the employee to the organization affecting motivation, satisfaction, and organizational citizenship behaviors (i.e., those that go beyond the position description). The foregoing highlights the importance of considering prospective employees’ values during the onboarding process.

*Organizational values.* Values comprise the basis for an organization’s purpose and ideals. Values underlie all organizational cultures whether explicitly identified or not. Increasingly, clarifying organizational values is related to overall organizational effectiveness. As stated above, organizations do not have values per se although an organization, via its members, can identify and embrace a set of shared values. Values-based management is defined “as a series of interconnected managerial activities to ensure the acceptance of relevant organizational values inside and outside the organization” based on Jaakson’s (2010) managing by values framework.

Organizational values can be conceptualized as a hierarchy where the top level is the values statement shared with all organizational members, stakeholders, and society. Such values are also termed espoused values. In a sense, the values statement is the tip of the values iceberg. Yet, these guiding values are touchstones for all values-based processes in the organization. Ethical values of the organization should be considered in the values statement as well. This set of values is explicit and formalized in written company documents. Companies should engage in a process to identify their unique values, those that they want to be known by. Taken as a whole, an organization’s values transcend but inform the mission and vision statements of the organization (Fig. 1).

In addition to espoused values, the implementation of organizational values is termed values in-use (Argyris and Schon 1978). This refers to the manifestation of values in decision-making, leadership approaches, strategy implementation, human resources practices, etc. (It is beyond the scope of this entry to review the myriad of values models. We refer readers to Jaakson (2010) for a detailed discussion.) Alignment of values in-use with the values statement is essential. There is no universal set of values that will ensure organizational success or survival. However, ethical and well-being values appear to be related to positive workplace behaviors (Jaakson 2010).

Ideally, individual, team, and organizational values would be identical or isomorphic. This is aspirational in the face of increasing corporate diversity. There will always be some degree of divergence between espoused organizational values and values in-use by organizational members. It is important, however, that employees embrace organizational values, even when such values are not in exact alignment with their individual values. Noticeable divergences between espoused values and values in-use can be problematic since stakeholders are quite sensitive to the gap between published values statements and the behavior the organization and its employees. Awareness of values alignment is an essential component of values-based management (Blanchard and O’Connor 2003).

Values are often considered with respect to organizational culture. Organizational development models consider values as a central variable affecting organizational change interventions. Cultural change, such as the pursuit of new organizational strategy, largely depends on employees' awareness of their personal values in relation to organizational values, and how these align collectively with the organization. Without this alignment, organizational changes are more difficult.

## Examples of Values-Based Management

Two notable examples of values-based management models are Blanchard and O'Connor's *Managing by Values* and Zappos' model of actionable values (values that can be used to hire and fire people, inform decisions, etc.). Both of these examples reveal how values can be used to shape and inspire entire organizations.

*Managing by Values.* The managing by values (MBV) concept was inspired by Naisbett's "Fortunate 500," a play on words for the Fortune 500, a ranking of companies based on their economic success in the corporate world. The "Fortunate 500" goes beyond economic success by focusing on the quality of service companies provide to their customers and the quality of life of their employees. MBV (Blanchard and O'Connor 2003) has three essential components: identify core organizational values; communicate/share these values; and align all organizational processes with your values.

MBV, like any corporate intervention, requires the support and participation of top management. Employees at all levels must be honest and open about what core values should be embraced. This is a critical step and it does take time. Blanchard and O'Connor (2003) argue that values should be prioritized as well. In effect, values are identified and ranked from most important to least important. Communicating core values follows. Finally, all processes are aligned with values. The alignment process is the most difficult part since the gap between espoused values and values in-use must be bridged.

MBV is a framework and a model for companies to implement values-based management. Successful enactment of MBV positions a company for entry into the Fortune 500. Values are the only boss in an MBV company. The authors posit that MBV is not a program but a way of life. Success means using your values in everything that you do every day. The book (Blanchard and O'Connor 2003) does provide some evidence for successful MBV implementation.

*Zappos Values Model.* Zappos, an Amazon.com company, undertook a corporate-wide effort to identify unique, actionable corporate values (Hsieh 2010). Zappos did not always have a set of core values. The CEO, Tony Hsieh, resisted creating company values because it seemed "too corporate." Initially, the three top executives interviewed all prospective employees for fit with the Zappos culture. The company grew rapidly and it was impossible to scale the interview process. The legal department suggested that corporate values be codified so all hiring managers could use them in hiring.

The process took more than 1 year. All employees were given the opportunity to participate. The company wanted unique values such that doing an internet search for any of their values would yield Zappos as the top search result. The values should also be "actionable" meaning that these values would inform decisions and would be the basis for hiring and firing employees. After various meetings and processes, a list of 10 values were agreed on: Deliver WOW through service; embrace and drive change; create fun and a little weirdness; be adventurous, creative, and open-minded; pursue growth and learning; build open and honest relationships with communication; build a positive team and family spirit; do more with less; be passionate and determined; and be humble. The recruitment department developed interview questions for each of the values. In practice, humility is the most important value in the hiring process. Hsieh stated that "when new employees join the company, they are required to sign a document stating that they have read the core values document and understand that living up to the core values is part of their job expectation" (Hsieh 2010).

The Zappos example illustrates how a company can generate a unique list of actionable values used in all phases of the business. All employees had a chance to participate in the process. By design, the potential gap between espoused values and values in-use is minimal. The values are widely disseminated on the internet, available to all stakeholders. All employees realize the core values are directly related to their performance. Zappos is one of the prime examples of applied values-based management.

## Importance

Values-based management theory acknowledges the important role that human values play in organizations. Values permeate all organizational processes whether or not employees explicitly recognize values. Managers play a critical role in identifying and supporting shared values. Crafting values statements that are real and aligned with values in-use requires diligence and vigilance. Values can be idiosyncratic, inform performance, and lead to choices that are beneficial in the long run. Ethical and well-being values appear to be related to positive organizational outcomes. Values directly influence attitudes, beliefs, and expectations of organizational members. Matching individual values with corporate culture underlies recruitment, selection, and onboarding. Values-based management theory in a nutshell: from values flows everything else.

## Cross-References

- [Company Socialization and Ethical Fit](#)
- [Meaningful Work](#)
- [Trust and Value-Based Management and Leadership](#)
- [Values-Based Consumption](#)

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## Vaping and Bioethics

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## Synonyms

Bioethics; e-cigarettes; Medical ethics; Vaping

## Introduction

In 2003, Chinese pharmacist Hon Lik created the electronic cigarette as a way to ingest nicotine in a less harmful way after his father's fight with lung cancer. Shortly after, the device was introduced to Europe (2006) and the United States (2007) as a smoking cessation aid. The new technology also appealed to a new generation: minors. The advertisement strategies by vape companies had the ability to attract a new, younger generation to nicotine. Despite its noble origins, vaping is addictive and brings its own set of health problems to these consumers. Ethical marketing of

Note: All references and guidelines within this article are US.

vaping equipment must balance reaching consumers with protecting a population from a device that may cause them harm. One way to examine this health issue is through the lens of bioethics. Bioethics is a field that evolved in the late 1960s/early 1970s to explore the moral issues of the life sciences. One of its main tools is the four principles of biomedical ethics written by philosopher Tom Beauchamp and religious studies scholar Dan Childress. Applying the principles of autonomy, beneficence, nonmaleficence, and justice to the issue of vape marketing offers cautious lessons to this practice.

## Autonomy

According to Beauchamp and Childress, autonomy derives from the Kantian notion of self-governance, requiring intentionality (self-chosen), understanding, and noncontrol (“be free of controls exerted either by external sources or by internal states that rob the person of self-directedness”, p. 102). In the bioethics version, a person who has capacity can make their decisions as long as they understand the risks, benefits, and alternatives. In other words, personal autonomy requires both “liberty (independence from controlling influences) and agency (capacity for intentional action)” (Beauchamp and Childress 2019 p. 100).

These foundations of autonomy are in opposition to the purpose and goal of marketing – to persuade a consumer into making a choice that they might not have made on their own.

From an autonomy perspective, marketing can *nudge* a person to make decisions they may have made anyway if they had sufficient information, such as knowing a product exists. A potential consumer cannot be *coerced* – have their options limited or be manipulated into developing a desire that overwhelms rational thought. Freedom from control means a person can make their own choices when given truthful and accurate information. They must be free from coercive influences.

In some iterations of autonomy, the health care provider is nondirective, meaning gives the information without telling the patient what to do. In

other settings, autonomy permits a health care worker to share their professional opinion. This points to the difference of “nudging” from “coercing”. Nudging is “any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives.” (Thaler and Sunstein 2008, 6). This is about controlling a choice environment to encourage people to make a certain decision. For example, in cigarette packaging, warning labels in the U.S. and pictures of diseased bodies in Europe are meant to dissuade the purchase. The other end of the influence spectrum is coercion where a person is physically or psychologically forced to make a specific choice. Coercion moves decision-making from a pure autonomy to strong-armed paternalism. Both nudging and coercion are about creating circumstances to direct choice toward a desired end that may not be in the person’s best or self-interest.

The purpose of advertising is to craft a message, to present a vision of reality that persuades a person to act. In many cases, this means emphasizing the benefits and minimizing or overlooking the risks. There are a few circumstances in which risks must be disclosed, such as cigarette packaging and drug commercials on television because marketing historically was misleading (i.e. coercive by circumventing rational decision-making processes). This points to a difference in the autonomy requirement of understanding – not just that a person has been given information but that they comprehend its meaning to their own life. Advertising only gives selective information without assessing understanding, a far lower standard and one that would not meet the stricter requirements of autonomy in bioethics.

In terms of vaping, companies such as JUUL have been accused of not being honest in their advertisement strategies. When JUUL began marketing in 2015, its advertising was accused of targeting a younger audience by using attractive actors and captivating strong colors which would appeal to a younger population. They sold images of lifestyle and fun, which downplayed the true intention of the device – to deliver nicotine. There were also launch parties with popular artists and a



large growing social media following with hashtags such as “#ShareJUUL” or “#GiveJUUL” that generally appealed to a younger demographic. Vape products also tempt by offering a variety of flavors such as bubble gum, mint, melon, and cotton candy that attract younger consumers.

As a result of anti-smoking campaigns, people under the age of 25 are less likely to smoke cigarettes than previous generations (Johnston et al. 2019). They have been exposed to messaging that emphasizes risks to combat the perceived “benefits” that one finds in seeing a celebrity smoke in a film or other marketing. While there is a stigma against the traditional cigarette because of the smell and known adverse health effects, vaping attracts nonsmokers due to the marketing and design of the product and that people do not think of it in the same way. The National Youth Tobacco Survey from 2018 found that 34.2% of high school and 18.0% of middle school students reported using vaping products in the last month whereas only 5.8% of high school and 2.3% of middle school students report cigarette use (Cullen et al. 2019). For these reasons, the FDA in 2020 announced restrictions on the selling of flavors that would appeal to a younger palate.

From an autonomy lens, a person usually gains legal competency to make decisions when they turn 18. However, the brain of an individual does not reach developmental maturity until 25 years of age. Advertising directed at people who are not old enough to legally purchase a product is an attempt to familiarize a population with a product and to go under the rational radar – they develop a fondness for the product, associating it with pleasant memories. Studies show that younger individuals are more prone to nicotine addiction and permanent damage from use. Even with buying restrictions, the colorful advertising and flavors make teens with developing brains and limited rational capacity desire the product, stepping over the line from nudging to coercing. To conform with autonomy, vape advertising must clearly provide the risks and help potential consumers understand (not just be given information) the choice they are making, and be directed at people with fully developed rational brains.

## Beneficence

According to Beauchamp and Childress, beneficence means that “agents must take positive steps to help others” (Beauchamp and Childress, p. 217). In other words what is being done should be of benefit to the person, to make their lives better as well as to take steps to prevent harm. Thus, beneficence first asks what is the benefit to the user? The e-cigarette was created to be a safer form of tobacco consumption and to reduce the health effects of smoking cigarettes and cigars. E-cigarette use is associated with less long-term success in quitting tobacco use, suggesting substitution of one nicotine delivery method with another.

An obligation to do benefit means companies have an obligation to be truthful towards their purpose of selling vapes and must take steps to prevent harm. The principle of beneficence is paternalistic, but in the case of minors, that is not only justified, it is required. Under beneficence, governments are justified in requiring warning labels, limiting sales to certain groups, and controlling the amount of active substances in the vape fluid. For example, in the UK nicotine levels in vape fluid are half of what the USA had when it first launched. There is also a higher tax, more information on the packaging about the negative effects of vaping, and a no advertisement policy on vaping related products; however, they are still available to adults who can benefit. These regulations balance the paternalism of government regulation, self-imposed actions to benefit the consumer, the freedom of a competent consumer to purchase the item, protecting young people from being exposed to advertising intended to move them to buy a product that may be harmful to them, and still being available for those who intend to use it for its alleged beneficial purpose of smoking cessation.

## Nonmaleficence

Nonmaleficence means to do no harm. “The principle of nonmaleficence obligates us to abstain from causing harm to others.” (Beauchamp and

Childress, p. 155). The idea derives from the Hippocratic Corpus which says that not causing harm is a health care provider's first obligation.

Although created to mitigate the harm of nicotine consumption, vaping has been shown to have not only the addictive problems of other nicotine delivery systems, but to have its own potential harms. *E-cigarette vaping product use-associated lung injury* (EVALI) is the term that the Centers for Disease Control and Prevention (CDC) gave to the newly identified lung disease linked to vaping. As of February 18, 2020, the CDC had reported a total of 2807 hospitalized cases and 68 deaths due to EVALI, and the average age of the patients was 24 years (CDC 2020). Those who vape inhale lung-damaging ultrafine particles, toxins, and carcinogens.

A competent adult might be able to waive this obligation for themselves by saying, "I have been told the risks and benefits and I choose to use this product." To make such a choice, though, the consumer would need to know the risks and the benefits. Most ads, merchants, and packaging do not inform consumers about this information. They may also not know that vape products have little to no regulatory control, at least in the USA. In most cases though, the use of the vape product does not just harm the individual, but harms those who are not consenting to the exposure. Second-hand vape smoke impacts the lives of those who have asthma and pregnant women by causing abnormalities in fetal lung development.

One who lacks a rational capacity – children, teens, young adults – lacks the ability to waive this interest that others will not deliberately harm them. Nonmaleficence is a paternalistic concept that someone else knows what is best for you because you are incapable of seeing it or lack information and understanding necessary to make good choices. Advertising geared toward children and teens on TV, radio, online, and social media drive desire for a product whose proper use causes harm and violates professional principles.

According to the American Advertising Federation (AAF) Principle 8 "Advertisers and their agencies, and online and offline media, should discuss privately potential ethical concerns, and members of the team creating ads should be given permission to express internally their ethical

concerns" (AAF 2011). The American Marketing Association (AMA) code of conduct states that marketers must do no harm, embrace ethical values, and be trusted (AMA 2019). The marketing that the vape industry delivers must do no harm. Advertisers and marketers are responsible for their messaging and for what actions those who hear it may take. Companies must be aware of any ethical concerns in their advertising to be transparent with the general public. Thus, when vape companies are catering to minors to build a base of current and future customers, they are not being transparent in their message and putting others in harm's way in violation of their own professional code.

The more that the youth are exposed to advertisements, the more likely they are to become addicted to nicotine and be subject to other harmful chemicals in the vape fluid. According to the U.S. Department of Health (2016), "exposure to e-cigarette advertising on television increased by 321% for young adults (18–24 years of age) and 256% for adolescents (12–17 years of age)". As the advertisement of e-cigarettes rises, so does the use of e-cigarettes among the youth.

The prevalence of using vaping products has risen for those who did not smoke prior to being shown advertisements for e-cigarettes. As a way to combat the use of vapes in the youth, the minimum age for buying a vape was raised to 21 on January 1, 2020. This is a step in the right direction, but the brain is not fully developed until the age of 25 so the effects on the brain are more severe for youth. A 2020 FDA ban removes certain e-cigarette flavors in an effort to crackdown on youth vaping (FDA 2020). When looking at vape advertising, nonmaleficence suggests an obligation to not sell a product, or advertise a product, whose use as directed would knowingly cause harm.

## Justice

The principle of justice requires treating people equally, fairly, and impartially (Beauchamp and Childress). This principle draws on the Aristotelian notions of "fairness in distribution" and "treating likes alike and different differently."

This is the one principle that focuses on the community perspective. For example, if this is truly a device meant to help people quit smoking, then it should be treated like other medical devices and require a physician prescription.

One point of comparing likes alike can be seen in viewing how countries outside of the USA deal with these products. While in the USA, a JUUL pod contains 59 mg/mL of nicotine (equivalent to one pack of cigarettes); in the UK, there is a limit on nicotine content at 20 mg/mL. The EU also restricts vape product advertising on TV, radio, print, and online.

If e-cigarettes are more like traditional cigarettes than they are different, then justice suggests that vaping products should be subjected to the same rules, oversight, and regulations that fall upon analog smoking devices. There is much in common between cigarettes and vapes, but one big difference between them is that vapes can still be advertised. Since April 1, 1970, cigarette ads have been banned from being aired on television or radio in the USA. There have been further restrictions of tobacco companies since then and the number of smokers in the USA had declined from 42% in 1965 to less than 17% in 2018, which could be driven by both health warnings and high taxes (Glass 2018). However, e-cigarettes and vapes can still be advertised on television, print, and radio ads. When it first launched, JUUL relied heavily on social media to appeal to new people, especially minors, with flashy colors and other advertising tactics. Although the e-cigarettes are seen as a safer alternative when compared to traditional tobacco products that produce tar, nicotine is still present, highly addictive, and can harm the developing brains of adolescents. The marketing techniques closely mirrored the advertisements of tobacco which raises the question of why it can still be advertised so freely. If likes are meant to be treated alike then the marketing techniques of e-cigarettes should be limited just like traditional tobacco, which includes being banned from TV and radio. After the FDA had called the act of vaping in youth an epidemic, JUUL shut down its presence on Facebook and Instagram, and limited its Twitter to non-promotional tweets.

## Final Analysis

While autonomy is often the driving principle in most situations, it does require a full and truthful sharing of the risks and benefits to allow users to make a rational decision free of coercion. The goal of marketing is often the opposite, to nudge people toward making a decision they may not have made on their own. Advertisements often call on people's emotions, not their reason. An ethical vape industry must strive to be transparent in its advertisement so they do not appeal to minors. Nonmaleficence means that the general public must be informed about the dangers of the products, even though they have the right to ingest what they want. By allowing minors to think these are risk-free and "cool" devices, many minors have become addicted to nicotine. Minors using these products put not only their lives at risk, but act as brand ambassadors as they share on social media, therefore promoting its use to more minors. Not being proven as an effective tool to quit traditional cigarette products, being a potential health hazard, and using marketing that appeals to youth go against the principle of beneficence. Therefore, according to justice, e-cigarette companies should have the same limitations in their marketing as cigarettes.

## Cross-References

- [Advertising Ethics](#)
- [Bioethics](#)
- [Veganism and Ethical Consumerism](#)

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## Veganism and Ethical Consumerism

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## Synonyms

Climate-friendly consumption; Ethical consumption; Food ethics; Vegan boycotts; Vegan consumerism; Veganism

This work is based on a longer review article that summarizes the results of original articles on the topic (see Beck and Ladwig 2020).

## Introduction

“Veganism” is most commonly associated with concern for animal welfare or animal rights. However, veganism can also be justified from an ecological perspective centered on anthropocentric considerations of justice or collective self-interest. Concerns for individual animals and for the environment converge, not least because animal husbandry has a large impact on anthropogenic global heating. This entry focusses on vegan consumerism as a means by which to minimize harm to animals, humans, and the environment. It entertains a broad understanding of vegan consumerism that also covers attempts to influence political decision-making.

The use of animals is a legally authorized and institutionalized practice, which means that one must consider both responsibility within consumer interactions, and responsibility to reform social institutions and structures. Reforming or eliminating practices that harm animals would require collective action to create more just national and international laws and institutions. Likewise, slowing climate change requires institutional solutions and collectively binding decisions concerning different societal sectors, including agriculture. Governments arguably bear a primary responsibility to ensure climate justice and the morally appropriate treatment of animals and are consequently obliged to strive for international coordination and cooperation. Industry lobbyists attempt to obscure this with deflection campaigns that shift moral responsibility from governments and companies to individuals. But this does not imply that consumers bear no responsibilities at all with regard to climate and animal justice. Governmental, corporate, and consumer responsibilities are complementary in principle, and each warrant an in-depth treatment. This entry is restricted to a discussion of the responsibilities of individuals for the moral consideration of animals and climate justice – not only in consumer interactions, but also in their political roles as citizens. It addresses the overarching question of whether concern for animals, human rights, and/or climate justice entails weighty moral reasons to adopt a vegan lifestyle.

This entry proceeds as follows. First, veganism is situated within the broader field of ethical consumerism. Second, a variety of motivations and justifications for veganism are detailed. Last, criticisms of vegan consumerism are discussed.

## Ethical Consumerism

Ethical consumerism consists of purchasing and consumption choices that are understood as a morally informed response to wrongs in the production and distribution of goods and services. It has a narrow *interactional component*, which consists of consumer choices that are at least partly motivated by moral considerations. *Boycotters* intentionally renounce (or withdraw from) certain kinds of economic interaction. The boycottees can be individuals or organized groups, most typically not only companies, but also an entire industry sector, for example, when vegans avoid all products extracted from animals. In contrast, a *buycott* involves giving preference to products and services on the basis of moral considerations. Both boycotts and buycotts can be individual or organized. Examples of organized buycotts include official vegan certification, such as the European Vegetarian Union's V-label and the Vegan Society's Vegan Trademark. By participating in organized buycotts and boycotts, consumers typically seek to impact the demand for a product or service. Perhaps more importantly, they also take part in collective action, which can have far-reaching sociopolitical consequences. The *political component* of ethical consumerism is revealed when reflecting on what consumers can do to contribute to lasting social change and when the goals and concerns of these campaigns or initiatives are publicly communicated and justified (see Beck 2019). By participating in such campaigns, consumers often simultaneously aim at reforms of the basic institutional infrastructure of consumption, such as legislation that prohibits certain kinds of animal treatment.

Thus, consumers have a political reason to join well-designed boycotts and to support labeling initiatives, as well as the moral reasons given in defense of the interactional component of ethical

consumerism. Veganism is one such example of morally motivated and politically relevant consumer behavior.

## Veganism

The *Vegan Society* (2020) defines veganism as “a philosophy and a way of living which seeks to exclude, as far as is possible and practicable, all forms of exploitation of, and cruelty to, animals for food, clothing or any other purpose.” In the following, the term “animal products” is used as shorthand for all kinds of goods that vegans try to avoid. The definition's restrictive clause “as far as is possible and practicable” is crucial, however, because absolute avoidance of animal products is impossible, given their wide distribution – from tennis balls to medicines tested on animals.

The above definition of veganism refers to the *moral motivation* of avoiding cruelty to animals, but there are also self-regarding rationales for a vegan lifestyle, such as expected health advantages. However, empirical evidence suggests that a concern for animal welfare is the primary motivation for vegans. In a quantitative study among German vegans, the most important motives for becoming vegan are reports from factory farming, followed by climate protection and health considerations (Kerschke-Risch 2015).

However, turning to a vegan lifestyle demands a conscious decision to forgo many conveniences. That raises the question of whether such a radical step is really required due to *valid moral reasons*. Although animal welfare considerations provide the most compelling justification for veganism, anthropocentric arguments are still predominant in moral theory and everyday morals.

## Human Rights and Climate Justice

What anthropocentric justifications can be made for veganism? Human rights claims are broadly accepted as strong moral grounds for excluding certain practices. And today's livestock farming has a negative net impact on human rights-related goods, such as food, water, and health. Conversion to veganism by a significant share of the world's population could contribute to a more



just distribution of the abovementioned human-rights related goods, and also make it easier to overcome world hunger, since animal agriculture is a comparatively inefficient way of creating nutritional energy. A recent meta-analysis found that meat, aquaculture, eggs, and dairy use about 83% of the world's farmland yet provide only 37% of our protein and 18% of our calories (Poore & Nemecek 2018).

The production of livestock also causes water pollution, e.g., by nitrates, pesticides, and antibiotics. The excessive use of antibiotics in animal husbandry indirectly endangers human health by contributing to antibiotic resistance.

Animal husbandry is also one of the main drivers of anthropogenic global heating. According to the Food and Agriculture Organization of the United Nations, industrial animal farming causes 14.5–18% of all anthropogenic greenhouse gas emissions (FAO 2013). Livestock farming also contributes indirectly to global heating as tropical rainforests are destroyed to create soy plantations for animal feedstuffs or pastures for cattle. Deforestation not only fosters the extinction of entire species, but it also releases large amounts of carbon dioxide.

Notwithstanding such scientific findings, anthropocentric reasoning regarding human rights and climate justice does not suffice to show that a vegan diet is morally required. A radical reduction of the number of animals would suffice to reach our climate goals, and in particular, a moderate number of livestock could continue to be raised in grazing areas unsuitable for the cultivation of edible crops.

### Animal Ethics

Consequently, in order to arrive at the more radical conclusion that veganism is morally obligatory, vegans primarily rely on animal ethics. They try to show, first, that at least all sentient animals have a moral status, i.e., they matter morally for their own sake, and second, that existing animal welfare regulations do not take this status seriously enough.

There is still no philosophical consensus on the moral status of animals. The most important objections refer to some version of a mutuality

argument according to which only those individuals have a moral status who are capable of respecting this status in other individuals as well. Thus, in order to be a moral patient, one must also be a moral agent. This requires capacities such as rationality and ability to contract, or compliance with self-given moral laws. Because animals lack these abilities, some argue that they do not deserve moral consideration for their own sake.

Animal ethicists contest the presumed strict reciprocal character of morals with two arguments. First, if only rational and/or morally reasonable persons could have moral status, human infants and severely cognitively disabled adults would not matter morally for their own sake. This is counterintuitive and incompatible with the social scope of human rights. Second, even rational and reasonable persons do not restrict their moral claims to those “higher abilities” that enable them to morally reciprocate. They also expect consideration as embodied and social creatures, with corresponding physical and social needs (see Ladwig 2020). But if characteristics such as the capacity to feel pain or to suffer from social isolation are morally relevant in the case of humans, it seems arbitrary to morally neglect them in the case of nonhuman animals. In everyday morality as well as in law, there is a growing consensus that sentient animals matter morally for their own sake. Thus, harming animals requires justifications proportionate to the losses imposed on them.

Countless animals are confined, hurt, and killed in order that humans may sell and consume their products or their flesh. But there is broad consensus among nutritionists that vegetarian diets are appropriate for all humans during all stages of life, and that also vegan diets can be nutritionally adequate at least for healthy adults. Thus, humans could give up a large percentage of the animal products they currently consume, particularly in affluent societies, and still be capable of leading good and healthy lives. And given that animals matter morally for their own sake, humans should not harm them unnecessarily by purchasing and consuming animal products that are not vitally necessary.



## Criticisms of Vegan Consumerism

These moral reasons notwithstanding, there are a number of objections to vegan consumer activism and its underlying moral claims.

First, in order to be morally recommended or even obligatory for all, vegan consumerism must be generally reasonable. But is a vegan diet really suitable for all? According to the American Academy of Nutrition and Dietetics, well-planned vegan diets are adequate for almost all individuals. This position is shared, e.g., by the Australian *National Health and Medical Research Council*, and the Portuguese *National Programme for the Promotion of a Healthy Diet*. It is nevertheless not beyond professional dispute. For example, the *German Nutrition Society* does not recommend a vegan diet for children or pregnant and breastfeeding mothers. This might indicate that there is presently reasonable disagreement about whether a vegan diet is suitable for all humans.

Second, one could criticize vegan consumer campaigns as lacking legitimacy. Although individuals are arguably at considerable liberty to engage in unilateral boycotts and boycotts of products and services, the same does not necessarily apply to organized consumer activism.

Waheed Hussain (2012) argues that “social change ethical consumerism” must not deprive other citizens of their basic liberties, must be based on a reasonable conception of the common good, must only deal with issues that have not been addressed in formal democratic processes, and must be guided in a manner that is appropriately representative and deliberative. Vegan consumer campaigns that seek to abolish factory farming, or even all animal husbandry, would accordingly not be legitimate, as they aim at the institutionalized treatment of animals, which is not only addressed in formal democratic procedures but which may enjoy wide public support. However, Hussain’s criteria seem too restrictive and would not only disqualify vegan consumer activism, but also a broad range of other consumer campaigns that appear intuitively legitimate. It is more plausible to demand that ethical consumerism should be reflective of power

disparities, sensitive of the views of those they seek to influence, and advance a reasonable conception of the common good (Barry and MacDonald 2018). Organized consumer boycotts should also be proportional, in the sense of targeting producers who engage in comparatively problematic malpractices, and transparent in terms of disclosing accurate information about the campaigners and the malpractices that they target (Beck 2019).

Third, vegan consumerism might be considered causally ineffective. From the perspective of the individual, even a series of choices may seem to make “no difference,” given that producers and service providers usually operate on large scales and are unlikely to be responsive to the quantities involved in individual consumption patterns.

The causal impotence objection poses a challenge to consequentialist reasoning which postulates that those individual acts are morally right which yield the best expected outcomes. However, some consequentialists have responded to this challenge by providing threshold arguments, according to which the expected or likely utility of (failing to) cross thresholds with their choice still gives individuals moral reasons to make certain consumer choices, even though they cannot be certain that they will make a difference. Additionally, consequentialists have sought to justify the interactional component of ethical consumerism with appeals to the role-modeling effects of individual consumer interactions (see Almassi 2011).

The impotence objection is less challenging to virtue ethical reasoning, which is mostly concerned with the moral character expressed through consumer choices, and to deontological reasoning, which requires agents to act according to universalizable maxims. Christine Korsgaard argues that people should be morally concerned about how they are related to particular animals when consuming their flesh or products that have been extracted from them without due regard to the animals’ good. When people decide to buy and consume such products, they treat individual animals as mere means to their own ends, and this is morally wrong irrespective of consequences and numbers (Korsgaard 2018, p. 223).

Finally, vegan consumer campaigns might also be insufficiently effective because they meet with strong ideological and emotional resistance. According to Melanie Joy (2010), consuming animal products is considered as normal, natural, and necessary. This ideology begins to influence almost everyone from early childhood, and it affects not only people's thoughts and perceptions, but also their emotions.

Thus, it might be more effective to promote the moderate steps of adopting vegetarianism or reduced intake of animal products combined with careful sourcing (organic, free range, etc.). If most of the world's population (in particular the growing middle classes and the wealthy) significantly reduced their intake of animal products, the aggregate positive effect would outweigh that of all current vegetarians and vegans. It might also be easier for many people to engage in political activism than to accept the personal consequences of vegan consumerism.

Perhaps the most important aspect of vegan consumerism is signaling one's willingness to engage in collective action. But campaigns for political and social change are most likely to succeed if they are supported by large coalitions of more *and* less radical actors. An obvious goal suitable for such coalition building is the elimination of factory farming, which could unite animal rights activists, environmentalists, and small farmers.

In summary, the duty to adopt a vegan lifestyle depends upon the strength of the arguments from animal ethics, because anthropocentric arguments only support significantly reducing the consumption of animal products and transforming the methods of production. In animal ethics, different arguments justify the conclusion that people act immorally when they impose suffering or death on animals to extract products that are not necessary for leading good and healthy lives. This comes closer to a justification for veganism, although it might still be doubted whether vegan diets are healthy and accessible for all, including poor people in developing countries and groups such as pregnant women even in affluent societies.

Second, the legitimacy and the effectiveness of vegan consumerism as a means to improve morally problematic states of affairs must be considered. Whereas proportionate and transparent vegan consumer campaigns appear to be a permissible method to strive for social and political reform, the impotence objection poses greater problems, at least for consequentialists who argue that the moral value of a conduct is ultimately determined by its (likely) consequences.

Insofar as consequences matter, a large number of vegetarians or people who significantly reduce their intake of animal products might make a bigger difference than a small number of vegans. Meanwhile, vegans can see their consumer behavior as a potential trigger to inspire others to engage in collective action. Thus, they should avoid giving the impression of a sectarian insistence on personal purity. Self-righteousness is not only a vice, but it is also an obstacle to the political coalition-building on which morally required reforms ultimately depend.

## Cross-References

- ▶ [Animal Ethics](#)
- ▶ [Animal Rights and Business Ethics](#)
- ▶ [Collaborations Between Grassroots Advocacy Groups and Business](#)
- ▶ [Deontology](#)
- ▶ [Environmental Ethics and Sustainability](#)
- ▶ [Utilitarianism](#)
- ▶ [Values-Based Consumption](#)
- ▶ [Virtue Ethics](#)

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## Virtue Ethics

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## Synonyms

Aristotelianism; Moral character theory

## Introduction

Virtue Ethics very broadly refers to a group of ethical theories that take a person's character to be of central and fundamental importance when it comes to determining what has value and what courses of action one should pursue. Here the essential parts of Virtue Ethics will be explained. Ethics is concerned with how we ought to live or behave. Some of the questions that ethicists reflect on are “what do we owe to each other and why?” “What things have value?” and “What makes for a good life?” At the risk of oversimplifying, Ethics

is the study of conduct, or what counts as appropriate behavior for living and living well. While some theories of ethics emphasize right reason for action or what comes to one's duty and obligation (deontological) and some emphasize the consequences of action (utilitarianism), it is common for ethical theories to focus on finding some foundational principle which grounds all moral evaluation, while virtue ethics emphasizes the moral evaluation of the actor. While many theories of ethics focus on right actions, virtue ethics is concerned more primarily with developing right character and with what is the best way to live one's life overall. This wholistic focus on one's entire way of being is a unique strength of virtue ethics.

## Discussion

To get a basic grasp of virtue ethics requires an introduction to four concepts that are the basic building blocks of a virtue ethics theory. These are Character, Final Ends, Virtue, and Practical Wisdom.

**Character:** Many of us have grown up hearing exhortations to strive to become persons of good character. A person of good character is trustworthy and reliable. In contrast, a person of poor character is unreliable and hard to trust. We can think of “character” simply as the sum total of traits both natural and acquired. Importantly, traits are characteristics that people have, and traits play a role in what people characteristically do. An example should help. Some people are naturally kind, and these people, naturally, do kind things. Some people do not have a kind disposition, but rather have to acquire that characteristic through experience and even hard work. One's character can be formed by many things including one's upbringing and homelife, one's formal education, and one's personal habits. That such formation is possible is because, according to virtue ethicists, we humans have natures that can be perfected (or improved), at least in the sense of reaching a final end.

**Final Ends:** Having a nature that can be perfected really only makes sense on the

assumption that one has a final end – something that one aims at with their life. Everyone has goals they pursue, projects they are working on, and relationships to be investing in. Most virtue ethicists have thought that people pursue all of these things for some ultimate end, what might be called happiness or flourishing, but this end is not pursued for anything else. This is what virtue ethicists have in mind when they talk of a final end. It is quite natural to ask *why* one wants to pursue certain goals or projects, but it seems odd to ask why one wants a flourishing life. Everything we do and pursue in life, we do for a good and flourishing life. It is important to see that talk of a final end should not lead one to think of a final destination (i.e., afterlife) – it is not. Rather, it is more like a journey. This end of a flourishing life can be experienced in one's life here and now. This raises the natural question of “how does one attain a flourishing life?” The answer lies in understanding the concept “Virtue.”

**Virtue:** We live a flourishing life by pursuing virtue or virtuous activity. Virtues are excellences of character (or intellect). Standard virtues are things like courage, justice, generosity, temperance, patience, practical wisdom, and so on. Virtues in certain ways are like skills in that the more we practice them, the more natural they become. Virtues are also like skills in that we usually try to emulate those who are more advanced at certain skills. This is one way that virtue ethics puts much emphasis on moral development. There is the idea of a moral exemplar – a person who is much farther along on their virtue journey. It is common for others to aspire to be like these people. An example can help bring all of this together. Say a person struggles with generosity in part because they are a bit over-attached to money and possessions. It is hard for this person to be generous, but they admire it in others (moral exemplars) and would like to become more generous. At first, practicing generosity through giving of their time, moneys, or possessions would be a challenge. However, like practicing any skill, what begins as awkward and clunky can develop into a smooth and natural activity. The more the person practices being generous, the easier it will become until it seems like second nature to give to

others. This is how all of the virtues work. A person who lacks courage can practice to overcome fears, becoming more courageous. A person who struggles with indulging in pleasures can practice temperance (moderation with regards to pleasures) and become more temperate. Importantly, virtue has both an intellectual dimension – doing the right thing for the right *reason* – and an emotional dimension – doing the right thing with the right *feeling(s)*. To understand this, think of it this way: some people do the right thing knowing that it is the right thing to do, but they actually do it begrudgingly – they do not take pleasure in doing the right thing. In contrast, the virtuous person does the right thing for the right reason and this person *enjoys* doing the right thing. It gives them pleasure to do the right thing. That is virtue requires having an appropriate emotional response towards doing the right thing. This is the emotional dimension of virtue. To understand the intellectual dimension of virtue takes us to the last of the four foundational concepts of virtue ethics.

**Practical Wisdom:** Practical Wisdom is basically reasoning about what is the right thing to do in relation to our goals, projects, and relationships. Practical wisdom is itself a virtue; it is something we can get better at with practice and experience. It is an intellectual virtue that is essential to all of the virtues of character – this is the intellectual dimension of virtue. Back to the example of generosity, there is no simple formula by which one follows to ensure that one is engaging in a generous activity. After all, one could give of their time and money indiscriminately, and it is not obvious that this should count as being generous. (Giving money that enables drug addicts does not count as being generous.) At the very least, for an activity to count as generous, one must know how much to give, to whom, for what purpose, etc. However, knowing these things will not always be easy or obvious and can vary significantly from situation to situation. It often takes much intellectual skill or insight to know these things. This intellectual skill/insight amounts to practical wisdom. Further, this skill is required for all virtues. For instance, one is not courageous for merely being unafraid of all threats. Courage is about having the appropriate amount of fear that the occasion calls

for, but still following right reason when it tells you to take a stand against a particular threat. Once again knowing what the appropriate response and feeling should be in any given situation takes much intellectual skill and insight. This is the way that practical wisdom is a virtue that is foundational to every virtue.

Virtue ethics refers to a group of theories that focus on a person's character as being fundamental to Ethics. We can see how these four basic blocks of virtue ethics build upon one another. A person's character – their natural and acquired traits – is malleable. It can change for better or for worse. Their character, in short, can make or break their life. This is judged against the concept of a final end – a happy and flourishing life. A person's character can either contribute or hinder their flourishing. Flourishing ultimately amounts to living a life of virtuous activity. Virtues are excellences of character (and intellect). Thus, a person's character contributes to a life of flourishing by pursuing the virtues. Virtuous activity is doing the right thing with the appropriate feeling(s) as well as doing the right thing for the right reason(s). What helps one find the right reason(s) is practical wisdom, itself an intellectual virtue. For virtue ethics, one pursues an ethical life so that they can pursue a happy and flourishing life.

### **Contemporary Developments, Traditional Criticisms, and Virtue Ethics for Business**

Although virtue ethics originated primarily from Aristotle's *Nicomachean Ethics* (Irwin 1999) and developed extensively by Roman Catholic Scholars for centuries, virtue ethics was brought into contemporary ethical discussions first by G. E.M. Anscombe's paper "Modern Moral Philosophy" which claimed that ethicists needed to return to Aristotle (Anscombe 1958). Since then, many contemporary ethicists such as Alasdair MacIntyre (1981) and Julia Annas (1993) have done much to help virtue ethics develop and

thrive, while writers like William Bennett have sought to spread virtue ethics to the general public through popular writings (Bennett 1993).

Critics frequently claim that virtue ethics is without focus or clarity necessary to determine which types of actions should be permitted and which avoided. In short, it seems a bit vague. Second, given that its goal is to lead an excellent life, it tends to seem a bit self-focused, and Aristotle's virtue ethics in particular seemed over-concerned with honor and under-concerned with humility, for example. Where to ground the virtues turns out to be a third problem which MacIntyre raised in his book *Whose Justice, Which Rationality?* (1988). Differences between views of the ends and aims of life will certainly provide variant lists of virtues. And more recently, there has been criticisms grounded in experiments from Situationist Social Psychology that purport to raise doubts for the very existence of character or character traits. Naturally, if there are no character traits (one of the basic concepts of virtue ethics), then virtue ethics is a nonstarter.

Despite these concerns, in recent years, many business ethicists also have applied Aristotle and virtue ethics to matters of business ethics. Robert Solomon, for example, has even developed a list of virtues which are especially relevant in business activities (Solomon 2003). Ed Hartman has highlighted the central importance of character and corporate culture in developing moral integrity (Hartman 2013). Alejo Sison has incorporated recent research in economics and happiness studies into his virtue ethics work to show that happiness is "the ultimate value proposition for business" (Sison 2016). Tom Morris famously wrote an entire book entitled "If Aristotle Ran General Motors" (1997). These efforts have sought to show that business activities, when practiced with integrity of character and in accordance with virtues, are much more likely to flourish and bring about success for companies who establish these habits in their company culture. Virtue ethics has become and continues to be a basis of fruitful progress in the field of business ethics.



## Cross-References

- [MacIntyre, Alasdair](#)
- [Doctrine of the Mean and Business Ethics](#)
- [Golden Mean](#)
- [Normative Ethics](#)

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## Virtuous Leadership

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## Synonyms

Character-based leadership; Virtues-based leadership

## Introduction

As part of wide-ranging efforts to better incorporate moral considerations into leadership practice (Lemoine et al. 2019), virtuous leadership is a leader-follower relationship wherein a leader's situationally appropriate expression of virtues triggers follower perceptions of leader virtuousness, worthy of emulation (Wang and Hackett 2016). Although there are many perspectives concerning the meaning of virtue (Newstead et al. 2018), leadership based on the character-based virtue ethics school of moral philosophy (MacIntyre 1984) places less emphasis on the articulation of ethics-related principles and rules (e.g., regulations, codes of conduct, and audits) in favor of focusing on developing and nurturing moral character in leaders themselves, through the self-cultivation of moral virtues — character traits disposing a leader to achieve excellence (Wang and Hackett 2020).

Virtuous leadership includes three essential elements: leader virtues, leader virtuous behaviors, and context.

Leader virtue is a character trait that a leader acquires and maintains primarily through learning and continuous practice and is expressed through voluntary actions undertaken in context relevant situations. There are many types of character traits, and virtues collectively contribute to the “good” character of a leader. Virtues are not innate but acquired through a habituation process in which people continuously learn and practice virtue until it becomes habitual. Of course, habits can be lost due to a lack of practice, which implies that once a leader acquires a virtue, continuous practice is required to sustain it.

A leader displays virtuous actions voluntarily in three senses. Firstly, it is intentional; the leader is aware of the pertinent facts of a situation and the practical wisdom needed for this action. From childhood on, a leader acquires the knowledge of virtues and virtuous acts as taught through formal education efforts and through informal learning from stories (from family, friends, and others in the community). In situations posing a desire or threat, the leader will recall this virtues-based knowledge to prompt a quick moral reaction



without undue hesitation. Secondly, the underlying motive of virtuous action is intrinsic simply because it is virtuous. This implies that a leader displays a virtuous action with the on-going intent of becoming a virtuous person; it is not rooted in fulfilling moral obligation, to gain personal advantage, or to comply with external rules, controls, or compulsions. Thirdly, virtuous action is expressed consistently over time and across contexts, not only because virtues are developed and sustained through continuous learning and practice but also because virtues-based knowledge enables people to recognize the importance of consistent practice across organizational and social contexts, and to therefore act accordingly.

Although a leader displays a virtuous action consistently across different contexts, the meaning attached to the action by an observer may vary with the observer's knowledge and beliefs concerning the virtuous action. For example, the same behavior expressed in one situation may be interpreted as reflecting a particular virtue but may not be interpreted similarly when expressed in a different situation. This implies that virtues can be fully understood only by considering the context of the virtuous act, because what is "right to do" depends on the situation. For example, courage is exemplified in situations that induce fear. The same behavior is unlikely to be considered courageous in the absence of fear.

### **Six Cardinal Virtues for Defining Virtuous Leadership**

To date, many virtues have been mentioned in relation to the moral component of various leadership styles/approaches. Based on a comparative analysis of the overlap between the Confucian and Aristotelian traditions in the virtues-ethics literature, six moral virtues, courage, temperance, justice, prudence, humanity, and truthfulness were identified as the core defining elements of virtuous leadership. In other words, virtuous leaders will express these virtues by voluntary actions in context-relevant situations. Specifically, courage enables leaders to do what they believe is "right" without fear; temperance helps leaders control

their emotional reactions and desires for self-gratification; justice motivates respectful recognition and protection of rights of others to be treated fairly, in accordance with uniform and objective standards; prudence enables leaders to make "right" judgments and choose the "right" means to achieve the "right" goals; humanity underlies leaders' love, care, and respect of others; and truthfulness is reflected in leaders' telling the truth and keeping promises.

These six virtues have five characteristics in common. Firstly, they are all dispositions encompassing "good" character traits that are philosophically distinct from actions and from the other personal traits, such as feelings, skills, capabilities, competencies, moral values, and moral goals (Hackett and Wang 2012; Wang and Hackett 2020). Secondly, they are all considered cardinal by virtues ethicists, which contrasts with the other, often-called corresponding virtues that are commonly regarded as being closely aligned with or founded in the cardinal virtues. In other words, the exercise of corresponding virtues is dependent on the cardinal moral virtues of courage, temperance, justice, prudence, humanity, and truthfulness. Thirdly, they are cross-culturally universal in the sense that they all reflect the commonalities between Aristotelian and Confucian cardinal virtues, which are embedded into Western and Eastern traditions, respectively. This is important because what is virtuous may be interpreted differently in various cultures. However, the behaviors judged to be reflective of the cardinal virtues are considered virtuous across Western and Eastern cultures, or at least consistent with Eastern and Western philosophical perspectives of virtuous acts. Fourthly, they are intimately interrelated and often demonstrated simultaneously. For instance, when practicing prudence, a person will often habitually practice the other cardinal virtues such as courage, temperance, and justice. Fifthly, these virtues are contributors to *both* ethical and effective leadership. It is notable that our review of the literature covering seven value-laden leadership styles/approaches (i.e., moral, ethical, spiritual, servant, charismatic, transformational, and visionary leadership) identified 59 virtues/character traits associated with

these leadership styles/approaches, which cover all six of the cardinal virtues noted above (see Hackett and Wang 2012).

In summary, the six virtues of courage, temperance, justice, prudence, humanity, and truthfulness are cardinal, cross-culturally universal (or at least consistent with Eastern and Western philosophically based notions of virtues), interrelated, and leadership-related character traits. These “big six” virtues have potential to guide research concerning virtuous leadership in a manner analogous to the use of the “Big Five” model in the personality domain. More importantly, this much smaller, philosophically grounded and coherent set of virtues has served as the structural framework for developing the 18-item behaviorally based virtuous leadership questionnaire (VLQ).

### VLQ: A Measure of Virtuous Leadership

Using the virtue ethics literature as the theoretical base, a multi-study approach was used to develop the VLQ to assess virtuous leadership as perceived by subordinates (Wang and Hackett 2016). The VLQ is heavily behavioral in content and taps five of the six, albeit highly correlated, cardinal leader virtues of courage, temperance, justice, prudence, and humanity. For example, courage, “My supervisor acts with sustained initiative, even in the face of incurring personal risk”; temperance, “My supervisor avoids indulging his/her desires at the expense of others”; justice, “My supervisor allocates valued resources in a fair manner”; prudence, “My supervisor exercises sound reasoning in deciding on the optimal courses of action”; humanity, “My supervisor shows concerns for subordinates’ needs.” A five-point Likert-type response format (1 = Never, 5 = Always) is used to respond to all the items, with the overall score is derived by summing the scores across the five virtues.

The psychometric properties of the VLQ were established by two initial studies involving 194 MBA students at a North American university, and 230 leader and follower dyads in business organizations, respectively. The convergent validity of the VLQ was demonstrated via

Confirmatory Factor Analysis (CFA) and by positive correlations with (a) the seven-item Virtuous Leadership Scale, an overall measure of leader virtue; (b) socialized charismatic leadership; and by, (c) a negative association with Machiavellianism. Evidence of discriminant validity was reflected by (a) CFA findings indicating that the five-factor model provided a better fit to the data than a single-factor representation, and by (b) the lack of association to leader age, gender, and education. Finally, criterion-related and incremental validity was demonstrated by positive associations between the VLQ and both follower- and leader-ethical behavior, life happiness and satisfaction, as well as workplace effectiveness. More recent empirical also supports the construct validity of the VLQ (e.g., Guimarães et al. 2019; Hendriks et al. 2020; Nassif et al. 2020).

### Underlying Processes of Virtuous Leadership

To explain how virtuous leadership functions, three underlying processes are proposed, including a perception and attributional process accounting for how virtuous leadership emerges; an identity-based social-cognitive process for explaining leaders’ motivation to exercise virtuous leadership; and a modeling process to describe the interactions between virtuous leaders and their followers.

Firstly, virtuous leadership is defined as perceived from the followers’ perspective. Although a leader who possesses a cardinal virtue is disposed to demonstrate it consistently, followers may perceive their leader as virtuous to varying degrees based on their opportunity to observe and on variations in the attribution process. The extent to which followers attribute the various cardinal virtues to their leader will depend on the frequency with which followers observe: (a) the leader expressing the virtue in repeated occurrences of the same situation (high consistency), (b) the leader expressing the virtue in similar (though different) situations (low distinctiveness), and (c) other leaders who do not behave virtuously in the same situation (low consensus). The greater the number of cardinal virtues

attributed to a leader by followers, the more the leader is perceived as virtuous. Thus, some leaders might be perceived by followers as more virtuous than others. This view is consistent with that of virtues ethicists, that people do not possess a virtue by degree, and that people will display the cardinal virtues simultaneously.

Secondly, the authors argue that a leader is intrinsically motivated to exercise virtuous leadership because doing so is consistent with their virtues-centered moral identity, which is comprised of two interrelated knowledge structures: one reflecting the six cardinal virtues of courage, temperance, justice, prudence, humanity, and truthfulness held by a virtuous (moral) person, and another that characterizes how a virtuous (moral) person displays these virtues in a variety of social and organizational contexts. Specifically, a leader who practices the six cardinal virtues of courage, temperance, justice, prudence, humanity, and truthfulness consistently and habitually, will frequently activate and nourish the relevant virtues-related knowledge structures. Over time, this elevates the importance the self-accords to virtues-centered moral identity and motivates the leader to behave in a virtuous manner to maintain identity-behavior consistency.

Thirdly, it is suggested that a leader can potentially be a positive influence for followers by behaving in an observably virtuous manner. Importantly, followers are especially likely to look to a virtuous leader as role model owing to his or her positional and referent power. Thus, the modeling process associated with virtuous leadership can be described as a virtuous leader exemplifying virtuous behavior; followers observing and imitating it as it becomes perceived as increasingly congruent with their values; followers continuously practicing these behaviors because of their associated intrinsic rewards; and the behaviors becoming habitual, through practice, within the overall social context that is generally supportive of such behavior.

## Outcomes of Virtuous Leadership

As noted earlier, the authors found that virtuous leadership as assessed by the 18-item VLQ to be

associated with a range of positive leader and follower outcomes, including ethical conduct, general happiness, life satisfaction, as well as job performance. For example, it was found that follower-provided VLQ ratings positively associated with leader-rated subordinate in-role and extra-role performance, subordinate ratings of leader ethicality, as well as self-evaluations of happiness and life satisfaction among both leaders and followers. Moreover, the VLQ accounted for variance in many of these outcomes even after charismatic leadership was statistically controlled.

To date, scholars have identified several other beneficial outcomes associated with virtuous leadership as defined by the VLQ, including increases in followers' self-reported job satisfaction (Guimarães et al. 2019), followers' self-reported work-related well-being (Hendriks et al. 2020). Moreover, broader sets of outcomes, such as organizational performance (reflected by profitability, productivity, quality, customer retention, and voluntary turnover) have been implicated in relation to the Cameron (2011) view of leadership, which encompasses virtues. Virtues-based approaches to leadership have also been incorporated into contemporary management education that prepares future leaders to live an ethical life both in and outside of business (e.g., Crossan et al. 2012; Newstead et al. 2020).

## Cross-References

- ▶ [Deontology](#)
- ▶ [Ethical Leadership](#)
- ▶ [Leadership Moral Foundations](#)
- ▶ [Leadership Motives or Intentions](#)
- ▶ [Machiavellianism](#)
- ▶ [MacIntyre, Alasdair](#)
- ▶ [Trust and Value-Based Management and Leadership](#)
- ▶ [Utilitarianism](#)

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## Vocational Ethics and Professional Identity in the Social Sciences

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### Synonyms

Academia; Antagonism; Critical; Decoupling; Dilemmas; Double attribution; Ethics; History; Navigation strategies; Neo-liberalization; Opportunism; Performance management; Policy;

Professional; Professionalization; Protest movements; Public; Public intellectual; Public sociology; Scholars; Science; Selective incorporation; Value spheres; Vocation

## Introduction

The role of scholars in society has changed significantly over time. There have been medieval sages serving God; Copernican scientists revolutionizing worldviews; Enlightenment thinkers celebrating Reason; and Marxist radicals overturning governments. Even in present day society, scholars have many different positions and subscribe to very different ethics: They can be highly paid specialists in the medical industry; university professors pursuing basic research; critical thinkers engaged in protest movements; or employees in think tanks offering political advice.

This entry<sup>1</sup> describes how the self-understanding and ethical orientations of scholars have changed over the last century, and how individual scholars navigate ethical tensions. In doing so, it draws on organizational scholars as examples. Although the organization studies community has its own specific historical development, it shares key features not only with the social sciences at large, but also with the humanities.

First, there will be a presentation of Michael Burawoy's (2004, 2005, 2010, 2013) theory about coexisting ethical value spheres in the social sciences. Second, relying on both Michael Burawoy and James March (2007), the entry outlines four periods in the recent history of sociology and organization studies; each period featuring a predominant tension between two ethical orientations. The final part of the entry offers examples of how current individual scholars navigate ethical dilemmas in their daily work. Altogether, this serves to give a picture of the historical and individual specificities of vocational ethics among social scholars.

<sup>1</sup>Please note that this entry draws extensively on the 2017 article: Ekman (2017).

## Coexisting Value Spheres

The sociologist Michael Burawoy argues that science and scholarly work cannot be regarded as a homogenous ethical sphere. Instead, he claims that there are four different, coexisting value spheres. These four spheres have different strengths and different potential pathologies. Hence, they constitute recurring ethical dilemmas of scholarly labor, but they also serve as mutual correction, ensuring that academic endeavors do not stiffen into dogmatism. In Burawoy's view, the value spheres should be neither completely fused, nor completely separated. Instead, they should be in a continuous dialogue to keep the question of ethical values alive and debated.

Burawoy (2004, 1607) has developed a taxonomy of the value spheres, in which one axis represents two different answers to the question "knowledge for whom," namely, for academic and extra-academic audiences, respectively. The other axis represents two different answers to the question "knowledge for what," namely, for instrumental and reflexive purposes, respectively. The resulting four value spheres feature different approaches to five fundamental questions. These are: What type of knowledge is pursued; how is the quality of this knowledge legitimized; who serves to guarantee the accountability of the knowledge; what political (in a broad sense) purpose does the knowledge serve; and finally which pathology may this kind of knowledge production lead to if left unchallenged. There is not sufficient space to go over all five questions for each sphere, but a brief recapitulation follows below.

The "professional" value sphere contains instrumental knowledge produced for an academic audience. It gains legitimacy through scientific norms, and it uses scholarly peers to assess its accountability.

The "policy" sphere contains instrumental knowledge produced for an extra-academic audience. Its legitimacy stems from its concrete effectiveness, and clients or patrons assess its accountability.

The "public" sphere contains reflexive knowledge for an extra-academic audience. Its legitimacy stems from societal relevance, and it holds

itself accountable to the public by attempting to stimulate public debate.

Finally, the "critical" sphere contains reflexive knowledge produced for an academic audience. It gains legitimacy from subscribing to explicitly moral visions, and it holds itself accountable to other critical scholars.

According to Burawoy, if these four spheres do not actively challenge each other, the professional sphere risks becoming a self-referential "ivory tower." The policy sphere risks compromising scientific independence in favor of servility. The public sphere risks being dictated by societal fads in media and other popular fora. And the critical sphere risks dogmatism by regarding itself as morally superior.

Burawoy points out that the four spheres are ideal types. They have overlapping tendencies (e.g., there may be a "critical" dimension to professional values), and individual scholars may inhabit more than one sphere.

While all four spheres are always present, Burawoy argues that there is a predominant dialogue in each historical period between professional values and another set of values.

## Brief Historical Overview

Both Michael Burawoy (2004, 2005) and James March (2007) divide the history of the social sciences (or organization studies, in March's case) into four periods. One could call the first period "pre-professionalization." March only mentions it in passing, while Burawoy describes it in more detail. March then gives the three remaining periods the following headlines: "professionalization," "institutionalization and protest movements," and "neo-liberalization." March and Burawoy paint very similar pictures of these four periods, although Burawoy pays more attention to their interplay between different value spheres.

### Pre-Professionalization

According to Burawoy, the period of the social sciences from the mid-nineteenth century up until the early-twentieth century was characterized by "public" ethics that drew on religious and



vocational values. The publicly oriented scholars attempted to reform and improve society according to explicitly moral ideals. They included “crusading social reformers,” but also proponents of speculative science such as Social Darwinism (Burawoy 2005, 155). The social sciences of this period have been referred to as amateurish in that their data were often anecdotal and their methodologies unsystematic. It was precisely a disapproval of this morally infused amateurism that spurred the arrival of “professionally” oriented values in the social sciences. Consequently, a dialogue between the public and professional value spheres dominated this period. The thrust toward professionalization involved the development of explicit scientific criteria of quality, the search for universal laws, and the focus on systematic data collection.

### Professionalization

By the time of the interwar years and the mid-twentieth century, the professional values had come to dominate the social sciences. However, policy values increasingly challenged them. Both sociology and organization studies depended on large foundations such as The Carnegie, The Ford, and The Rockefeller Foundation to fund their research. Initially, these foundations played an important part in the professionalization, since they sponsored extensive reports that requested objective standards in social science education. However, by the 1960s, large parts of the sociological and organization studies research addressed mainly practical and policy problems funded not only by large foundations, but also by the State, in the form of various Ministries and Departments. In short, a dialogue between professional and policy values dominated the early- and mid- twentieth century.

### Institutionalization and Protest Movements

In the 1960s, a number of societal tensions along the lines of class, race, gender, international politics, warfare, and authoritarian education systems led to a rise in critical values. These values gained massive momentum by the widespread student revolts and the extensive demonstrations and experimentations with alternatives in the

1960–70s. Marxism became popular in the halls of Academia, and critical scholars regarded professional values as “reactionary.” In this period, the dialogue between professional and critical values dominated.

### Neo-Liberalization

From the 1980s onward, Academia went through extensive structural and ideological changes driven by neoliberal reforms. This involved increasing managerialism and performance management. It also involved larger universities with centralized administrative staffs, more students, more scholars (in increasingly precarious positions), a stronger focus on marketing, and a preoccupation with internal and external competition. According to Burawoy, this period has generated deep societal problems, including soaring inequality, climate issues, and financial crises. He expects that this will lead to a rise in public values. There are already examples of how scholars who address some of these problems publicly have risen to stellar fame, e.g., Thomas Piketty. There are also numerous scholars who write or sign public petitions requesting a stronger focus on climate questions, on the pathologies of 1% capitalism, or on the need for democratization of workplaces etc.

Although a specific dialogue between professional values and one other set of values may indeed dominate each historical period, we must not forget that all four value spheres are present in each period. As already mentioned, individual scholars rarely fit into just one value sphere, but rather navigate across them. This may give rise to dilemmas between contrasting ideals; it may serve to circumvent the tensions of dilemmas; or it may offer corrections to dogmatic approaches.

Below follows a description of four different navigation strategies observed among organizational scholars. This description is based on an interview study with organizational scholars whose career started in different historical periods (see Ekman 2017). The purpose of the study was to explore professional ethics among scholars, zooming in on both historical specificities and individual aspects such as motivations, frustrations, doubts, and hopes. The scholars appear



with pseudonyms to ensure their anonymity, since several of them are relatively prominent in the field.

## Ethical Navigation Strategies

The four different navigation strategies identified in the interview study were “selective incorporation,” “decoupling,” “antagonism,” and “double attribution.”

### Selective Incorporation

In this navigation strategy, the scholar subscribes explicitly to one value sphere, yet incorporates selected values from another value sphere.

For example, Dr. Kramer subscribed wholeheartedly to the critical sphere. He saw himself as an ideologically driven scholar with explicit moral visions of a better world. Working at a business school, he felt the need to offer active resistance against the “instrumentalism” of most business research and its subservience to neoliberal ideals. In this way, he distanced himself from the part of the policy sphere that “sold” itself to corporations or market values. However, he found other elements of the policy sphere immensely inspiring and promising. He was greatly in favor of practical interventions driven by idealism and the wish to promote moral values. As an example, he mentioned the idea of offering pro bono consulting advice to sectors that one wished to support, such as voluntary work. In other words, Dr. Kramer saw himself as a critical intellectual and as such opposed the alleged instrumentalism of the policy sphere. However, he selectively incorporated practices from the policy sphere, subsuming them under his critical orientation. One could say that he added a critical “flavor” to the policy values. In this way, he could subscribe to values from two different spheres without experiencing it as a dilemma.

### Decoupling

When scholars use the decoupling strategy, they actively subscribe to two different value spheres without reflecting on the tensions and dilemmas between them. Instead, they ignore these tensions

by subscribing to one value sphere in certain contexts, and another value sphere in other contexts, thus “decoupling” from the dilemmas.

For example, Dr. Stevens, who was formed during the professionalization period of organization studies, subscribed very strongly to professional values. He wished to pursue research whose legitimacy depended on clear scientific criteria and strict methodologies. The only way to ensure this, according to him, was to refuse conducting research driven by “use value” or “relevance.” This would compromise the basic and independent pursuit of knowledge, he argued. He expressed this in the following quote:

Well, the first sentence in most of my courses was, ‘I am not now, nor have I ever been, relevant.’ I never taught a course in which I tried to say ‘what use is this research for society or for business or for whomever?’ I just didn’t see that as my role! (Ekman 2017, 471)

Yet at the next moment, he would make the following remark:

It’s almost impossible, I think, for you to realize what the social science world was like when I started. It was a world of enormous optimism. We were going to change the world. We were going to understand the world. [...] People from different disciplines talked to one another all the time. They all belonged to committees that were going to change the world (ibid.).

So on the one hand, Dr. Stevens proclaimed that he lived and died by the dictum of not being relevant (professional values). Yet on the other hand, he announced that the primary purpose of social science was to change the world (policy values or public values). He did not reflect on the contradiction between these two positions. They simply existed side by side without disturbing each other. This allowed him to subscribe to contrasting values without experiencing them as dilemmas.

### Antagonism

When scholars use the antagonism strategy, they emphasize and consolidate the values of one sphere by defining another sphere as its enemy (see Laclau and Mouffe 1985, 125). In other words, the value sphere that they subscribe to

derives its strength from antagonizing another value sphere. They see the antagonized value sphere as embodying characteristics that are a fundamental threat to the integrity of their preferred value sphere.

Returning to Dr. Stevens above, it becomes clear that he not only relied on a decoupling between the professional (basic science) and the policy (relevance) spheres. In fact, he simultaneously relied on an antagonism between them. When he was in a context where he subscribed to the professional sphere, he consolidated professional values by actively opposing the policy sphere. Yet at other times, he would decouple from this and celebrate the policy sphere.

Another example of the antagonistic strategy was Dr. Webster. He described the professionalization period of organization studies when business schools focused on importing “real” scholars from the disciplines. This happened by explicitly antagonizing the policy sphere in the form of teachers with a business background:

We called it Management *Sciences*. So the notion was very much: It is another academic department and it has that ethos of a certain standard, and we are going to recruit people who aren't ex-business people. They are people who would otherwise be employed in an economics department, or a psychology department etcetera. (Ekman 2017, 475)

Along similar lines, he also questioned whether the MBA's practically oriented business education was in fact in line with the professional values of an academic institution:

I still struggle to see the MBA as a legitimate thing to be doing in a university . . . I don't really see it as having academic credentials . . . this sort of prescriptive stuff (ibid.).

In other words, Dr. Webster defined professional values precisely by their antagonism to the instrumental and prescriptive values of the policy sphere. The active resistance against another sphere lent legitimacy and strength to the values he subscribed to.

### Double Attribution

Like decoupling, the strategy of double attribution is an attempt to subscribe to more than one value sphere at the same time, despite their contrasting

ideals. While decoupling does this by simply ignoring the dilemmas and jumping back and forth between spheres, double attribution does this by regarding the same activities as an expression of more than one value sphere simultaneously (see Günther Teubner 1996).

For example, Dr. Carmichael claimed that he wished to pursue two types of academic values in his career: scientific quality (professional) and practical impact (policy). In his mind, these two ambitions did not rule each other out, but rather mutually supported each other. Put differently, the same academic output could serve both professional and policy values. Dr. Carmichael pursued this double agenda via a focus on “context sensitivity.” In his opinion, this ideal had relevance both in professional and policy spheres, thus allowing them to serve a double purpose. For example, a detailed empirical study of conflicts in a coal mine would offer relevance to the managers and employees of the coal mine, but it would also offer relevance to professional scholars, because it was conducted in a manner that permitted general, theoretical reflections on coal mine issues.

### The Promises and Pitfalls of Coexisting Value Spheres

As illustrated by the descriptions above, individual scholars often pursue more than one ethical agenda, looking for ways to navigate across spheres without being paralyzed by tensions and dilemmas. They can do this either by simply ignoring the dilemmas, by preferring one sphere yet complementing it with selected values from another sphere, or by claiming that they have transcended the dilemmas. It is also worth noting, that many scholars employ more than one navigation strategy in order to maximize their ethical maneuverability. For example, Dr. Stevens used both antagonism and decoupling.

According to Burawoy, the coexistence and active interplay between the different value spheres is vital for the social sciences and helps ensure their continued development and mutual correction. While this is most certainly true, the current period of neo-liberalization, increased

competition, and widespread precarization of academics may involve other dynamics. The focus on performance management has led to ever expanding targets that scholars must reach in order to ensure a career of permanent employment. Originally, these targets focused only on publications in scientific journals, i.e., on merits in the professional value sphere. But as universities become ever more dependent on rising student numbers, university management have added targets in teaching, often measured via student evaluations. Many academic employees now feel that they must “cater” to the students rather than ensure optimal professional quality. Furthermore, most universities have added a third set of targets oriented toward practical impact. This impact is measured not only by the ability to make one’s scientific results “applicable” in practice, but also by one’s public visibility in the media and on social platforms.

Put differently, neo-liberal performance management has made it mandatory for scholars to score high in at least three value spheres simultaneously, namely, the professional, the policy, and the public sphere. The question is how it affects scholarly ethics to pursue specific values for the sake of career strategy. May the instrumentality of this approach not risk destroying the ethical vibrancy of the coexistent value spheres? One could fear that they engender ethical opportunism, as scholars in pursuit of positions and promotions strategically score points in each sphere. It therefore seems pertinent that the academic community engage in a discussion with their managements about the ethical consequences of ever-increasing performance targets.

Aside from the risk of opportunism, another relevant question is whether every academic should necessarily have the same ethical profile, i.e., one that attends to at least triple value spheres. May there not be a scientific and ethical point in allowing individual variation, so that some scholars focus mainly on one sphere, while others navigate across two or more?

As this entry has shown, professional ethics among scholars vary not only historically, but also individually. Given more space, one could also have addressed variables, such as class,

culture, and geography. The entry has an ethnocentric perspective in that its narrative relates mainly to Western contexts, and in fact mostly a US setting. Furthermore, the interviews were conducted with privileged scholars in permanent positions, belonging to prestigious universities. Such scholars in these kinds of setting may have access to different navigation strategies than precarious scholars in universities that are more marginal. The story of precarious and marginal scholars would offer an interesting complement to the one depicted in this entry.

For readers interested in pursuing the subject, Michael Burawoy’s work on ethical value spheres and public intellectuals has become a separate field of academic discussion.

## Cross-References

- [Piketty and Wealth Taxes](#)
- [Social Construction](#)
- [Social Identity Theory](#)
- [Weber, Max](#)

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## Water Security: Ethical Debates

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### Synonyms

Water conflict; Water ethics; Water resource allocation; Water resources management

### Introduction

Water security has been defined as *the sustainable use and protection of water resources, safeguarding access to water functions and services for humans and the environment, and protection against water-related hazards such as flood, drought, and contamination* (Wheater and Gober 2013). Water security is a relatively new idea and as a result many people frame their understanding of water security from disciplinary perspectives or, more generally, on the basis of sustainability concepts (Cook and Bakker 2012). These include managing water resources while balancing economic, environmental, and social needs, and ensuring inter-generational equity. Conventional water resource management was focused on measuring and allocating the available

“stocks” (see ► [“Economics, Ethics, and the Environment”](#)). Allocations did not take into account the moral principles that ought to govern how people make decisions about water and how these decisions impact ecosystems, and other people dependent on that “stock” (Syme et al. 2008; Neal et al. 2014). A response to this has been a movement toward *Integrated Water Resources Management* (IWRM) which has been accepted internationally as a way for making equitable decisions with many stakeholders about their water resources, as well as anticipating and working through water conflicts. The IWRM movement, however, has not addressed the ethical dilemmas and moral imperatives that surface in the context of water security (Rahaman and Varis 2005; Gerlak et al. 2011).

In this exploration, six binate ethical dilemmas and one singular ongoing problem are presented to illustrate the trade-offs that influence decision-making in the context of water security. These dilemmas arise from the disempowerment of people in upstream areas who have negotiated legal standing which affords them rights before others. People downstream are disempowered due to the challenges in influencing upstream priorities which occasionally differ from those downstream, yet occur first in riparian location. We also discuss how the present power dynamics can affect future generations. Though simplified, the ethical dilemmas illustrate the difficulty of assigning optimized solutions to competing demands. The ethical debates between prioritizing the

(1) economy over environment, (2) economy over culture, (3) environment over economy, (4) environment over culture, (5) culture over environment, (6) culture over economy, and (7) inter-generational tyranny are described next.

## **Prudence, Temperance, Courage, and Justice in Water Security Debates**

### **Economy Over Environment: Irrigation Over Wild Fish Production**

Many of the dry places in the world have increased irrigation to enhance crop-based food production. The allocation of water outside of riparian areas means that while production of food is increased during dry periods and livelihood opportunities are increased for local people, ecosystem productivity in rivers and streams can be stressed, negatively impacting ecosystem health (Scanlon et al. 2007). The trade-offs illustrated here are about primary production of agricultural crops and the benefit of increased crop food security in areas where natural precipitation is limited or erratic; against the productivity of riverine food webs that support wildlife and ecosystems, for example, insects as food for fish, fish as food for people. The case for irrigation over fish productivity is based on economic utility; that is, “irrigation provides far more value to the economy than wild fish,” so irrigation must continue. Increasing the trade-off complexity is the notion that in temperate regions, irrigation adds only marginal value during dry periods (Rey et al. 2016); however, in semi-arid regions, irrigation can double or triple yields (Paterson Earth and Water Consulting Ltd. 2015). It is important to note, however, that the big agriculture and hydro-electric energy lobbies have been more successful at furthering their value proposition than recreational fisher-persons and environmental advocates who have often had limited voice in policy circles. The ethical debate centers on the concepts of prudence (practical wisdom), and temperance (moderation) put into place in cooperative regions, but not necessarily free market ones. Practically, the scientific and policy debate is lacking in an understanding of the precariousness

of downstream ecosystems when natural flows are altered and reduced. Utility arguments for irrigation schemes have been shown to be unsustainable over the long-term (Muhoyi and Mbonigaba 2018; Gonçalves and de Lima 2018), while unchecked irrigation and cropping has damaged ecosystems (Famiglietti 2014). Temperance is needed in the face of estimating future fortunes in irrigated crops given the unpredictability of climate and world markets. Historic records indicate that moderate growth in irrigation is a wiser choice. The question is, would you prioritize short-term crop production over long-term ecosystem health and function (see also ► “Capitalism”)?

### **Economy Over Culture: Hydropower Over Traditional Uses (Medicinal Plant Collection, Hunting, Trapping, and Fishing)**

Hydropower is a relatively cheap form of electricity, though it is not environmentally benign. Many countries are shifting to hydropower generation to shift away from coal-powered electricity generation. Hydropower production, however, has three main environmental harmful effects including (1) reversing seasonal flows regime, (2) reducing the peaks of high flows, thus limiting the flushing of riparian areas and (3) altering the sedimentary processes of rivers (Sokka et al. 2016). For cultures and communities which practice traditional land uses such as gathering medicinal plants, hunting, fishing, and trapping in riverine ecosystems, hydropower development has been damaging, but since hydropower produces tremendous economic value, it persists despite community opposition. Hydropower production as a practice has overshadowed some cultural values, and groups expressing fervent opposition and fears of culture lose ongoing battles against hydropower development. The ethical debate here centers on justice (undertaking what is good for the community). Hydropower provides a service, but, it is at the cost of environmental health and balance in many cases, while traditional uses act in balance and have evolved to provide stewardship of the environment. The question is, would you prioritize the energy needs of the masses over

livelihoods dating back millennia that are practiced by traditional cultures?

### **Environment Over Economy: Protected Species Over Expanded Irrigation**

In countries where threatened species are protected by law, irrigation is occasionally stopped when the river systems fall to predetermined thresholds to protect environmental flows. Australia's Murray-Darling, Canada's South Saskatchewan River, and the USA's Colorado River are examples of rivers where drought conditions led to the halting of irrigation rights to protect threatened species of fish among other ecosystem services. Rare species of fish, plants, wildlife, and other genera were prioritized over economic gains, and few would argue that the decisions took courage; yet, questions about the prudence of those decisions arise. Some posit that the existence value of a species, for example, the humpback chub or Colorado pikeminnow, which provides little direct economic gain to the human system, is of higher practical value than irrigation of crops (Osmundson and White 2014). The question here is, would you prioritize a rare species' right to exist over agricultural productivity?

### **Environment Over Culture: Protected Species Over Traditional Practices**

In British Columbia, Canada, there is a serious decline in wild sockeye salmon populations. Recreational, commercial, and even First Nations food and ceremonial harvesting of sockeye salmon was closed in 2017 and will be closed until there is an increase in sockeye abundance. Sockeye are a key element of the coastal Pacific Ocean, coastal stream, and west coast rainforest ecosystems as they are a key nutrient source. Sockeye salmon runs attract tourists to B.C.'s rivers. Sockeye salmon is an important food source and sacred ceremonial animal in some Indigenous cultures along the west coast. The numbers of sockeye salmon are at an historic low, which led to a provincially driven embargo on recreational fisheries (Viatori 2016). As a result of the threat to this sacred species, local Indigenous communities imposed their own embargo for

their own people. This was done despite the fact their indigenous rights meant they could still fish regardless of provincial limits. The ethical debate here centers on temperance; the ability to exhibit self-control by the Indigenous groups who have temporarily suspended sacred practices for environmental restoration. The question here is, would you be able to prioritize environmental health via species recovery efforts, over the need for expression of your sacred practices?

### **Culture Over Environment: Agricultural Run-Off Over Threats to Environmental Health**

In the Canadian Prairie provinces, cattle wintering sites such as corrals and fenced areas are used to overcome challenges of harsh weather. Adequate shelter and bedding are provided for the animals, and feed efficiency can be enhanced. Riparian areas provide shelter and water and have long been the site of choice for ranchers for wintering, whose herds have grown tenfold from early settler times. Managing the manure and run-off are important for cattle producers particularly in calving areas. Cattle producers have practiced good hygiene on wintering and associated calving sites by taking advantage of the proximal water sources in riparian zones to remove waste and improve conditions for herds. Preliminary estimates by the Saskatchewan Agriculture, Food and Rural Revitalization, and the Saskatchewan Watershed Authorities suggest that as many as 10,000 producers winter cattle along watercourses in Saskatchewan. Manure flushing through waterways contributes to eutrophication and creates risks for downstream environments and people through exposure to pathogenic bacteria, viruses, protozoa, and parasites in surface waters, and leaching into groundwater. This trade-off centers on the prudence and practicality of the winter cattle corral practice for ranchers versus the justice for downstream communities who suffer from the exposure and reduced water quality. The question here is, would you consider imposing restrictions on wintering cattle near streams to reduce the potential effects from run-off (i.e., diffuse source nutrient loading)? (see also ► [“Environmental Ethics and Sustainability”](#)).



### Culture Over Economy: Assigning Rights of Personhood to Rivers Over Economic Gain

In recent years, there have been some instances where the cultural importance of water has been prioritized over the concept of water as an economic good. In Maori culture, mountains, rivers, and some landmarks are believed to be the ancestors of particular tribes, and water is a *taonga* (sacred treasure). Water features such as rivers and springs play central roles in origin stories and are considered valuable living cosmological elements. For instance, in New Zealand's North Island, the sacred Whanaganui River was given legal rights as a person in an effort to protect it from harm from hydropower development and water bottling companies. "I am a river and the river is me" is an important concept within local Maori Iwi's *tikanga* (lore). The river exists, just as a person does, and hence, deserves the same rights including the protection from physical harm (Hutchison 2014). The ethics of this debate focus on courage and justice. It was courageous of New Zealand law makers to make the morally significant and unprecedented decision to assign personhood to the river. It was an act of justice to make the decision that is good for the Maori and communities of environmentalists (e.g., ENGOs) dwelling along the river and further afield. The question here is, would you be able to prioritize cultural beliefs such as *taonga*, over water-based economic gains? (see also ► ["Aboriginal Ethics: Traditional and Contemporary"](#)).

### Intergenerational Tyranny: Inland Freshwater Deltas

One of the most troubling ethical dilemmas in the context of water security is how to include consideration for future generations in water management decisions today. For example, damming of rivers in central Canada for irrigation, flood protection, industrial growth, and hydropower development (i.e., the Saskatchewan, Peace-Athabasca, and Slave River Watersheds) has affected water quantity and quality, and altered natural rhythms over the last half-century. As a result, the children of traditional harvesters can no longer continue their families' long-standing vocations, and the quantity and timing of water coursing through

the watersheds is irreversibly altered. Species once rich in deltas are disappearing, and delta socioecological systems and knowledge are in decline (Prowse and Conly 2000; Mantyka-Pringle et al. 2017). We have learned that water management decisions of the past have negatively affected the abilities of current generations to enjoy the same water quality and quantity as before (Boelens et al. 2012; von der Porten and de Loë 2014). The limited ability we have in predicting water needs and availability in the future hamper our efforts in ensuring that today's decisions are prudent, tempered, courageous, and just. The question here is, would you make a water management decision without adequate or accurate information about the potential impacts on, and needs of, future generations?

### Summary and Looking Ahead

These dilemmas have been simplified and only serve as examples from which to bring attention to a few moral and ethical aspects of water security. Ethical dilemmas take time and energy for us as individuals and groups to reach a decision, if we can at all. Usually multiple ethical dilemmas occur simultaneously for any water decision scenario, and decisions are made by groups, who come to the table with differing values, attitudes, intentions, and powers. The pressure to shift to thinking about the ethics of water security has both enabled and repelled alliances that could transform the current "elite water orders" including Israel in the Jordan River Basin and Egypt in the Nile River Basin. While IWRM works to allow multiple voices in water management decisions, and thereby purports to overcome inequity in water security negotiations, its continuing focus on "water resources" constrains discussion to the absence of ethical dilemmas. Navigating ethical dilemmas, therefore, requires that good water governance processes are in place. Such processes must be accessible (i.e., inclusive of a wide variety of viewpoints), responsive (i.e., each viewpoint is heard and responded to by the others), and explicitly describe trade-offs including: prudence, temperance, courage, and justice. Water security as a

concept will not be complete without transparent and pluralistic water governance processes that lead to no-regret decisions.

## Cross-References

- [Aboriginal Ethics: Traditional and Contemporary](#)
- [Capitalism](#)
- [Environmental Ethics and Sustainability](#)
- [Indigenous Environmental Justice](#)

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## Wealth Equity

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## Synonyms

Economic justice; Economic opportunity; Wealth disparity

## Description

Wealth equity is defined as the measurement of financial and economic well-being among and between groups and countries as well as individuals. It is the measurement of the wealth gap between the “haves” and the “have nots.”

## Wealth Equity

The classic study by Williams (1976) delineates wealth as tied to well-being in personal and societal venues. Wealth is used as reference to one's control of material goods and currency, which subsequently creates a feeling of complete contentment. The Oxford English dictionary defines the term equity as “the quality of being fair and impartial,” whereby individuals are treated as equals in a just and equitable manner (Equity n.d.). There are references to equity in relation to the call for equal rights and status as far back as the age of exploration (Williams 1976). In contemporary terms, the word “equity” seems to be associated directly with a mode of existence and as an initial point of departure, not a state in itself.

Equity became immediately associated with “education” as a means of access to wealth. Initially, education was tied to the family process of the incorporation of children into the family union, but the concept “jumped” to cover the various ways in which one placed themselves in position to get access to the wealth in an equitable way.

The dynamic between “wealth” and “equity,” when used together, reflects the notion that there are de facto individual assets to which one can gain access traditionally through the education system. This is complicated when it is recognized that heredity can also endow one with wealth transcending the “level playing field” of moral neutrality. So it becomes transparent that there is no one way to wealth acquisition.

Natale and Libertella (2017) assert that, in order to assure a level playing field, further analytics are necessary and they involve the following principles: The assumption that “Human Dignity is Pre-eminent; The Common Good as

Normative; Subsidiarity; Government Obligations; Rights; Empathy and; Training the Will’.”

Once the basic assumptions, values, attitudes, and needs have been designated, one is positioned to address the issue of wealth equity in a more holistic framework.

In a broader context, “wealth equity” is more than simple possessions or land but in the moral sense of the “rights” of an individual to secure their place in an economy that assures personal growth and freedom to achieve self-determination. It is this logical link that can exert some control over poverty. Any effective analysis of “wealth equity” requires correlative components be introduced such as “justice,” and it is necessary for justice to “flow down” through various portals to provide a bulwark for the level playing field required in morality.

The “royal road” to wealth equity has been conjoined with education. As such, education creates a condition sine qua non for individuation and access to ownership of property and a participation in the commonwealth. It is axiomatic that as education increases, economic parity is at least more possible (Van de Werfhorst and Shavit 2015). Stewart (1999) maintains that education is the “foundation for creating intellectual capital which, in turn, produces wealth.” Bloom (2006) asserts that, on the global front, the value placed on education as an instrument for enhancing economic parity is reflected by the substantial monetary investments made by national governments.

Nevertheless, there are confounding variables where individuals who have attained higher education do not attain the necessary equity. These confounding variables include “military conflict, economic mismanagement, macro-economic failure, poverty, power, freedom, social status, immigration, emigration, and the lack of political will, which may hinder ascertaining any direct cause and effect relationship between education and wealth equity” (Driscoll 2017).

The goal of education for wealth equity has been discussed at length by UNESCO (2015), and their work focuses on the four key “pillars of learning,” “to know, to do, to live together, and to be.” Concomitantly, higher education postures individuals to independently and collectively

approach the wealth equity they seek; No other variable is so tightly bound to success in achieving even modest equity.

Wealth equity transcends multiple categories and extends into correlative issues such as gender and race.

One of the driving forces behind wealth equity is the attainment of gender parity through gender equitable reforms. Gender equity is defined as the “fairness of treatment for women and men. . . considered equivalent in terms of rights, benefits, obligations and opportunities” (International Labour Office [ILO] 2000).

Research has found that reducing the gender gap can have positive effects, not only on a social level, but also on an economic one (Noland et al. 2016). There has been a significant push for the development and implementation of policies that promote gender parity and a veritable call-to-arms to close the gender equity gap, which, in turn, will benefit the wealth equity dynamic. In recent years, efforts to promote gender parity have been undertaking by both developed and developing countries.

The concept of “Gender Mainstreaming” was introduced by the United Nations (1997), whereby the goal is to promote a method of policy-shaping that takes into perspective the goal of gender equality when generating policies and provisions at all phases of development (Council of Europe 1998). This concept was quickly adopted by the European Union and has since been implemented by several nations (Verloo 2005). Much work remains to be done, however; experts predict that the global gender gap will not be fully closed until 2186 (Chiang 2016).

Race remains a category of considerable concern with regards to wealth equity worldwide. Race is believed to be a strong predictor of one’s economic mobility; this is, due, largely in part, to long-standing procedures and systems that produce race-specific wealth disparities (Wolff et al. 2017).

Globally, there have been ongoing attempts to address racial inequality as it relates to wealth equity. Countries including the United States, Japan, China, India, and South Africa have made attempts to address the wealth equity issue in its

varying contexts (Lehohla and Shabalala 2014; Pe 2016); these efforts are ongoing.

Shifting demographics, the ease of geographic mobility, and economic integration has sparked a renewed urgency toward addressing wealth equity and race worldwide.

Understanding the dynamics of wealth equity is fundamental in the global development of fair and just societal norms, as equal access to wealth can allow individuals to uniformly access and benefit from all the world has to offer.

## Cross-References

- [Compensatory Justice to Groups](#)
- [Distributive Justice](#)
- [Education and Wealth Equity](#)
- [Gender, Economics, and Unpaid Work](#)
- [Human Rights](#)
- [Justice](#)
- [Social and Economic Mobility](#)

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## Weber, Max

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## Max Weber

Together with Karl Marx and Emile Durkheim, Max Weber (1864–1920) is considered to be a foundational figure in sociology. His interpretive (i.e., *Verstehen*) sociology is one of the cornerstones of sociological theorizing and a precursor of different streams of microsociology focusing on social action and social agency. The nature of

Weber's *Verstehen* sociology is shaped by two important intellectual trends: (1) the German Historical School's methodological debate regarding the crisis in the legitimacy of historical sciences and (2) Weber's dialogue with Marx(ism).

## The Methodological Debate

Set against the late nineteenth-century growth of the natural sciences and the preeminence of their methodological and investigative authority, the German Historical School's methodological debate aimed to respond to the critique which cast philosophical and historical sciences as intuitive, speculative, and therefore nonscientific. The critique was premised on the argument that positivism provides the only viable epistemological and methodological foundation for a genuine scientific investigation and analysis, and therefore *the* criterion for differentiating science from non-science. Accordingly, everything that does not follow the positivist scientific model is to be rejected as nonscience.

The response to this critique was an argument that – because of their different objects of inquiry – natural and social sciences are two distinct types of scientific enterprise, and that the epistemological and methodological criteria of natural sciences are not transferrable as the standards for evaluating the scientific nature of historical and social sciences. From this viewpoint, the scientific nature of historical and social sciences ought to be judged by how accurately they address their own *problématique* rather than how well they replicate the methodology of the natural sciences in the investigation of their own objects of analysis.

The position of the German Historical School was that historical and social sciences are focused on the investigation of the “ethical realm,” i.e., the realm of values and norms that underlie social action and motivate human behavior. As such, their aim is to understand something that is both subjective and historically specific. In contrast, the focus of natural sciences is the “empirical realm,” i.e., the realm of laws and regularities that underlie the working of the natural world. Thus, rather than being focused on investigating



what is particular and unique, natural sciences aim to explain what is general and universal. Given this, the divergent epistemological and methodological foundations of natural and social sciences ought to be taken as both appropriate and indispensable.

Max Weber shared the German Historical School's view that the aim of historical and social sciences is to understand the particulars of historical and ethical motivations of social action, which is something that cannot be grasped empirically, through observation, but only theoretically, through meaningful interpretation. He therefore considered historical and social sciences – and sociology, in particular – to be the sciences of values grounded in epistemological and methodological postpositivism, and aimed at providing an interpretive understanding of the normative elements of social action.

### Weber's Dialogue with Marx(ism)

Irving Zeitlin (2001: 197) characterizes Weber's sociology as “a dialogue with Marx's ghost,” centered on three key issues: the nature and purpose of social theory; the understanding of history and social development; and the Marxist model of society. Regarding the first one, Weber was critical of the Marxist position that social theory and social sciences ought to be understood and used as intellectual tools for social critique, oriented towards transformative change. In contrast, he argued that the key objective of social theory and social sciences ought to be a disinterested pursuit of historical facts about society, and a search for valid historical truths. In Weber's view, casting the scientific pursuit of knowledge in explicitly normative and/or ideological terms of any kind equals abandoning science for politics. To be meaningful, science needs to be value-free.

Weber was also critical of the Marxist stance that, ‘in the final analysis,’ economic forces are the driving engine of history and societal transformations, and that the analysis of society's economic foundation therefore provides the ‘master key’ for understanding the dynamics of all aspects of social life. In Weber's view, this kind of ‘economic reductionism’ fails to accord sufficient

attention to noneconomic forces in the analysis of social life, and thus provides a partial understanding of the historical mechanisms and forces driving social change and transformations. Accordingly, an appropriate analysis of society ought to be based on taking into account both economic and noneconomic factors rather than giving an *a priori* analytical significance to one of them.

Finally, in contrast to the Marxist base-superstructure model of society which prioritized economy as society's real foundation and therefore the force shaping all noneconomic aspects of social life, Weber argued that society is a network of four interrelated and equally important social spheres: economy, politics, law, and religion. While not denying the importance of the economy, Weber disagreed with the Marxist proposition that society's political and sociocultural life is, in the final analysis, a ‘superstructural reflex’ to the nature of society's economic base. His position was that the centrality of the economy in the overall development and life of society should not be assumed *a priori* but established only through an analysis of empirical realities at a given point in time. Thus, Weber advocated a nondeterministic model and analysis of society, premised on the propositions that, at different points in time, (a confluence of) any of the four social spheres may have a predominant impact on shaping the overall course and dynamics of social life.

### Verstehen Sociology and Social Action

According to Weber (in Heydebrand 1994: 228), “sociology . . . is a science which attempts the *interpretive understanding of social action* in order thereby to arrive at a causal explanation of its courses and effects.” Thus, the key point of sociological analysis is to understand, through interpretation, the underlying motivations, nature, and consequences of social action in relation to particular social setting(s) that shape these. Weber defines social action as subjectively meaningful (i.e., intentional) behavior mindful of the behavior of others, and performed accordingly. As such, social action can be interpreted – i.e., made sense of – rationally (*via* logic and reason)



and/or empathically (*via* identification with its emotional content), and understood – i.e., known – through direct observation that explains the actual content(s) of social action and/or explanatory understanding that explains the actual motivation(s) for social action.

For Weber, there are four general types of social action: traditional (i.e., behavior animated by tradition as a set of external regulatory rules); affective (i.e., behavior animated by an emotional state in given circumstances); value rational (i.e., behavior based in a binding moral code); and instrumentally rational (i.e., behavior animated by rational means-ends considerations motivated by the most efficient attainment of goals). Methodologically, the four types of social action are what Weber (in Shils and Finch 1949: 90) refers to as the ideal types, “formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one sidedly emphasized viewpoints into a unified analytical construct.” As such, rather than being the faithful reproductions of concrete reality, the ideal types are accentuated typifications of courses of conduct used as the methodological devices for gauging similarities and deviations in concrete cases.

For Weber, instrumentally rational social action is an ideal type that corresponds most closely to courses of conduct in the West. It is reflective of the broader processes of rationalization that led to the rise of modern Western society and its particular kinds of economic, political, legal, and religious spheres. In Weber’s view, the hallmarks of modern Western society are submission of social life to planning, rational action, and technical procedure; reliance of calculation and technical knowledge in order to obtain control over the natural and social world; and understanding of the world based on practical rather than metaphysical thinking. All of these are grounded in a particular kind of systematic reasoning – i.e., instrumental rationality – centered on the means-ends calculation, and aimed at efficiency maximization. According to Weber, the historical roots of rationalization and instrumental rationality can be traced back to a specific form of

Protestant ethic, first emerging in the sixteenth-century Western Europe.

## Class, Status, and Party

While acknowledging the importance of economy and social class in generating and reproducing social inequalities, Weber took issues with the Marxist proposition that, in the final analysis, all social inequalities are social class-based and economic in origin, and argued for a broader and more nuanced understanding centered on social class, status group, and political party. For Weber, social inequality is rooted in competitive strategies aimed at monopolizing economic wealth, cultural prestige and political power, and centered on the membership to social class, status group, and political party as the strategic means towards creating advantages in monopolizing these key societal resources. The nature of social inequality is thus multidimensional and its roots multicausal and, therefore, irreducible to society’s economic realities alone.

In Weber’s view, social class is an economic category in the sense of being tied to competitive strategies centered on the struggles over economic wealth. Its nature, however, is rather complex and cannot be reduced to the Marxist bourgeoisie/proletariat social class-dichotomy grounded in the ownership-of-the-means-of-production criteria. For Weber, social class can be understood and defined in three different ways: (1) in relation to one’s market situation based in property ownership and/or one’s skillset; (2) in relation to different types of social action based on class interests; and (3) in relation to historical types of social struggle. The first understanding leads to a definition of social class as a social group distinguished by ‘life chances,’ where life chances depend on how marketable one’s property and one’s skills are, and how well they can be exchanged on the economic market. In contrast, the second understanding of social class leads to its definition as a group in similar economic circumstances and with similar interests, and, therefore, with alike motivations and inclinations to pursue a specific type of social action. Finally, the third understanding leads to a definition of social class as a group with unique class interests, engaged in a

distinct type of collective action aimed at discernible and immediate economic opponent jeopardizing the pursuit of life chances. In Weber's view, therefore, the reality of social class is much more complex compared to how Marxists define and understand it: there are multiple – rather than only two – social classes in society, and an individual can simultaneously belong to more than one social class.

As a cultural category, status group refers to a group of individuals accorded or denied honor and prestige on the basis of shared lifestyle, habits of taste, and consumption. As such, it is a means of monopolizing cultural resources by way of social distinction valued in society. According to Weber, status groups can be distinguished on the basis of three characteristics: (1) the degree of social esteem and amount of honor accorded, (2) social segregation, and (3) monopolization of status privileges. What therefore differentiates one status group from another is the extent to which its members can, through specific patterns of consumption and taste patterns, project a particular lifestyle to society, use it to set themselves apart and form a 'closed circle' with distinct rules, regulations, and social sanctions, and – on the basis of social esteem and honor associated with their lifestyle – claim special material and immaterial entitlements. For Weber, a common feature of all status groups is that they form communities of shared interests and purposes, aimed at monopolizing distinction-based cultural prestige.

Political party refers to a group of individuals whose aim is to acquire political power and influence actions of others for political purposes and gains. According to Weber, all political parties are based on voluntary membership and adherence to the rules of the group within the party. Their success rests on the ability to persuade others to adhere to a specific political vision and principles, and establish political authority through a particular type of political domination.

### **Political Authority: Influence, Power, and Domination**

According to Weber, political authority can be exercised by way of influence, power, and domination. Influence is the most elementary principle

of exercising political authority: it is centered on the ability to have impact on others through suggestion or persuasion in order to elicit compliance. In contrast, exercising political authority by way of power rests on the ability to carry out one's will despite opposition or resistance. For Weber, the principal weakness of power as the principle of exercising political authority and eliciting compliance is the lack of psychological identification with the system of political rule – i.e., the fact that political compliance is not a matter of believing in, or identifying with, political authority but is grounded in the fear of punitive action in the absence of demonstrable obedience. Domination is defined as the legitimate exercise of political power, grounded in the right of the ruler to issue commands to others and expect them to obey without opposition or resistance. What makes the exercise of political authority through domination legitimate, thus, is the validation of the ruler and the apparatus of authority through psychological identification with prevailing political norms and values. According to Weber, domination-based compliance is not elicited through the fear of punitive action in the absence of demonstrable obedience but through the psychological commitment to what is internalized as the right and just political authority.

Weber identifies three types, or systems, of domination: charismatic, traditional, and legal-rational. Each varies in terms of four key characteristics: form of legitimacy; type of obedience; administrative apparatus; and a mode of exercising power. Political authority based on charismatic domination rests on the perceived extraordinary qualities and powers projected by a charismatic leader, often interpreted as divine in origin and recognized by followers as valid and true. Its legitimacy stems from the strong psychological connection to the leader and is grounded in personal inspiration and inner devotion. Charismatic domination often emerges in times of societal crisis and presents itself as a revolutionary force for change through a 'renunciation of the past' and a 'promise of a better future.' Consequently, a failure to deliver on the promise often results in the loss of legitimacy. Charismatic domination is administered through a select group of

disciples and followers, with decision-making done by the leader.

Political authority based on traditional domination rests on the sanctity of age-old rules and powers, which define a framework of obligations that binds individuals and political leaders into a master/subject relationship through the subject's personal loyalties to the ruler. Leadership powers are thus considered as legitimate in the context of specific traditional rights and norms, and exercised by those who establish themselves as their embodiment. Traditional domination is implemented through 'edicts' (i.e., personal decrees issued by a leader) and administered through the enforcement of inherited right.

Political authority based on legal-rational domination rests on the belief in the legality of enacted rules, and the right of those in a position of authority to issue commands. The source of its legitimacy, therefore, is obedience to an impersonal legal order of rationally determined judicial rules and 'statutes' (i.e., formal regulations) rather than to personal authority of a political leader. The legal-rational domination is exercised through the universal application of judicial rules to all members of society (i.e., the rule of law), including those in a position of political authority, and administered through a bureaucratic network of functionaries with specific skills and competencies. According to Weber, the key features of bureaucracy are: (1) organizational hierarchy; (2) administration through office, based on functional separation of tasks and distinction between private and official duties and affairs; (3) decision-making based on technical and expert knowledge and strict observance of legal rules; (4) a system of formal rules governing actions and behaviors of bureaucratic administrators; (5) impersonal authority based on formal rationality (i.e., decision-making subject to means-ends calculation, and problem-solving based in a straightforward application of technical criteria); and (6) administration through written documentation and file keeping.

### Capitalism and the "Iron Cage" of Rationality

One of the major themes of Weber's sociology is the historical development of modern Western

capitalism through the rationalization of its economic, political, legal, and religious spheres. For Weber (1958: 17), "capitalism is identical with the pursuit of profit, and forever *renewed* profit, by means of rational capitalistic enterprise." The latter refers to the absence of irrational limitations to trading and profit making through the rationalization of commercial activities, techniques and interchanges, coupled with the rise of a universal set of standardized commercial techniques for rendering balance (i.e., rational accounting). According to Weber, the development of 'rational capitalistic enterprise' is accompanied by (1) the formation of the rational state as a political institution based in formal law and political administrative expertise; (2) the rise of the rational legal regulation based in formal application of impersonal norms and sanctions; and (3) the emergence of an ethical system based on the 'spirit of profit,' governing social and economic activity. Together, these constitute the bedrock of the uniquely Western capitalist society.

For Weber, the historical roots of all-pervasive rationalization of Western society can be traced back to the sixteenth-century Protestant Reformation spearheaded by Martin Luther. Its end sociocultural effect was the rise of Protestant doctrine of asceticism as a set of ethical principles centered on self-control, continuous work, and self-denial, which informed all aspects of one's daily conduct. Over time, these evolved into the general spirit of capitalism as the cultural foundation of all spheres of modern Western society, resulting in the submission of social life to planning, rational action, and technical procedure for the purpose of consistent outcomes and efficiently attained goals. This, in turn, led to the rise and entrenchment of bureaucratic principles and practices as the organizational, institutional, and administrative bases of thus rationalized social life.

According to Weber, the rationalization and bureaucratization of Western capitalist society indicates the triumph of formal rationality over substantive rationality. The consequence thereof is the shift from decision-making grounded in a criterion of ultimate values and an appeal to ethical norms, towards decision-making centered on means-ends calculation and formal application of technical criteria. Although unintended, the

ultimate long-term societal effect of this shift is a disenchanted world trapped the ‘iron cage’ of rationality – i.e., a thoroughly modernized, secularized, routinized, and intellectualized Western society encased in the dehumanized systems of rationality, efficiency, and control. As Weber (in Gerth and Wright Mills 1958: 155) writes: “The fate of our times is characterized by rationalization and intellectualization and, above all, by the ‘disenchantment of the world.’ Precisely the ultimate and most sublime values have retreated from public life either into the transcendental realm of mystic life or into the brotherliness of direct and personal human relations.”

Contrary to Marxists, who believed that ending capitalism through revolution would set the stage for a more humane and egalitarian world, Weber was skeptical about the prospects of re-enchanting the world and dismantling the iron cage of rationality. In his view, a revolution to end capitalism would lead to a change in form but not necessarily in substance, and would likely result in one type of rationalized and bureaucratized society being replaced by another.

## Cross-References

- [Agency Theory](#)
- [Alienation](#)
- [Behavioral Ethics and Rationalizations](#)
- [Capitalism](#)
- [Charismatic Leadership](#)
- [Christianity and Business Ethics](#)
- [Empathic Leadership](#)
- [Individualism](#)
- [Marxism](#)
- [Protestant Work Ethic](#)
- [Work Ethic](#)

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## Welfare Economics

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## Synonyms

Efficiency; Ethics (virtue, Kantian, liberalism, rights theory, consequential vs. process, utilitarian); Fairness; Liking vs. wanting/desiring; Neo-classical choice theory; Pareto improvements; Well-being (emotional, life-satisfaction, and societal)

## Introduction

*Welfare economics* is an ethic (a method for determining whether an action, behavior, or policy is *right* or *wrong*). Many economists endorse it to determine right from wrong: whether an action is *ethical/moral* vs. *unethical/immoral*. Those that increase societal well-being are (ethically) right and those that decrease it are wrong, and those that increase it more are ethically preferred to those that increase it less.

“Welfare economics is an atypical form of *welfare consequentialism*, *WC*: consequentialist in that whether an act or policy is right or wrong is a function of only its consequences—the [adjective] welfare because the only consequences that matter are the welfare (well-faring) consequences. [But] most welfare consequentialists do not adhere to a welfare-economic ethic. And most moral philosophers are not welfare consequentialists—neither are most normal folk” (Morey 2018).

Consequentialist ethics can be based on consequences other than societal well-being (Sinnott-Armstrong 2019). For example, one could be a “value” consequentialist where value is something different than societal well-being. Peter

Singer (1997, 2011), the modern face of utilitarianism, is a consequentialist who argues that the consequence that matters is the extent to which wants and desires are fulfilled. Opposite to consequentialists are *processists*: ethicists who judge solely on whether the process that caused it is a right or wrong process (e.g., majority voting, good or bad intentions). For them, consequences are ethically immaterial. Organizing:

- Welfare economics is an ethic.
- Defining individual welfare (well-faring) and societal welfare.
- Whose well-being, *WB*, counts? And what is *societal WB*?
- Liking vs. wanting/desiring.
- Is an individual's level of WB cardinally meaningful, or only an ordinal concept? And the implications for mapping from the WBs of members to societal WB.
- Implications of the welfare-economic ethic.
- Most ethicists (moral philosophers) reject the welfare-economic ethic, so do normal folk.
- Welfare economics is not a form of utilitarianism.
- Modern economic philosophers who reject the welfare-economic ethic include:  
John Rawls (1921–2002), Amartya Sen (1933–), and Partha Dasgupta (1942–).

Important issues and complications not discussed:-

- How to estimate an individual's WB and a change in its level.
- Welfare economics in a world of risk and uncertainty.
- Things are more complicated if people care about their relative position (improving your position in society increases your WB but decreases the WB of others).

What follows is written by a hesitant welfare economist: disciples of welfare economics will find it too negative, critics too positive. Increasing societal WB is appealing (more so if expressed as reducing ill-being/suffering), but welfare economics provides limited guidance when one is

trying to determine whether a particular action increases societal WB. Many ethics disappoint when it comes to determining whether a real-world action is right or wrong.

Also, and troubling, welfare economics can find policies and actions that many would find abhorrent, the right thing to do.

For readers who want more details and further readings, see the cited Stanford Encyclopedia of Philosophy (*SEP*), review articles, and the cross-references to entries in this volume.

## Welfare Economics

### Welfare Economics Is an Ethic

Whether it is, of course, depends on how one defines the term. For John Stuart Mill, an ethical system is simply “a method to test right from wrong.” Quoting from the *Journal of Economic Literature* article *Taking Ethics Seriously*, Hausman and McPherson (1993)

Welfare economists have sometimes thought that their techniques are virtually morally neutral because they rest on innocuous and uncontroversial moral premises such as the Pareto principle. But the standard definition of a social optimum compares social alternatives exclusively in terms of the goodness of their outcomes (rather than the rightness of their procedures) and identifies the goodness of outcomes with the satisfaction of individual preferences. These commitments to value only outcomes and to measure outcomes only in terms of individual utilities are neither neutral nor uncontroversial (see Sen 1979, and Sen and Williams 1982).

### Quoting from Morey (2018)

That Pareto improvements are always improvements, while obvious to welfare economists, is rejected by, and inconsistent with, most other ethical criteria, such as virtue ethics, Kantian and other duty-based ethics, ethics based on religion (sins are wrong, no matter how they affect well-being, WB), rights theory, and ethics that judge acts moral or immoral based fully, or in part, on process and intent. [A change is a Pareto Improvement if after the change some members of society experience more WB and no members experience less.] John Rawls (1971) rejected it, arguing that increasing the WB of the better-off at no cost to the worst-off is not right. An objective inconsistent with most moral objectives is a moral objective.

“A moral principle can be viewed as a requirement to exclude the use of certain types of information in making moral judgements” Sen and Williams 1982. . . welfare economics excludes from moral consideration the specifics of the act, its cause, and the intent. It also excludes from moral consideration how a policy or act affects individuals who are not members of society.

(Adam Smith was a virtue ethicist (McCloskey 2008) who suggested two guides for behavior: rules against really bad acts (killing, raping) and virtue for everything else. The morality of an act depends on both intent and consequence. If the intent was virtuous, the behavior is right, unless, of course, the outcome is disastrous. Virtue (“proper gratitude, kindness, courage, patience, and endurance”) results from empathy for others – our “moral sentiments”. Smith was not a welfare economist).

### Defining Individual Welfare (Well-Faring)

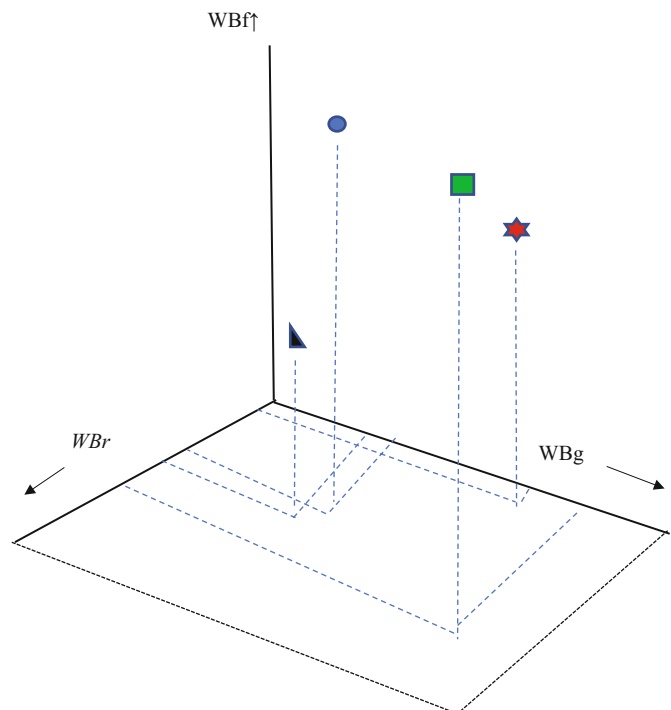
Define an increase in an individual’s welfare as an increase in their WB, a decrease with an increase in their ill-being. WB falls into three categories: emotional WB, life-satisfaction WB, and pleasant and unpleasant sensations (Kahneman and Deaton 2010, Morey 2021). Welfare economics assumes that every type of WB is *commensurable* (the

individual can rank all combinations of WB types and levels in terms of (overall) WB. [Most moral philosophers, starting with Aristotle, reject complete WB-commensurability, arguing, for example, that the types of WB generated by friendships and religious beliefs are not commensurable with the pleasures produced by ice cream (Nussbaum 2012).]

Complete commensurability of WB types and levels implies that the individual has a complete WB ranking of bundles all experiences are WB-comparable, a critical assumption of *Neo-classical choice theory*: the theory of behavior economists teach to undergraduates. (*Bundle  $j$ ,  $j = 1, \dots, J$ , is a package of experiences. For example, in *Bundle 23* the individual might be a plumber in Pittsburg, eat a lot of pizza, have two kids but few friends, and have a beautiful garden. Her life with *Bundle 121* would be different): Imagine an individual named Fred, Fig. 1, who experiences only three types of WB: the WB produced by the consumption of goods and services ( $WB_g$ ), the WB produced by having friends, family, and a partner ( $WB_f$ ), and the WB produced by having legal rights and freedoms ( $WB_r$ ).*

### Welfare Economics,

**Fig. 1** Four of Fred’s feasible packages of WB





The green/rectangle package of WB-types produces more (overall) WB for Fred than the black triangle package because it produces more of all three types of WB – so Fred ranks it higher in terms of WB. For the same reason, the green/rectangle package is ranked higher than the red/star package of WB-types. In none of the other pairs, does one package dominant. For example, the red/star package has more  $WB_f$  and  $WB_g$  than the black package, but less  $WB_r$ . Complete WB-commensurability means Fred can make all of the comparisons: he can, for example, rank the red/star and black/triangle packages of WB-types. By assumption, Fred has a complete WB-ordering of these four packages and all other feasible packages of WB-types. If he could not compare more  $WB_f$  with  $WB_g$ , this would not be the case.

While complete WB-commensurability and welfare economics are often simultaneously assumed, one can adopt both, either, or neither.

### Whose WB Counts? And What Is Societal WB?

*Societal welfare (societal WB)* depends only on the WB of society's members – nothing else

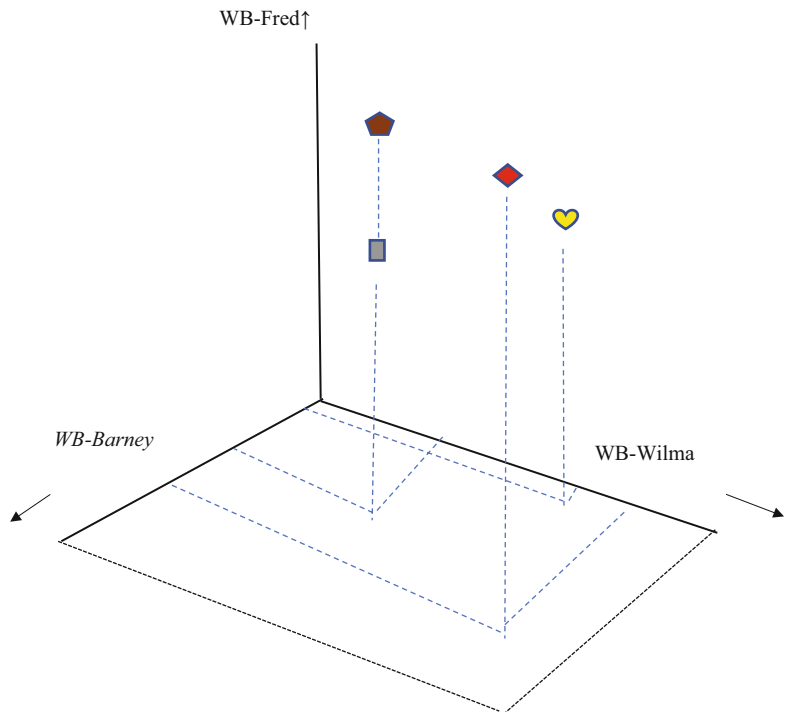
affects it. A *State-of-the-World, SOW*, identifies what every individual experiences in that state: everyone's bundle. Each member of society associates some level of WB with each SOW. Societal WB is identified by assuming the WB each member associates with each conceivable SOW maps into an ordering of all conceivable SOW in terms of societal WB – by construction, higher-ranked states are associated with more societal WB.

Imagine a world of three individuals: Fred, Wilma, and Barney. The problem is how to take different combinations of each of their WB and map them into an ordering of societal WB. For simplicity of exposition, Fig. 2 is drawn so that it is almost identical to Fig. 1 in appearance but what is on each axis is now different: the vertical axis is now Fred's WB, the right axis is Wilma's WB, and the left is Barney's WB, so each dot (combination) represents a different combination of their WB's.

Welfare economists universally assume a new SOW is associated with more societal WB if in the new state some members of society experience more WB and no members experience less: *Pareto improvements* are assumed ethically right. And if in the new state some members

### Welfare Economics,

**Fig. 2** Four WB combinations



experience less WB and none experience more, a move to the new state is wrong: *Pareto deteriorations* are wrong. It follows that policies that increase the WB of all members are right and those that decrease the WB of all members are wrong. By the Pareto criteria, the red-diamond combination of WB's produces more societal WB than the gray-rectangle combination (everyone has more WB), also more than the yellow-heart combination. Even though Barney and Wilma have the same levels of WB in the brown-hexagon and gray-rectangle combinations, the brown-hexagon is Pareto preferred because Fred has more WB. But the pairs, (brown-hexagon)/(red-diamond), (brown-hexagon)/(yellow-heart), and (yellow-heart)/(gray-rectangle) can't be ranked based on the Pareto criteria.

But, beyond the Pareto criteria, welfare economists don't agree on which, if any, additional restrictions should be imposed on the mapping from members' WB to societal WB. But, without additional restrictions, welfare economics only implies that Pareto improvements are right, deteriorations wrong.

Complicating further, whether a policy is a Pareto improvement or deterioration rests on who is, and is not, a member of society, which brings us back to "Who counts?". Do foreigners count? Do individuals not yet alive? Do non-human animals? Identifying society's members is critical to determining whether a policy will increase societal WB. If, for example, a Canadian government policy increases the WB of all Canadians while decreasing the WB of some residents of the USA and France, it can be made a Pareto improvement by concluding that effects on foreigners don't matter – that foreigners are not members of society. In terms of Fig. 2, shifting from the gray-rectangle combination to the yellow-heart combination becomes a Pareto improvement if Barney is exiled from society: it wasn't when he was a member.

Many welfare consequentialists assume that the WB of all sentient individuals (human and otherwise) count. In exception, most welfare economists exclude them. Welfare economists want someone else to decide which humans count.

### Liking Vs. Wanting/Desiring

An individual *liking* an object, action, or activity means experiencing it increases her WB, so welfare economists want you to experience what you will like. Desiring something does not mean you will like having it. Wanting and desiring as synonyms: one has a longing or craving. Examples include lusting, pining, and yearning.

The Neoclassical theory of choice assumes that the individual has an ordering of bundles based on preference, as in *Bundle j* is preferred to *Bundle i* (ranked higher) without specifying whether the ordering is in terms of liking (realized WB) or the fulfillment of wants and desires (bundles that fulfill more wants are ranked higher). Neoclassical economists tend to assume the two orderings are the same – or almost the same. Research in psychology and neuroscience indicates that behavior is driven by wants and desires, and while what we want and desire is often what we will like, sometimes there is little relationship between the two. [See, for example, the referenced articles by the neuroscientist Kent Berridge whose lab (Berridge 2005; Berridge and Aldridge 2008; Kringlebach 2013; Berridge and Robinson 1998; Wyvell and Berridge 2000) has separated liking from wanting. See also Chap. 18, From "Experienced Utility to Decision Utility," in the textbook *Neuroeconomics*. Morey (2021) summarizes from a welfare- economic perspective.

If the two ordering diverge, the distinction is critical to welfare economics. The adjective "welfare" suggests that the ethical objective is more WB, not more want and desire fulfillment, so we want to distinguish between welfare consequentialism and *want/desire consequentialism*. As noted, Singer advocates for the latter, not the former.

If Neoclassical choice theory assumes the individual's ordering is based on their WB, each individual maximizes their WB subject to their constraints, implying that in a Robinson- Crusoe society of one, the individual will always do the right thing (behave welfare-economic ethical). But if his ordering of bundles is based on wants and desires and this ordering differs from an ordering based on his WB, he will make wrong

choices, implying that limiting his freedom might be ethically preferred, even when his choices do not affect others – paternalism can be right.

For this entry, Welfare economics is about WB, not want/desire fulfillment. While wants and likes are often in sync, they are not always in sync.

*Is an individual's level of WB cardinally meaningful, or only an ordinal concept? And the implications for mapping from the well-being of members to societal WB.*

Neoclassical-choice theory only requires that the individual has a complete ordering of bundles: it does not require that WB has cardinal properties. (The predictions of Neoclassical Choice theory are unaffected by whether WB is cardinal or only an ordinal property. An ordering of bundles has cardinal properties if its meaningful to WB, compare a shift from Bundle  $i$  to  $j$  with a shift from Bundle  $k$  to  $l$ . (In contrast, classical economists assumed WB cardinally meaningful). (Note that Fig. 2 does not imply the individuals' WBs are cardinally meaningful: no numerical scales were attached to the axes.)

Whether one assumes WB is cardinally meaningful affects whether, and how, one might map from the WB of members to societal WB. The easiest to understand is assuming an individual's WB is strongly cardinal (numbers can be associated with each bundle such that the differences between and ratios of these numbers are WB meaningful) and they can be WB-compared across individuals. Call this case *cardinal/comparable*. For this case, one possible mapping, of many, to societal WB is the simple sum of all the member's WB in that State-of-the-World. Call this *aggregate WB*. In terms of Fig. 2, WB numbers would be attached to each level of WB for each individual, these numbers would be cardinally comparable, and one would simply add the three numbers. (There is no presumption in welfare economics, that everyone's WB counts the same, so another simple mapping would be Fred's WB plus Wilma's WB plus  $\frac{1}{2}$  of Barney's WB: Barney counts but less).

At the other extreme, one might assume, as many welfare economists do, that each individual has a WB-ordering of bundles, but WB has no cardinal properties and is not comparable across

individuals. Call this case *ordinal/incomparable*. In this case, one can't conclude anything about the ordering other than State-of-the-World  $m$  is ranked higher than  $k$  if the shift from  $k$  to  $m$  is a Pareto improvement. And a Pareto-inferior SOW is ranked lower.

The other two possibilities are *cardinal/incomparable* and *ordinal/comparable*. Whether WB does, or does not, have cardinal properties is an unanswered empirical question.

The point is that, while it is easy, in principle, to say that one should judge an action on whether it increases or decreases societal WB, whether it does, depends, almost always, on what additional properties are imposed on the mapping, whether a mapping with those properties can even exist (see, e.g., Arrow 1961/63), and who is a member of the society. Another way to make this point is that, except for Pareto improvements and deteriorations, one can't determine, for every pair of states of the world, which in the pair produces more societal WB, unless one specifies a complete mapping, but doing so is fraught with difficulties and disagreements. And, assuming that WB has no cardinal properties and that individuals' WB is not comparable across individuals, makes mapping even more difficult and contentious.

An aside: *an increase in efficiency* (a shift from one State-of-the-World to another such that the gainers could compensate the losers such that there would be no losers if the compensation occurred – a *Potential Pareto improvement*) does not imply that the shift is an increase in societal WB. Even though it is tempting to assume increasing efficiency is always welfare-economic ethically preferred; this is not true. [For example, imagine Donald steals, from you, your deceased grandmother's pearl pendant. Imagine his willing-to-pay for it is \$10 K – he likes antique pendants and is rich. You, on the other hand, are poor so would have sold it, with regrets, for \$1 K. The stealing is efficiency increasing but that does not imply that the theft increased societal WB.]

Said another way, an increase in net real wealth does not imply that societal WB has increased. Two corollaries are projects and policies that pass a benefit-cost test, while efficiency increasing, do not necessarily increase societal WB, and those

that fail a B-C test do not necessarily decrease societal WB. Of course, one could assume the ethical objective is not more societal WB, but rather more wealth (Posner 1983), but it's not a welfare-economic ethic.

Despite this, many economists succumb to the temptation and advocate for increased efficiency, suggesting that increased efficiency leads to more societal WB.

### Implications of the Welfare-Economic Ethic

Since welfare economics is a type of welfare consequentialism, your motivations and intentions play no role in determining whether your behavior is ethical. Whether your great-grandmother had killed the baby Hitler because she believed it would save the world from WWII and the Holocaust or because she did not like his crying is ethically immaterial. Whether one intended to start the forest fire or save the drowning baby is also immaterial: all that matters is whether the forest burned and whether the baby drowned.

Why and how an outcome resulted (the process) is also ethically immaterial, so whether a policy is right or wrong is unaffected by whether it was chosen by a democratic process or a dictator: a dictator who increases societal WB is ethically preferred to a democratic government that doesn't. Most ethicists, and most people, care about consequences but also care about process, so reject consequentialism.

Killing one person to save five (the classic trolley problem) is the right thing to do (Edmonds 2013a, b). But most people believe it is wrong to spring the trapdoor that drops the fat guy onto the track, gently stopping the trolley, killing one but keeping the trolley from crashing and killing the five aboard.

No actions are inherently right or wrong: it depends on their consequences. For example, lying is not inherently wrong; it is circumstance specific. Lying to your partner about a sexual tryst might increase everyone's WB.

Welfare economics does not parse right from wrong forms of WB, WB is WB, so the pleasure Billy gets from torturing cats counts toward societal WB as much as the WB he gets from his

mother's love. The pleasure some of us get from feeling superior to others and treating them badly also counts. If cats are not members, and no members care about them, it is right that Billy tortures cats. If the inferiors are members of society, but the pleasure we get from discriminating against them exceeds the suffering we cause, discrimination is ethically preferred. It is easy to create example actions and policies that the welfare-economic ethic would endorse (e.g., sadistic acts, killing humans for fun and sport, racial discrimination, torture) but would make many people scream "No" (Morey 2018).

If a welfare economist defines societal WB as aggregate WB (many don't), how the levels of WB are distributed is ethically immaterial as long as the sum remains the same. An individual is no more than a WB generating container: their individualism counts for nothing. If societal WB is aggregate WB, increasing WB inequality is always ethically preferred if it increases aggregate WB.

Is more freedom welfare-economic ethically preferred? Not necessarily. Consider four cases: (1) individuals always choose their highest-ranked feasible bundle ordered in terms of their WB, and their choices and behaviors impose no external costs or benefits on other members of society. (2) Individuals choose this way, but their choices impose costs and benefits on others. (3) Individuals choose their highest-ranked feasible bundle in terms of want/desire fulfillment, and this ordering differs from their ordering in terms of WB. Only in Case 1, can we be certain that more freedom will increase societal WB; in the other cases, it could reduce it. Case 2 implies that freedom to choose will allow everyone to maximize their own WB, but this won't necessarily increase societal WB because of the effects of one's actions on others. In Case 3, restricting an individual's behavior can increase their WB.

Many ethics consider how to live an ethical life – the ethical objective of Aristotle, the Buddha, and modern virtue ethics. If one assumes that the individual must choose their highest-ranked feasible bundle, this aspect of ethics is off the table: the individual can't choose to be more or

less ethical – an individual can only be coerced into being more ethical.

### Most Ethicists Reject the Welfare-Economic Ethic, So Do Normal Folk

Most welfare consequentialists reject welfare economics. And most ethicists reject welfare consequentialism. Arguments that welfare consequentialists use to reject welfare economics include emotional WB and pleasures don't necessarily translate into WB, and WB produced in an abhorrent way should not count. See Sumner (1996), Broome (1988), and Harsanyi (1982) who distinguished between true and manifest WB.

Many ethicists reject WC, and so welfare economics, simply because it can sanction policies and actions like lying, murder, torture, and racial discrimination. Some reject it because it assumes no fundamental rights, others because they believe the process is also ethically material, others because they believe that only process and duty are ethically material.

Many ethicists believe that while increasing WB is not a bad thing, it is not the criteria for determining right from wrong. This group includes duty-based ethicists (e.g., Kantians), advocates of rights theory, and virtue ethicists.

Kant's ethic emphasizes autonomy and doing one's duty: your behavior is ethical if it is motivated by an intention/will to do your duty, if not, it is unethical (Johnson and Curton 2021). Processes not consequences are what determine right from wrong – the exact opposite of welfare economics. Kant's *universality principle*, the bedrock of his ethic, is your actions are right if you would want everyone to behave like you, and wrong if you would not – you would be happy to make your behavior the law. ["Act only according to that maxim whereby you can at the same time will that it should become a universal law." This is the first formulation of Kant's *Categorical Imperative*, a commandment/imperative with no exceptions for how to live your life]. You have a duty to behave according to his universality principle – Kantian ethics is *deontological*: from the Greek words for duty (*deon*) and study (*logos*). Modern students of Kant's ethics include Paul Guyer, Thomas Hill, Barbara Herman, Kristine

Korsgaard, and Allen Wood. A modern version of right and wrong based on a Kantian-type moral contract is Thomas Scanlon's book, *What We Owe to Each Other* (2000): a principle is right if it can be justified to reasonable others.

*Rights Theory* judges your behavior moral if you had the right to do what you did, wrong if you didn't; and wrong if your action violates the rights of another (Wenar 2011). It is based on you, and others, having fundamental rights, for example, "the right to life, liberty, and the pursuit of happiness." Rights impose duties on others: you must uphold my rights. Rights are typically thought of as unconditional in that the right-holder has the right under all circumstances. John Locke (1632–1704) and Thomas Jefferson (1743–1826) were rights theorists. Modern rights theorists divide into *will theorists* (e.g., H.L.A. Hart) and *interest theorists* (e.g., Joseph Raz). Exercising a right is right even if it decreases societal WB and violating another's right is wrong even if it increases societal WB.

Welfare economists, being consequentialists, do not recognize fundamental rights; they would, for example, talk about the right amount of free speech in the same way they talk about the right amount of pollution. Welfare economists who advocate for property rights do so only because they believe that having and enforcing property rights will increase societal WB, not because they believe in an inalienable right to own stuff.

Virtue ethics is about being virtuous not about achieving more societal WB (Hursthouse 2001 and 2013). Its three pillars remain the Aristotelian concepts of *arête* (excellence or virtue), *phronesis* (practical or moral wisdom), and *eudaimonia* (true happiness/flourishing/moral happiness). Virtue ethicists include Plato, Aristotle, and Adam Smith. In the nineteenth and early twentieth centuries, virtue ethics was eclipsed by Kantian ethics and welfare consequentialism, only to reemerge in 1958 with the publication of *Modern Moral Philosophy* by the British philosopher Gertrude Anscombe (1958) – it had never lost its street appeal. [She coined the term "consequentialism."]. She rejected welfare consequentialism because "it commits one to endorsing evil

deeds” and concluded that Kantian ethics is “just incoherent” (Driver 2014).

Consider also ethics based on freedom: more is ethically preferred until, of course, it leads to terrible acts, for example, the liberalism of John Stuart Mill (Gaus et al. 2020). If, and only if, one restrictively assumes we always choose our highest-ranked WB bundle, and our choice has no effect on other members, does the welfare-economic ethic always advocate for more individual freedom.

Normal folk don’t subscribe to a welfare-economic ethic: while people care about their own WB, most don’t determine whether an action is right or wrong based on its effects on societal WB: for many, societal WB does not seem important, or they view society very narrowly – only their tribe.

In the West, people predominately judge on just two criteria: (1) justice/fairness (treating others in proportion to their actions and intents), and (2) caring for others and protecting them from harm (harming others is wrong, those who cause harm should be punished, and those who care for others should be rewarded) (Morey 2018). See also Henrich et al. (2010) and Haidt et al. (2003), Haidt and Graham (2007), and Haidt (2012). Non-western adults and religious conservatives add two additional criteria: (3) loyalty to the group, including respect for authority and fulfilling group obligations; and (4) an ethic of holiness (as God’s creatures we must uphold the sanctity of our holiness).

### Welfare Economics Is Not Utilitarianism

That it is, is a common misconception: while welfare economics is a type of welfare consequentialism, it is neither the utilitarianism of Bentham nor modern utilitarianism. [One explanation for the misconception is that Bentham utilitarianism was initially, the primary form of welfare consequentialism. Another is economists use a word with the same roots, “utility.”]. It also differs from other forms of modern welfare consequentialism.

Bentham, the father of utilitarianism, assumed only one type of WB – a pleasure minus pain continuum. Most welfare economists assume that there are different types of WB which are all

WB-commensurable. Bentham further assumed that WB has cardinal properties and can be compared across individuals.

Bentham specified society as all sentient creatures. Duck and spider pain counts equally with human pain. Most welfare economists reject this.

Bentham defined societal WB as the simple sum of net pleasures (his *felicity calculus*). Welfare economics mostly reject this mapping. Some believe that no complete mapping can exist, because either they assume WB has no cardinal properties or, if it does, WB is not comparable across individuals. Those who accept cardinality and comparability typically reject aggregate WB because it assumes the distribution of WB is immaterial. Besides, few welfare economists advocate for any particular mapping, either complete or mostly complete (The mapping is complete if all conceivable vectors of the well-beings of members map into a societal-WB ordering).

The modern face of utilitarianism is Peter Singer, a want/desire-fulfillment consequentialist, not a WB consequentialist (There is also *act* and *rule* utilitarianism). Of course, if you assume the individual’s ordering of bundles in terms of wants and desires is the same as the ordering in terms of WB, one can argue that welfare economics is a modern type of his utilitarianism.

*Modern economic philosophers who reject the welfare-economic ethic include*

John Rawls (1921–2002), Amartya Sen (1933–), and Partha Dasgupta (1942–).

*Issues and complications not discussed:*

- How to estimate an individual’s WB and changes in its level.
- Welfare economics in a world of risk and uncertainty.
- Things are more complicated if people care about their relative position (improving your position in society increases your WB but decreases the WB of others).

### Cross-References

- [Adam Smith’s \*Theory of Moral Sentiments\*](#)
- [Animal Ethics](#)
- [Aristotle](#)



- Contract Theory
- Deontology
- Economic Efficiency and Socioeconomic Well-Being
- Economic Man
- Ethical Behavior and Economics
- Eudaimonia
- History and Philosophical Foundations of Ethics
- John Stuart Mill's Concept of the Harm Principle
- Liberalism
- Rawls' Theory of Justice
- Sen, Amartya
- Utilitarianism
- Virtue Ethics

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## Wells Fargo and Corporate Crime

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### Synonyms

Fraud; Illegality

### Introduction

In the second decade of the twenty-first century, one of the largest banks in the USA, Wells Fargo, was involved in fraudulent business practices harming millions of its clients. The scale of the crime was massive, as was the variety of investigations and penalties that followed. As a banking entity in America and globally, Wells Fargo

engaged in competition with other financial firms in pursuit of profits, market share, and prestige (Stone 1975). Like other businesses, the structure of Wells Fargo’s competitive practices was largely forged by the existing organizational culture. This set of normative guidelines sets out what behavior is legal and ethical, what is proscribed, and a set of sanctions for enforcement. A critical element of this culture is the emphasis placed on ethics and compliance by top management; this is likely to filter down to line employees.

### Crossing Ethical Lines in Corporate Crime

In attempting to increase profitability, the management of Wells Fargo set very high sales performance goals for lower-level employees. Within this culture of high-pressure sales demands, especially cross-selling or selling additional products to existing customers, many of these lower-level employees opened thousands of fictitious accounts without their clients’ knowledge. It was estimated by regulators that over several years more than two million accounts and well over five hundred thousand credit card applications were implicated in these fraudulent operations (Shichor and Heeren 2021). These manipulations were a blatant “violation of trust” (a hallmark of white-collar crime) of thousands of the customers who believed in the honest business practices of this major bank but were harmed and victimized by that institution. Since these violations were publicly revealed in 2015, many other offenses by the bank have surfaced, including charging for unrequested auto insurance, closing of accounts without customers’ approval, late charges for mortgage payments caused by the bank’s refusal to reinstitute mortgages from bankruptcy status, etc.

To begin to think of corporations as being ethical entities, we might consider how responsibility is conceived in the legal realm. In most instances, for a person to be thought of as responsible for a legal offense, what needs to be shown is their criminal intent, *mens rea*. Corporations,

however, are considered to be “juridical persons” with many, but not all, of the rights and responsibilities of real “natural” persons. With a corporation of any significant size or complexity, establishing the *mens rea* of company misdeeds is difficult to discern as the collective decision-making is convoluted and hidden. As Stone (1975, p. 3) notes, corporations have “no pants to kick or soul to damn.” However, when corporate leadership has broad agreement on policies which are ratified year after year, and it is known, as it was in the Wells Fargo case, that those policies produce criminal conduct among lower echelon employees, it is reasonable to consider the corporation as responsible and label the conduct of the collective entity as unethical. In the Wells Fargo case, there were compliance failures across a wide gamut of governance groups, making it reasonable to assign responsibility to the corporation as whole. While the legal system might consider the lower-level employee to be culpable for fraud, forgery, or identity theft, a major part of the ethical burden for thousands of employees committing millions of crimes would logically be with the corporate leaders. This can be likened to the head of a criminal syndicate who instructs his lieutenants to extort money from victims “no matter how you have to do it.”

In light of the above, it is useful to single out the unethical activity of Wells Fargo management with respect to three significant stakeholders: customers, employees, and investors. First, as noted above, for customers the central ethical violation was the breach of trust. As Shapiro (1984) stated, trust is “the impersonal guarantee that representations of expertise or risk or financial condition can be taken at face value and that fiduciaries are not self-interested.” When acting as an agent for a client, bank employees are expected to put the interests of the client ahead of those of the bank or the employee. This would be the case in such simple tasks as accepting deposits or offering financial advice. Wells Fargo’s *Vision & Values* guidelines disseminated to all “team members” states: “Honesty, trust and integrity are essential for meeting the highest standards of corporate governance.”

The employees of Wells Fargo engaged in overlapping acts of wrongdoing, violating trust in multiple ways. As the problems became clearer to one Wells Fargo executive, she/he confessed, “Our people opened unauthorized accounts. This is like lying and stealing, which your mother taught you was really bad (Office of Comptroller of the Currency 2020, p.9).” So, one of those unethical acts is the fraudulent act of opening more accounts than customers desired or requested. This was often facilitated by identity theft or forgery in which the employee posed as the client in signing up for these extra services. In addition, bank employees also thieved money or property from the customer. In many cases, this was in the extra fees paid by the clients, but the larger-scale theft showed up in the auto insurance scam. Over 800,000 car loan customers were automatically put into insurance to cover the purchase, even if they already had auto insurance. Of those getting the unrequested insurance, about 275,000 went into delinquency and 25,000 had their autos wrongfully repossessed.

One of the other values touted by Wells Fargo is the importance of Diversity and Inclusion, a widely espoused ethical component of “corporate responsibility.” An ironic consequence of the Wells’ corporate emphasis on ever-increasing sales was that the groups most often targeted for fraud were many of the same groups that the bank mentioned as needing corporate outreach. Among these groups were non-native speakers, minority groups, mom-and-pop stores, native Americans, the elderly, and other vulnerable groups. These were the groups that were seen by bank employees as the easiest marks for the ploy of being sold additional banking products and least likely to notice and/or complain about unwanted accounts. One Wells salesperson described this as like “lions hunting zebras” in their looking for the ones most susceptible to being caught.

The second group of stakeholders to be victimized by the wells Fargo’s policies were the employees. While these line employees were exploited by their corporate supervisors, they were also the instruments through which customers were victimized. The immediate form their exploitation took was the continual harping

on the importance of meeting sales goals. When an employee fell short of their goals, they were at times subject to special coaching and harassment, which also could lead to their being asked to devote extra unpaid time to the sales effort. Beyond this, employees often faced an ethical dilemma created by Wells Fargo. On the one hand, employees were asked to embrace the Vision & Values credo widely expressed by the bank. In addition to taking a course in the corporate Code of Ethics, employees were expected to complete annual recertification. One section of this Code stated: "Steering a customer to an inappropriate or unnecessary product to receive sales credit harms the customer; it is an unacceptable practice that violates both the spirit and the letter of our incentive programs and this Code."

The other horn of the dilemma was that employees were implicitly asked to ignore those values and that vision in order to try to meet the extraordinary sales goals and maintain or improve their position within the company. During approximately the same period (2011–2016) when 5300 employees were terminated for ethical violations in sales practice, another 8500 were terminated for sales performance issues, including failing to fulfill sale goals. The Wells Fargo message from direct supervisors was clear to many employees: It was more risky to ignore sales goals than to ignore the ethical standards which were supposed to guide sales.

The Wells Fargo corporate commitment to Vision & Values was backed up by a dedicated Ethicsline to which employees were told they could call to report unethical activity in the bank. However, many of the employees who did resort to using this channel learned that their complaints had little impact in correcting ethical lapses. Moreover, in some cases in which the employee became too insistent in reporting misdeeds, they became targets of corporate retaliation, in spite of the fact that the bank's Code of Ethics vowed there would be no retaliation. At times employees were advised to "go along" with the sales-oriented culture or seek other employment. In some instances, the employee was terminated as out of step with corporate goals. Once again, the message from the corporation to the employee was

that ever-increasing sales were important; don't let ethics stand in the way. These corporate responses to employees who tried to adhere to high ethical standards exemplify "bad faith."

One additional policy of Wells Fargo showed the extent to which unethical sales behavior was tolerated. By around 2012, the bank began to notice the rise in complaints, Ethicsline calls, and customer lawsuits related to sales misdeeds. While there were several ways in which employees could cheat the system, corporate decision-makers decided to monitor just two of those. Although there were indications of many thousands of cases of these misdeeds each month, corporate management decided to only investigate in more detail the worst 0.01% of these. For example, if 30,000 cases of "simulated funding" were found through monitoring, Wells Fargo management only investigated three. Later, this was expanded somewhat so that 0.05% were investigated. It is apparent, then, that if about 1000 employees were fired each year for sales misdeeds, many, many thousands more were committing the same offenses. The corporate control policies of Wells Fargo were wide open to tolerating unethical behavior on a huge scale.

The third stakeholder group that was impacted by unethical actions of Wells Fargo were the investors. It is helpful to see this group in a broad perspective, so it may make sense to include the Board of Directors which represents the interests of investors. We might also include the potential investors who can be regarded as the stock-savvy part of the American society who follow the activity of corporations fairly closely. Among the values mentioned in the 2014 version of Wells Fargo's Code of Ethics is demonstrating responsibility for the reputation of the company. Preserving and fostering that reputation is the duty of management, the Board of Directors, and all lower-level team members. Because of the unshakeable commitment to short-term gain in profit and market share, top management failed badly in their responsibility to uphold the company's reputation. Their actions exposed Wells Fargo to great risk and ignored the longer-term interests of the company. While previously Wells Fargo had been among the leaders

in the *American Banker*/Reputation Institute surveys, by 2017 it had fallen to last place. Moreover, while other major banks' stock market position improved substantially in the years after 2016, that of Wells Fargo saw little or no growth in stock price (Office of Comptroller of the Currency 2020). Obviously, the brunt of this managerial short-sightedness fell on investors.

Another morally unprincipled action taken by the corporation with respect to investors and the Board was the incomplete and inaccurate reporting of information about the unfolding debacle of misconduct in sales practices. It is now known that sales misconduct was a problem as early as 2002 when there was a mass termination of employees for sales misconduct at one bank branch in Colorado. The Board's Legal Department realized they could not fire all employees from managers to tellers since it would jeopardize the bank's fidelity bond, which proscribed "dishonest acts." Ultimately, the bank was able to fire many of the employees and get a fidelity bond exception approved by their underwriter (Independent Directors 2017). By late 2013, news stories in the *Los Angeles Times* (Reckard 2013) alerted investors and the Board to the corporate risk posed by the widespread sales misdeeds. Given several opportunities to fully inform the Board of the source and scope of the moral and legal hazards of cross-selling, members of the Community Bank and other corporate officials downplayed its significance, misinforming about the duration, the numbers of employees terminated, and the harm to customers. In May of 2015, the head of the Community Bank of Wells Fargo told the Board's Risk Committee that only 230 employees had been terminated for sales violations; the cause of the problem was "bad apples" with bad intentions; and the problem was being effectively controlled by corporate policies. It was about a year later that the Board found out that over a thousand employees had been fired annually for faulty sales over a several year period (Independent Directors 2017).

Another issue related to those of deception and misinformation is the shirking of responsibility that takes the form of "plausible deniability." Hoyk and Hersey (2008: 73) refers to this generally as the "tendency which takes credit for

success and attributes failure to external causes." In the Wells Fargo case, when CEO, John Stumpf, appeared before congressional committees, he placed the blame on an "ethical lapse" among lower-level employees. At the same time, Stumpf maintained that until 2013 he was not aware of the extent of these harmful practices going on in the thousands of branches of the bank and among the tens of thousands of agents of the corporation. This is a denial of responsibility based on the diffusion of group decision making. As Hoyk and Hersey (2008: 25) note, "Ethical transgressions done by a group can easily be blamed on other members." The plausibility of this denial of responsibility was facilitated in the Wells Fargo case by the organization's high degree of decentralization, which made isolated pockets of knowledge very likely. This has been referred to as "concerted ignorance" which is a way to cover up when openly revealing certain policies and practices would threaten the cohesion in the organization. In other words, this comes about when executives, midlevel managers, and line workers have a common interest in limiting the knowledge to be obtained about each others' activities. In the Wells Fargo instance, this rationale for misdeeds was belied when it was revealed that in 2011 a group of fired employees wrote directly to CEO Stumpf about the wide-scale fraud going on in the bank with the encouragement of managers.

Although the recent financial debacle with Wells is a single case, it does serve to illustrate that corporations, even as juridical persons, can be regarded as ethical entities which have moral and social responsibilities. Among these responsibilities are those of managing corporate risk and ensuring legal and ethical compliance with rules. More fundamental than this, however, is the responsibility to consider the consequences of collective decisions. To be sure, a heavy corporate emphasis on ever-increasing sales yields great profits. Beyond this, however, the Wells Fargo case shows that the pursuit of such a goal must be thoroughly tempered by a stress on the means of its acquisition.



## Cross-References

- [Corporate Crime](#)
- [Corporations as Moral Entities](#)

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be able to effect action” (Near and Miceli 1985: 4). Along with Terry Dworkin, Janet Near and Marcia Miceli can be seen as having laid the foundation of whistleblowing scholarship in the fields of, respectively, law, sociology, and psychology (see, e.g., Miceli et al. 2008). De George (1981, 1990) may be seen as one of the key business ethics scholars on the question when we have a moral duty to blow the whistle.

## Shifting Views on Whistleblowing

Initial empirical scholarship on whistleblowing tried to determine demographical factors, personality characteristics, and situational determinants of whistleblowers, however without a very convincing consistency of findings (Mesmer-Magnus and Viswesvaran 2005).

Perhaps that is because for a long time, whistleblowing was operationalized in research as a one-off conscious decision by an individual (Vandekerckhove and Phillips 2019). In bearing with that assumption, scholars argued for a conceptually clear distinction between internal and external whistleblowing (e.g., Jubb 1999), with internal whistleblowing denoting workers reporting wrongdoing to someone inside their organization (e.g., hotline or senior manager) and external whistleblowing referring to workers reporting wrongdoing to someone outside of their organization (e.g., regulator or journalist).

However, the current whistleblowing scholarship takes a process view on whistleblowing, seeing internal and external whistleblowing as part of the same dynamic in which people make a number of attempts to raise a concern. This view was first put forward by Rothschild and Miethe (1999), who found that many of their interviewees had become whistleblowers inadvertently, merely seeking someone who would listen to them. Vandekerckhove and Phillips (2019) more recently confirmed the process view of whistleblowing in a study of 1000 cases, suggesting that the sequence in whom people report wrongdoing to is characterized by an increased perceived impartiality of the recipient, rather than from internal to external. Thus, it is not uncommon for whistleblowers to report

## Whistleblowing

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## Synonyms

Disclosure; Reporting wrongdoing; Speak up; Whistleblowing

## Introduction

The most commonly used definition of whistleblowing is: “disclosure by organization members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may



wrongdoing more than once internally before considering blowing the whistle outside their organization.

The process view on whistleblowing has also been taken up in Organization Studies, with emerging scholarship on how the whistleblowing subject and whistleblowing identity are gradually formed in interaction with organizational and professional norms, group exclusion, and dynamics of both support and retaliation (e.g., Contu 2014; Kenny 2018; Weiskopf and Tobias-Miersch 2016).

## Retaliation

Smith (2014) provides an overview of how retaliation against whistleblowers has been studied thus far. He notes that “contrary to the popular wisdom, most whistleblowers do not suffer” (p. 234). The most common prevalence of retaliation in whistleblower studies is between 16 and 38%. As Smith (2014) notes, there is obviously an issue of sampling inconsistency here that makes it hard to compare between studies. However, there is also an issue of how whistleblower suffering is conceptualized. Smith (2014: 234) notes that “while not all whistleblowers suffer, when they do, they tend to suffer in multiple ways.” A useful distinction is made by Cortina and Magley (2003): retaliation can be work-related and formal (e.g., demotion, transfer, reduction in working hours), but it can also be social or informal (e.g., being shunned by former friends). Studies differ in how they “capture” whistleblower suffering in data categories and variables. Quantitative studies have a tendency to add up types of suffering or rank types according to assumed severity of the harm. Smith (2014) criticizes that, arguing that “we do not know which types of retaliation and suffering will prove more or less important for whistleblowers in different circumstances” (p. 236).

Qualitative studies take a different approach to conceptualize whistleblower retaliation. For example, Kenny (2019) and Kenny et al. (2018) draw on Alford (2002) and Butler (1997) to show that whistleblowing entails a rupture of one’s identity, both professionally as well as privately.

Kenny’s work focuses on whistleblower’s struggles to redefine their identity vis-à-vis retaliation, rather than try to categorize and weigh the retaliation itself.

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## Whistleblowing and Information Ethics

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### Synonyms

Raising a concern; Reporting wrongdoing; Speak-up

### Definition

Whistleblowing is “the disclosure by organization members of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action” (Near and Miceli 1985). Whistleblowing is currently also referred to as speak-up, reporting wrongdoing, or raising a concern.

Information ethics (IE) is an ethical framework that “evaluates the duty of any moral agent in terms of contribution to the growth of the infosphere [...] and any process, action or event that negatively affects the whole infosphere – not just an informational entity – as an increase in its level of entropy and hence an instance of evil” (Floridi 2008).

### Whistleblowing at Three-Tiers

Research into whistleblowing that distinguishes between internal and external whistleblowing has mainly assumed whistleblowing is a one-off decision and action. Hence, upon perceiving a situation as wrongdoing people make certain considerations and decide to either remain silent, report wrongdoing internally (i.e., to someone who is part of or mandated by the organization), or blow the whistle externally (i.e., to someone independent of the organization such as a regulator or the media). Their whistleblowing can be effective or not in stopping the wrongdoing (Near and Miceli 1995).

An alternative stream of research takes a sequential approach to whistleblowing. Rather than a single decision, whistleblowing is a process in which people can make a number of attempts to raise a concern or report wrongdoing to different recipients. The decision to report wrongdoing again and the choice of recipient depend on the response of the previous recipients. Extant research suggests that the vast majority of external whistleblowing is preceded by internal whistleblowing (Donkin et al. 2008; Kenny 2019; Rothschild and Miethe 1999; Skivenes and Trygstad 2010; Vandekerckhove and Phillips 2019). A common pattern in whistleblowing sequences appears to be internal – regulator – media (Vandekerckhove and Phillips 2019). It resonates with regulatory policies that provide protection for whistleblowers by specifying conditions that need to be met at three different levels: internal reports, reports to regulators or enforcement agencies, and public disclosures. This is also called the three-tiered model (Vandekerckhove 2010).

### Whistleblowing and Information

This sequence has implications for the value of the information disclosed by whistleblowing in the sense that whistleblowing cannot be understood separately from its facilitation – that is, whether recipients respond positively or negatively. The three-tiered model allows to put forward the following scenario as typical for whistleblowing as a process:

- Person A works at organization ORG1 and blows the whistle about wrongdoing at ORG1 to regulator REG.
- If this is the case, then it is likely that A has previously blown the whistle to someone within ORG1 (e.g., a line manager, someone in top management or a hotline) and that ORG1 has responded negatively (i.e., by neglecting the report, by harming the whistleblower, or both) or at least that the whistleblower perceives it that way.
- It is now up to REG to investigate the alleged wrongdoing and intervene if necessary.

- If REG fails to stop wrongdoing or to convince the whistleblower that it has taken the appropriate action, then it is possible that A will make a public disclosure, for example, to a journalist, who might publish about wrongdoing at ORG1 and negligence from REG.

In this sense, whistleblowing to the media is an indicator of failing organizations and failing regulators (Vandekerckhove 2018). If organizations or even regulators are successful at handling whistleblowing, there would be no whistleblowing in the media; the public would not know the whistle had been blown. However, it is epistemologically unsatisfactory to assume that “no news is good news”; that assumption only holds if we could believe that legislation that protects whistleblowers is fully effective as a deterrent to neglecting and retaliating against whistleblowers.

Hence the question remains how we can know whether organizations and regulators are successful at positively facilitating whistleblowing? For that we need information about whistleblowing activity in organizations and to regulators, without the whistleblowing itself being public.

## Information About Whistleblowing

From an information ethics (IE) perspective more can be done than simply assuming that no news is good news. Luciano Floridi (2008, 2010, 2011) is a leading scholar in information ethics. Floridi’s IE principles follow a consequentialist reasoning favouring the infosphere. Floridi’s principles prescribe that informational noise should not be caused but should be prevented and removed. In addition, we should promote the flourishing of informational entities (such as organizations) as well as the whole infosphere by preserving, cultivating, and enriching their properties.

In light of these principles, having regulatory policies that promote whistleblowing – whatever the form of these policies, for example, protection of whistleblowers or financial rewards for whistleblowers – does not do enough to reduce informational noise and promote the flourishing of organizations as informational entities. Such

regulation allows us to know when organizations and regulators have failed – namely when there is public whistleblowing – but not when they are getting it right, and not how good they are successfully facilitating whistleblowing. It is also possible that a whistleblower is mistaken or even that someone deliberately makes a false accusation. A public untrue disclosure – whatever the motivation is – creates informational noise and harms the flourishing of informational entities. Whistleblowing that is not public (i.e., internal or to a regulator) can filter out untrue whistleblowing. Hence, organizations and regulators enhance their informational flourishing if other entities in the infosphere would have information about how organizations and regulators are handling reports of wrongdoing.

Obviously, when organizations are willing and able to respond positively to their internal whistleblowers (i.e. by correcting the wrongdoing), then organizations are better at their legitimate goals, regardless of whether anyone knows they have whistleblowers and are responding positively to them. But as information entities, organizations flourish more when they can let the world know that they are able and willing to respond positively to their internal whistleblowers. The same reasoning applies for regulators. The kind of information that – from an IE perspective – organizations ought to publish is aggregated data about whistleblowing activity under their responsibility. Generally speaking, the aggregated data consists of:

1. Number of reports made, with some specification as to type of wrongdoing
2. Number of investigations started, and further differentiating between ongoing and finished investigations
3. Number and type of actions taken toward wrongdoers, wrongdoing, and harmed stakeholders
4. Number of protective measures taken toward whistleblowers

There is little research into the effect of publishing such aggregated whistleblowing data on trust and reputation. Hence it remains unclear what the best data categories are.

## Conclusion

From an IE perspective, whistleblowing enhances the infosphere if:

- Untrue whistleblowing can be filtered out before whistleblowing becomes a public disclosure (i.e., at internal or regulator stage)
- Closure can be achieved with the whistleblower during the non-public whistleblowing stages, especially when whistleblowing is untrue (mistaken or intentionally false)
- Information is available in aggregated form about non-public whistleblowing

Each of these conditions is necessary but insufficient; all three need to be met if whistleblowing understood as a process is to enhance the infosphere.

## Cross-References

- [Employer Loyalty](#)
- [Ethical Dilemmas](#)
- [Ethics in the Media](#)

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## Women on Corporate Boards and Sustainable Development

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## Synonyms

Business ethics; Corporate social responsibility; Gender equality

## Introduction

In 2015, the United Nations established 17 sustainable development goals to accomplish in 15 years, the so-called 2030 Agenda. The aim is to achieve a more equitable world, where the human being and the planet will be protected. The poverty alleviation, the health of the global community and the animal protection, water policies, sustainable energies, the pollution reduction, the quality educational standards, and gender equality are among these objectives, which have to be attained by governments, public and private companies, and any member of the society.

Corporate social responsibility (CSR) implies that, nowadays, firms have to be accountable for environmental, social, and governance (ESG)

criteria. The interest of CSR in management started with the publication, in 1953, of the book entitled *Social Responsibilities of the Businessman*. Then, the entrepreneur established the lines of the CSR according to her/his personality and philosophy. Later, in the 1980s, CSR evolved to become a commitment of the companies, which overcame the founder and considered the interest not only of shareholders but also of stakeholders (employees, customers, suppliers, government, and public, in general). However, in the early 1990s, arose appealing financial, social, and environmental scandals, which provoked the proliferation of ethics and conduct codes, legal rules to control risks, and the companies' implication within sustainable business models. Accordingly, in addition to their financial accounts, today, it is usual that companies publish periodical CSR reports, where they inform about their ESG practices and implications.

Moreover, every day more, private investors, as well as investment funds and pension plans managers, select their portfolios by considering the ESG scores provides by international rating agencies, such as Thomson Reuters, and the inclusion of the shares in a sustainable market index, as the Dow Jones Sustainability index or the FTSE4Good index (Miralles-Quiros et al. 2017). Therefore, the publication of CSR reports by private and public institutions has become a real duty to obtain the confidence of capital markets and accomplish the goals of the Agenda 2030.

The company board is the one that decides the strategic lines in management and, therefore, the composition of the board of directors is the key to monitoring the social and environmental behavior of the company. The link between the proportion of women on company boards and the CSR performance is extensive in management research. The next sections will explain the foundation for such a relationship. On the other hand, by considering that the fifth sustainable development goal is "gender equality," the interest in the female presence in managerial positions is growing since its implications are essential, as it will expose below.

## Gender Diversity on Board of Directors and Corporate Social Responsibility

One of the main drivers of corporate policies, especially in social and environmental issues, is gender diversity on corporate boards. The percentage of female directors is decisive in CSR. There is a discussion between homogeneity versus heterogeneity, with arguments for and against each option.

Diversity divides the group into two categories. The majority group tends to disregard the opinions of the minority group, which lead to a lower commitment of the latter, a greater extent of turnover and absenteeism. Both groups will have conflicts and dissatisfaction. These potential controversies will difficult the consensus on agreements and could retard the decision-making process. Consequently, the effectiveness of the direction could be questioned, especially in a competitive environment such as the current one, where the speed of response in the resolution of problems is crucial. In this scenario, women have to fight to be heard, which implies that their male counterparts often consider them as "tokens" and ignore their opinions (Rao and Tilt 2016).

However, the advantages of the heterogeneity overcome the drawbacks of the homogeneity and involve a problem solving of higher quality. Diverse groups analyze the decisions more thoroughly. They provide a broader perspective because of their different educational backgrounds and the various skills and experiences entail a competitive advantage. The alternative perspectives promote a critical examination of complex problems, avoid early decision-making and foster creative and breakthrough solutions. In a diverse group, the risk of corruption is lower, and the corporative government is strength.

Women have different characteristics than men. In general, women are more compliant with the ethical, accounting and financial standards, more philanthropic and environmentally conscious. Therefore, they are more oriented to CSR. Moreover, emotional intelligence is higher in women. They are more sensitive and empathetic and have a more democratic leadership, which lead them to a participative style at the



decision-making level, where the flexibility is an attribute.

Additionally, women exhibit more persuasive communal skills. Namely, they are generous, socially oriented, and concerned about the welfare of others, so they have a better understanding of the market. In short, the values that women assign to social issues are different. Because of their relational skills, women used to pay more attention to the needs of a broader range of stakeholders.

To sum up, women are more ethical and inclined to social and environmental issues, so a higher percentage of women on board of directors will increase the CSR performance of the company. “The Lehman Sisters hypothesis” considers that the consequences of the worldwide financial crisis, which began with the fall of the Lehman Brothers holding, would have been far less if women had held more management positions (Van Staveren 2014).

A large number of studies have analyzed the relationship between the percentage of women on company boards and CSR performance. Most of them revealed a positive influence of female directors on practices of CSR (Velte 2017). Only a reduced number of empirical research found a negative or no relationship (del Valls Martínez et al. 2019). It is essential to mention that these latter correspond to older analyses or studies made in developing countries. However, when the study is more recent, and it corresponds to developed countries, the influence is always positive. What is the reason for this difference? The cause could be due to the low number of women on corporate boards in emerging markets and old periods since the incorporation of women into management positions is recent and occurs mainly in developed countries. The gender gap, in general, is more significant in developing than in developed countries (World Economic Forum 2019).

## Theoretical Framework

A good number of well-established theories support the positive influence of women directors on

CSR performance (Ben-Amar et al. 2017; Liao et al. 2019).

The separation between ownership and management in corporations is the basis of the *agency theory*, which links corporate governance and reporting. This theory considers that managers (agents) could run the company in their interest, which is not always according to the shareholders’ (principals) profit. Corporations can minimize these agency costs by reducing information asymmetries. In this sense, the board of directors can force transparency and accountability. The composition of the company boards is decisive, and a higher percentage of female directors is more likely to increase the company’s audits and responsibilities, influencing CSR performance.

*Stakeholder theory* highlights the interaction between the company and its stakeholders (investors, workers, providers, customers, public authorities, NGOs, and the general public). The company performance in the short- and long-term and its survival depend on its relationship with stakeholders, who are interested not only in financial results but also in nonfinancial aspects. Companies use CSR reports to show their social and environmental performance to the stakeholders, and the different moral reasoning of women on corporate boards helps companies consider stakeholder claims in a more efficient way. If such expectations were not satisfied, the corporation would be in a risky situation. Thus, female presence is advantageous to the stability of the company.

*Stakeholder agency theory*, which is a mix of the two former theories, considers the company board both the principal of the managers and the agent of the stakeholders. Gender diversity reduces information asymmetry and the conflicts of interest between the managers and the different stakeholders, both internal and external. Thus, female presence on board can be an effective control mechanism to reduce stakeholders’ agency cost and reinforce the credibility of sustainable strategic management. Broader female presence on board of directors is usually related to more board independence. Therefore, gender diversity on corporate boards is a corporate



governance tool to influence CSR activities and, consequently, to strengthen the company's reputation.

According to *resource dependence theory*, companies are open systems, and the board of directors is the main link with the environment. A company's capability to survive depends not only on its expertise to manage its internal resources, among which are its workforce and the skills of its directors but also on its ability to obtain the necessary external resources. Therefore, more diverse boards could increase the company potential to elicit the necessary resources to meet more fully its social and environmental responsibilities.

*Social role theory* considers that men and women are different because of their education. People have a set of beliefs and stereotypes that lead to gender roles. Men and women tend to behave at all times according to those established moral rules and the other's expectations influence their leadership style. Hence, women are more concerned about the welfare of the community, sensitive to social and environmental problems than men. For example, women are reluctant to accept unethical practices, such as pollution. Consequently, female directors are more willing to attend stakeholders' demands and implement CSR measures.

*Legitimacy theory* emphasizes that CSR practices of a company reflect its moral legitimacy and determine its acceptance by stakeholders as a moral corporate citizen. In this sense, gender diversity on corporate boards has a dual implication. On the one hand, the women's characteristics by their educational role involve more empathy to attend stakeholder claims and increase CSR performance. On the other hand, diverse boards are a signal of gender equality; namely, the company offers equal opportunities. All of which legitimizes the company in the eyes of society.

Finally, by accepting that men and women have different features, *upper echelons theory* accounts that the diverse board implies a broader human capital, which involves different decisions. Because women are more susceptible to social and environmental problems, gender diversity on board of directors enhances CSR performance.

## Conclusions

The economic progress of developed countries has highlighted severe environmental problems. Companies must be responsible for the effects of their activities and provide the necessary means to reduce their polluting impact. Likewise, all around the world, there are severe social problems. Extreme poverty affects large areas of the planet. However, the so-called rich countries have social inequalities. In this sense, companies must give back part of their income to society, to achieve a fairer world.

Furthermore, gender equality is also a worldwide concern about which numerous researchers have been working over the last decades, especially in the social and economic fields. Corporate governance reforms and legislation often include a quota of women on corporate boards to increase the percentage of female directors. Indeed, most European countries have enacted laws to force companies to implement an effective gender diversity policy, from 25% in the United Kingdom to 40% in Norway and France. Nevertheless, leader countries as the USA or China have no quota (del Valls Martínez and Cruz Rambaud 2019).

Nowadays, despite the progress made in reducing the gender gap, there still exists a real, though not always legal, undervaluation of women's skills and prejudices about their capability to hold management positions, which represents a reason to enact national and international legislation and corporate governance guidelines to increase the number of women directors. Such policies are not without their critics, which argue that companies should hire directors based on their talents, experience, and education, but not because of their sex. Otherwise, their male counterparts can consider women as tokens and discriminate against them, ignoring their opinions.

From a theoretical and ethical point of view, there are convincing arguments to support gender diversity on company boards. Nevertheless, it is also necessary to argue positive empirical evidence to strengthen this vindication and its derived policies. Gender equality is not the responsibility of the companies since they are

not by themselves instruments of social change. Companies only will increase women directors if they are forced to fulfill a stipulated quota or find a benefit derived from it. Indeed, the aim of profit maximization introduced by M. Friedman in the 1970s is outdated. Today the dominant concept is the stakeholder theory, introduced by Freeman in the 1980s, which considers that not only shareholders have interest in the company, but also a good number of stakeholders, as it was detailed above.

Companies with social and environmental accountability have a competitive advantage over those that do not consider such responsibilities. Investment managers select their portfolios increasingly based on ESG criteria. Empirical analysis has shown that a higher percentage of women on the corporate board enhances the companies' CSR performance. Moreover, companies with a higher proportion of women directors tend to hire also more female workers. Consequently, gender diversity is a signal to markets, which provide legitimacy to the company and improves its reputation.

In conclusion, at least, there are two main reasons to increase the percentage of women on company boards: social justice and business enhancement. First, gender equality is a human right and an aim of the United Nations in all the fields, where is included management positions. Second, empirical research has shown the improvement of social and environmental resulting from a higher female presence on the board of directors.

It is important to remark that the aim is to maximize gender diversity. Namely, a low percentage of women and a low percentage of men is likewise damaging to companies. Until now, women have been discriminated. Nevertheless, the opposite situation would be equally harmful to business, society, and the planet (Valls Martínez et al. 2020).

## Cross-References

- (Managing) Diversity
- CEO Leadership and Gender
- Corporate Social Responsibility

- Environmental Ethics and Sustainability
- Ethical Citizenship and Business Ethics
- Gender and the Economic Theory of the Firm
- Gender Policies on the Board of Directors and Firms Financial Performance
- Human Rights
- Identity Politics and Ethics
- Social Responsibility and Business: The Milton Friedman Position

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## Work Ethic

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## Synonyms

Work and duty; Work and wealth; Work and well-being

## Definition/Introduction

A work ethic is a value-based motivation for working. In the now developed world, three such values have been stressed over time: social status, duty, and wealth or, simply, money. Craft pride has also been proffered but is increasingly a victim of automation. Each will be considered here. First, however, a few remarks about how socio-economic conditions influence a society's stance regarding one's obligation to work.

Most people throughout recorded history have recognized a connection between work and well-being. A given society will accordingly expect a person to work inasmuch as its fully recognized members need that person's work. Sometimes work needing to be done has been done cooperatively, for example, in a monastery, in a commune, or wherever togetherness thrives. Where the work needing to be done is associated with a subset of those in need of subsistence, a society usually introduces some basis for distinguishing between those obligated to work and those exempted. And where such a partitioning exists some sort of work ethic is likely to be espoused.

## Work Ethic Based on Gaining Social Acceptance

Every society has had many tasks to perform that are necessary but not fulfilling or even pleasurable. One response to this state of affairs is to dream of an altered reality in which there is only

leisure or, at worst, no unfulfilling work. Another is to carve out an exemption from work for those able to maximize the benefits of leisure and compel others to fill the gap as a basis for their social acceptability.

Jewish Talmudic lore, for example, promises a World to Come in which everyone will have ample harvest without effort. More broadly stated in apocalyptic literature: "For men there will be inner sincerity and freedom from care, no unwilling engagement with practical things, and no forced labor" (Charles 1913, 2: 518). One of Virgil's *Eclogues* also envisions a work-free future (Manuel and Manuel 1979, 73–74).

Stories about leisure past are found in many cultures. The Hebrew myth of Adam and Eve's relationship to work in and after Eden is well known, and a comparable myth is on ancient Sumerian tablets (Manuel and Manuel 1979, 36). The Greeks also viewed work as a curse, due indirectly to Prometheus's upstart behavior, and believed that it was once otherwise. Hesiod, in his *Works and Days* (c. 700 B.C.) describes five races, one being a "golden race" of people who lived before the curse of work in a place where food grew bountifully without cultivation. Later tradition recalled this as a golden age in which nature did it all without assistance or, alternatively, some work was required. Philosophers favored the latter.

In his *Republic*, Plato (died c. 348 B.C.) envisioned a society in which the many would provide for the needs and wants of the few. Everyone in this society would be assigned for life to the role for which he or she is best suited "by nature." For most this would be unskilled labor or at best a craft or trade. The ruling guardians, however, would practice no manual art or craft. And philosophers, who focus on eternal ideas, would be the most "useless" of all citizens.

Aristotle (384–322 B.C.) propounded a curse theory of work and agreed with Plato that it is necessary for society as a whole. But he too exempted intellectuals, who can attain wisdom by grasping the ultimate causes of things. For this they need to contemplate, and to contemplate they must be free from concern about the necessities of life. So leisure used effectively leads to

wisdom – not just any wisdom but the wisdom that knows inherently valuable arts like mathematics.

The ancient Athenians took this elitist attitude toward work quite seriously; but they did not disavow every form of work. Working on the land was good; not good was working for someone else for pay or doing work confined indoors, thereby subjecting one's body to deterioration through disuse. Whence their practice of enslaving others to do certain kinds of work. Other societies did likewise, often in imitation of the Greeks. Not the Spartans, to be sure. But the Romans of the Roman Republic in particular copied the Greeks' attitude regarding work. For them the most honorable pursuits were war and politics. As in Greece, freemen worked alongside slaves in many occupations, and by so doing they too lost status.

For centuries thereafter, eligibility for elite status was purportedly based on ability to learn. Those thus endowed – say, for example, the nobility – would rule a society; all others would be slaves or comparably dependent workers, as in a medieval feudal system. Maintaining such a system might well necessitate use of force. But no less helpful in this regard was a new form of work ethic.

## Work Ethic Based on Duty

The elitist Greco-Roman attitudes toward work were gradually undermined over time by the more favorable assessment of work in the Judeo-Christian tradition. At its origins, Christianity was not uniformly supportive of work. Jesus, as portrayed in the Gospels, was focused on his mission. Accordingly, he persuaded hardworking men to abandon their trades and just follow him. Tentmaker Saint Paul, on the other hand, once said only those who work should be fed (2 Thes. 3:10). This ambivalence regarding work persisted down through the Middle Ages. But when sudden depopulation created an urgent need for more working people, new laws prohibited indolence and theologians began associating work with salvation.

Initially Christians embraced the curse theory of work, and as monasteries were founded the monks relied on lay workers for their physical needs. Then Saint Benedict (480–547) founded a monastic order in Italy based on the dual objectives of prayer and work, thereby, some say, removing the curse from work. His original rule divides up the hours of the day in different seasons between manual labor and sacred reading. By the time of the high Middle Ages, though, this espousal of manual labor had been reduced to a mere symbol as the monks left hard work to serfs and wage earners and engaged themselves in more honorific and less tiring crafts such as baking, gardening, and brewing (Le Goff 1980, 84).

Theological giant Thomas Aquinas (1225–1274) separated contemplation and action on the basis of one's position in society. He agreed with Aristotle that contemplation is the highest human endeavor, to which a select few might devote all their attention. He also agreed that only workers deserve to eat – but only if the work is necessary. It was necessary among the common people, so they had a right and a duty to work. They were not to rise beyond their “natural” station in life; but in turn they were entitled to a “just price” for their labor, i.e., a livelihood for self and family. But in cases of necessity, Aquinas notes, everything has to be owned in common, and anyone lacking the basics for survival is entitled enough to remedy this deficiency (1948, II–II, q. 66, a. 7).

A key weakness of this charitable stance is: how determine who is sufficiently deprived to merit care without working? In Aquinas's time there was apparently a surplus pool of labor; so begging was an accepted practice, for example, by the Franciscan friars. But the surplus labor that existed in their day disappeared a mere half century later when the Black Death (bubonic plague) moved from China to Europe and in 5 years (1347–1352) killed from 75 to 200 million people, varying in intensity from 30% to 60% of the population of different countries. More restrictive outbreaks occurred up to 1654 (in Oslo). This decimation of population caused a severe labor shortage, laws to prevent wage increases, and mostly futile peasant revolts in England, France, Belgium, and Italy. To counter such social

turbulence, religious leaders linked eternal salvation to having worked in life; and as economic growth became an ever more important social goal, they developed an ever larger list of salvific occupations. Then came the Protestant Reformers.

Martin Luther (1483–1546) still drew upon the just price theory to tell people to work at the trade or profession into which they were born. But he attributed equal value to any kind of work, active or contemplative, and stressed the religious dignity of one's work as a vocation or calling. Thus in his little book about vagabonds, *Liber Vagatorum*, he linked the Reformation to the growing movement against beggars by endorsing almsgiving only to duly certified indigents.

John Calvin (1509–1564) pushed the religious significance of work farther, making it a necessary means to eternal salvation. Even though committed to a rigorous doctrine of divine predestination, he insisted that the faith by which one is saved is expressed through methodical, disciplined, rational, uniform, and hence specialized work. Casual work is for this purpose inadequate, and dislike of work calls into question one's being among the elect.

The secular side of society bolstered these warnings about damnation by imposing severe civil and criminal penalties on identified shirkers. But such measures proved inadequate; so what was to be done?

For one answer to this question, take the case of England in the sixteenth century. Past reliance on private alms and public punishment had not cured poverty. With people dying in the streets and early forms of enterprise emerging, the need for some level of public intervention became apparent. What resulted, especially during the reign of Elizabeth I (1533–1603), were the Poor Laws, which established almshouses and overseers of the poor as the nucleus of poor relief. In spite of this public generosity, published commentary at the time (e.g., by Richard Morison and Edward VI) stressed hard work as a solution for pressing social problems. Sir Walter Raleigh (like Cardinal Richelieu in France) thought a combination of hunger and religious goading would inspire labor discipline. Puritan sermonizers

collaborated by denying heaven to the uncooperative.

An emphasis on labor as a duty could misfire if tactlessly applied to the indolent rich as well, and some preachers did just that. But others, especially after the restoration of oligarchy in 1660, were more careful to delimit the scope of the duty to those who were capable of nothing better. Late in the seventeenth century, however, John Locke argued that labor as well as inheritance is a basis for property rights (Hill 1967, 127).

## Work Ethic Based on Wealth Attainment

Locke's (1632–1704) view that labor can be a basis of ownership is readily understandable on the surface but has undergone widely diverse interpretations (Vaughn 1980). First off, it tells a New World explorer he can own a piece of land if he works it (labor principle), takes only as much as he can use (no spoilage), and leaves enough and as good for others (sufficiency). How this acquisition theory applies in an established society is debatable. Locke probably is not inviting the bourgeoisie to appropriate inherited wealth. Nor is it likely that he is claiming that the "laboring class" has rights to anything more than subsistence. For, as viewed through a secularized Calvinist lens, the poor deserve little due to their inherent limitations. If they are unemployed, this is because of their moral depravity; if they are employed, they are too busy laboring to tend to anything that requires the exercise of reasoning power. In either case, they are not full citizens but natural resources that must be managed for the good of the nation. Labor, then, is the basis of property – not, however, for the untutored laborer but for an entrepreneur who chooses to work on and improve unclaimed goods. This being the case, poverty is a problem only if the poor are idle, not if the workers are poor (Larkin 1969, 54ff, 72; Macpherson 1972, 194–217; Cranston 1957, 424–427). And to advance this logic, David Hume (1711–1776) recommended imposing a tax on the poor to goad them into working more (Hume 1905, 247). This perpetuation of the



duty-based work ethic was already being undone, though, by views such as Locke's that focused on entrepreneurs.

So argued German sociologist Max Weber (1864–1920) (Weber 1938; Gilbert 1977). Analyzing the heaven-centered explanation of wealth and poverty, Weber concluded that preachers and other agents of attitude formation found motivation for entrepreneurial capitalism in the Puritan version of Calvinism: the theological notion of predestination is tied to the earthly goal of financial success (Tawney 1926).

Actually, Weber posited two work ethics. The narrowest of these is focused on money, i.e., making money is the single-minded goal of the work ethic (Weber 1938, 53). As Weber describes this ethic, it could be interiorized only by the actual or would-be entrepreneur. There is, however, a Calvinist-based corollary to the entrepreneurial work ethic that views poverty not as circumstantial but as a direct result of its victim's failure or refusal to work. This version of the work ethic has been applied even to the unpropertied wage laborer as an incentive to greater productivity, notably via a piecework system. The two versions taken together constitute a reward/punishment account of property and poverty respectively.

Insisting that capitalism dominates the worker as well as the entrepreneur, Weber notes that "traditionalist" (Catholic) attitudes with regard to making money limit progress, but, he believes, there are countermeasures. Motives can be shifted ideologically by recalling that Saint Paul made work a prerequisite to being fed, by emphasizing the link between a fixed calling and one's niche in the hierarchy of labor, and by using "piece rates" (Weber 1938, 55, 57–59). In short, Weber read Calvin's austere theology as providing the ideological underpinning for capitalism. According to Andrew Ure (1778–1857), though, what Calvin provided was a religious justification for the capitalist's hard-nosed approach to discipline on the assembly line.

A Calvinist ideologue of the Industrial Revolution, Ure explained the need for hard work by associating a worker's pain with that of the

crucified Christ (Ure 1835, 423). Calvinism was not, however, the only basis for endorsing work at the time of the Industrial Revolution. Pierre Proudhon (1809–1865), for example, developed an anarchist glorification of labor around the idea that the value of work is directly proportional to how hard it is. Karl Marx (1818–1883), by comparison, was open to the possibility of a work-free utopia, as are some of his modern-day followers. Yet Andre Gorz (1923–2007), a neo-Marxist student of work, once asserted that "after the communist revolution we will work more, not less" (Gorz 1976, 58).

This discrepancy between Marxist and neo-Marxist views of work is due to a fundamental revision of Marx's views by ideologues of the Soviet revolution. Marx himself rejected the duty-based work ethic as a device of capitalist exploitation of the working class. He distinguished between physical and intellectual labor and looked forward to the day when machines would tend to the former and thereby leave people ample time for the latter. According to Herbert Marcuse (1898–1979), this utopian state of affairs, in which the level of unemployment rather than full employment would be the measure of social wealth and freedom, can now be envisioned as an entirely feasible "(c)onsummation of technical progress" (Marcuse 1964, 35–37). But interpreters of Marx in the former Soviet Union took an altogether different tack, reendorsing in a secular frame of reference that very duty-based work ethic that Marx himself had repudiated.

Proclaiming the value of Soviet patriotism and love for the motherland, Soviet moralists endorsed work as the primordial purpose of life. Marx had sought to abolish alienated labor and saw socialism as a means to this end. The Soviet leaders, however, emphasized the need to compete effectively against capitalism, so called on every person to work according to his or her capabilities for the good of the people. Thus motivated they could not experience alienated labor as in a capitalist society. Under socialism Soviet style, one was to identify positively with the work to which one was assigned, whether or not



Marx would say it fulfilled one's potentialities. In every case, one labored for the State, all labor for the State was good by definition, so there was no (ideologically acceptable) basis for complaining about one's work. In other words, a Weberian work ethic without religious overtones was official policy.

Wealth attainment, in short, has become the preeminent goal of work ethics extant in the developed world. In capitalist societies, wealth is being attained by clever entrepreneurs however engaged, and markets await the appearance of others comparably attracted to wealth. In numerous countries today (notably China and some African nations) seekers of wealth do so more collectively in fulfillment of national objectives. In post-communist Russia, the former Soviet work ethic is being transformed by entrepreneurial wealth-seeking, relative openness to free-market competition and the profit motive, and an influx of Western-acquired MBAs (Bohm 2013).

### Work Ethic Based on Craft Pride

The early Industrial Revolution was driven largely by technological innovations that, together with ample supplies of labor, brought about multiple forms of progress at least in the Northern Hemisphere. As innovation expanded, so did the accompanying skills that were effectively employed. Increasingly, however, the emergence of ever more expansive automation has rendered once needed human intervention unnecessary. As a result many types of unskilled as well as skilled labor have become superfluous in developed countries.

This technological displacement of hands-on labor for production severely diminishes the relevance of a work ethic. Employers who face declining workforce needs inevitably resort to massive layoffs and outsourcing, and economists who study these phenomena have come up with no statistically adequate solutions. Politicians promise correctives, but the nature of such remains illusive. More learned assessments are varied, but two kinds are prevalent: the

synchronist view that technology has changed only the conditions of work (for better or worse) and not the value of work, and the diachronist view that technology makes traditional evaluations of work irrelevant and inappropriate.

Synchronist evaluators of work endorse craftsmanship even in a technologically transformed environment. These include goldsmith Benvenuto Cellini (sixteenth century), pre-Revolution philosopher Jean-Jacques Rousseau (eighteenth century), and more recently Jean-Paul Sartre, Jacques Ellul, and E. F. Schumacher (all twentieth century). The diachronous view that technology supersedes human craftsmanship is more widely espoused, especially among technology experts. As one writer puts it, "Accomplishing more work in less time, then leveraging that additional time to solve complex problems, spend time with family, or pursue a side venture is the new calling card of a 21st-century hard worker" (Jenkins 2016).

As numerous types of jobs cease to exist in the developed world, some analysts are beginning to recommend a guaranteed income for every adult; but ordinary people are still too embedded in duty-based thinking to tolerate such a sensible solution to a rapidly emerging problem (Murray 2016). Meanwhile, in developing countries comparatively unskilled labor opportunities are plentiful albeit poorly paid and subject to so-called sweatshop conditions (Wong 2013). An able-bodied person who fails to participate in this highly imperfect economic system might be faulted for not abiding by a distorted but dominant work ethic.

### Cross-References

- [Christianity and Business Ethics](#)
- [Company Socialization and Ethical Fit](#)
- [Harassment in the Workplace](#)
- [Medical Ethics and the Land Ethic](#)
- [Protestant Work Ethic](#)
- [Role of Philosophy in Business Ethics](#)
- [Weber, Max](#)

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## Work-Family Conflict and Policies

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## Synonyms

Family-friendly policies; Family-to-work conflict; Family-to-work interference; Work-family balance; Work-life balance; Work-life conflict; Work-life policies; Work-to-family conflict; Work-to-family interference

## Definition

Work-family conflict is defined as a form of role conflict, in which the demands of work and family are deemed to be mutually incompatible, so that participation in one domain necessarily leads to conflict in the other (Greenhaus and Beutell 1985; Voydanoff 1988). Work-family conflict occurs at the intersection between one's paid employment and one's private life; this intersection is also known as the work-life interface or the work-life nexus (Greenhaus and Allen 2011). The concept of work-family conflict is bidirectional. Work can interfere with family, resulting in work-to-family conflict, and family can also interfere with work, resulting in family-to-work conflict (Mesmer-Magnus and Viswesvaran 2005; Greenhaus and Allen 2011). When work and family are not in conflict, or are integrated in a more harmonious fashion, work-family balance is said to prevail.

## Sources of Work-Family Conflict

Predictors of work-to-family conflict are primarily located in the work domain and include long or inflexible working hours, interpersonal conflict with managers or coworkers, extensive work-related travel, career transitions, and other forms of job stress (Frone 2003). Conversely, predictors

of family-to-work conflict are primarily located in the family or household domain and may include caring responsibilities, such as child care, elder care, or looking after the sick or disabled; domestic or family violence; and other interpersonal conflicts within the family. Generally, work-to-family conflict has been found to be more prevalent than family-to-work conflict.

### **The Role of Gender in Work-Family Conflict**

There is substantial evidence that both men and women experience significant work-family conflict in equal proportion (Waldfogel 2007). However, the manner in which men and women respond to work-family conflict is strongly gendered. In heterosexual couples where both parties work, women spend significantly more time on unpaid domestic chores and childminding than men, a phenomenon known as the “double burden” or “second shift” (Hochschild 1989). Women are also more likely to work part-time or “opt out” (Stone 2007) of full-time employment in order to reduce the effects of work-family conflict. Men, in contrast, are more likely to work longer hours and assume the traditional breadwinner role. These outcomes are often the result of traditional gender roles and labor market constraints, but have long-term repercussions for women’s economic security and men’s health and well-being.

Work-family conflict is underpinned by cultural and normative assumptions about the relative value and appropriate division of work and family responsibilities, as exemplified by the ideology of the “ideal worker” (Acker 1990). This ideology is the widely held but often unstated preference by organizations for workers who are perpetually available, have no outside responsibilities or encumbrances, rarely get ill or take vacation time, and prioritize work above all else. Framed around the traditional work and life patterns of men, the ideal worker norm gives primacy to paid work over unpaid domestic labor, marginalizing workers with children or other caregiving responsibilities (Williams 2000). Ideal worker

norms have been shown to have a disproportionate impact on working mothers, who are seen as less committed to their work and therefore less deserving of higher wages or promotions than fathers and men and women without children (Budig et al. 2012; Correll et al. 2007). However, fathers who violate the “ideal worker” schema and seek greater flexibility to accommodate traditionally feminine caregiver roles can experience greater stigma than women who do the same (Coltrane et al. 2013).

### **Work-Family Enrichment**

The concept of work-family conflict derives from a scarcity hypothesis, which assumes that individuals have fixed and limited reserves of time and energy, making it inevitable that those who participate in dual roles will experience conflict. Others argue that work and family are not always in conflict, and participating in multiple roles may in fact create a positive spillover (Voydanoff 2001), also known as work-family enrichment (Greenhaus and Powell 2006), whereby the experiences in one role or domain improve or facilitate the quality of experiences in the other. As with work-family conflict, the concept of work-family enrichment is also bidirectional. Work-to-family enrichment occurs when work experiences improve family life, and family-to-work enrichment occurs when family experiences improve one’s life at work.

### **Work-Family Policies**

Work-family conflict has been linked to a range of negative outcomes such as high staff turnover, occupational burnout and stress, poor health, and lower levels of organizational commitment. Reducing the prevalence and severity of work-family conflict has become a significant priority for organizations concerned with building employee loyalty and improving employee diversity and well-being. Furthermore, the rising participation of women and parents in the labor market, the greater sharing of unpaid household labor among men and women, and increased need

for elder care have led to an increased demand among workers for better work-family integration, facilitated by better work-family or family-friendly policies at both the national and organizational levels (Budd and Mumford 2006).

Developing effective work-family policies has become a major concern for many countries. However, availability of work-family policies remains haphazard, with some countries ensuring a generous suite of work-family benefits for all workers and others providing minimal protections or entitlements. Where work-family policies are not guaranteed, access has been found to be uneven. Some studies suggest that employees who are most likely to need work-family policies, such as low-paid, part-time workers, are less likely to have access to them. This has led some to propose that organizations provide access to work-family policies to recruit and retain highly skilled workers, not to address the needs or demographic characteristics of the labor force.

Work-family policies and practices are intended to improve organizational support for employees seeking to balance work, family, and personal life. In general, these supports fall into two categories: structural supports and cultural supports (Kossek et al. 2010). Structural work-family policies alter human resource policies and practices to allow employees greater flexibility over the location, timing, or quantity of work or provide additional resources to enable individuals to integrate their paid employment and unpaid caregiving responsibilities. Examples of structural work-family policies include job redesign to enable greater access to flexible work arrangements; remote working arrangements (such as teleworking, virtual, or home-based work arrangements); reduced workloads or other non-traditional work arrangements; formal policies to enable workers to access leave to accommodate work-family responsibilities, such as parental leave, caregivers' leave, sick leave, unpaid leave, and family and domestic violence leave; allowing workers to purchase additional leave; and providing support for child care or elder care arrangements, such as financial subsidies, vouchers, and on-site child care facilities, or providing access to information about these services.

Cultural supports for work and family are informal workplace social and relational supports that enhance the perception of employees that their organizational cultural norms fully support the integration of work and family roles and that they will not be penalized or marginalized for accessing formal or structural work-family policies. Examples of cultural supports might include providing training for managers and supervisors on how to foster organizational norms that are not based on "ideal worker" assumptions and create more inclusive workplace cultures. Cultural supports operate at the employee-managerial level, where employee access to structural work-family policies is facilitated by the support of individual managers and supervisors, and at the organizational level, where workplace norms and expectations around working conditions are produced and reinforced.

It has been argued that cultural supports are as important as structural supports in promoting work-family balance. Without strong cultural support for work-family policies, workers who access structural work-family policies can often be marginalized or stigmatized. Several researchers have found, for example, that employees who access work-life policies in their organizations are penalized for violating normative assumptions about standard work hours, a phenomenon known as the "flexibility stigma" (Stone and Hernandez 2013; Williams et al. 2013). Employees are more likely to use structural work-family policies if they receive informal support from direct managers or supervisors. Similarly, use of work-family policies is more likely among employees who work with powerful supervisors and colleagues who can shield them from the perceived negative effects on their careers (Blair-Loy and Wharton 2002).

## Cross-References

- [Gender and Household Economics](#)
- [Gender, Economics, and Unpaid Work](#)

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## Work-Life Balance

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## Synonyms

Life satisfaction; Psychological wellbeing

## Definition of WLB

WLB ensures that the hours and intensity of paid work are sufficiently offset by non-work time that allows workers to physically and mentally regenerate as well to participate in family, recreational, and community activities.

## Ethics and Work-Life Balance

The notion of work-life balance (WLB) is relatively new in the history of paid labor that began with the Industrial Revolution. Its recent emergence can largely be attributed to a confluence of social, economic, and technological events that have dramatically reshaped the nature of work



and social relations, particularly in more advanced economies. The major social impetus, of course, has been the growth of women's participation in the work force; more particularly, the participation of women who have children. Given employees' dual responsibilities in meeting parental and work commitments, increasing numbers of organizations have introduced "work-life balance" policies. These have included maternal and paternal leave at the time of birth and early infancy, flexible working hours, telecommuting and working from home, and child care facilities. Thus, WLB can be defined as "a lack of conflict or interference between work and family roles" (Frone et al. 1992).

While WLB can be understood as a humane attempt by organizations to adapt to employees' life circumstances, its application has raised ethical issues, mostly in terms of distributive justice, but also in terms of how we prioritize various life activities. In the broadest sense, it is important to remember that most people in the world have very little WLB or experience little sense of a duality because of global inequity. Thus, we must understand that the concept of WLB is a phenomenon relevant to advanced and major developing economies. Consequently, the dominant ethical issues for consideration are the implications of juxtaposing work and life, defining work, questioning balance, and challenging the primacy of family as the focus of "life" in this dual categorization.

## Ontological Questions

The ontological foundation of the three words – work, life, and balance – raises some important questions about the cultural assumptions that underpin them. First, the domains of work and life automatically create a dichotomy that may not be experienced by many. For example, people who gain great satisfaction from their work may consider work as crucial and integral to their life. This blurring of the spheres of work and life would be evident, say, when a surgeon muses over the comorbidity symptoms of a patient they treated that day while watching television at night. And, of course, the word "life" stands as a

metaphor. Literally, *life* separates any living matter from inorganic matter by virtue of its capacity to metabolize, transform energy, grow, undergo continual change, respond, and reproduce prior to death. Thus, in a literal sense, work is negatively collocated with death or an inanimate state.

For many, certain types of work have caused the death of the soul, or a purpose for living. This notion which was captured in Gogol's *Dead Souls*, written as serfdom was giving way to modernity in nineteenth-century Russia, focuses on the commonplace vulgarity and spiritual loss caused by the drudgery of work for both the middle-class and the serfs. Karl Marx identified the notion of worker alienation as a concomitant of the impersonal force of market-driven industrial capitalism. The commodification and division of labor alienates worker from the inherent fulfilment that "the species being" experiences in the act of production, Marx claimed. Charlie Chaplin's 1936 film, *Modern Times*, created the visual metaphor of the worker as literally a powerless cog in a huge machine. More recently, the term "get a life" means that a person should stop doing dull, repetitive, routine activities by being more prosocial and active. It is this prosocial feature that appears to underlie the dialectic of work and life. However, the nature of contemporary work in advanced economies has changed considerably from the age of industrialism with service, retail, and administration industries now providing the majority of jobs. Significant also is the growth of part-time work – where women are predominant – relative to full-time work and the increasing use of short-term contracted labor both of which have weakened workers' power to negotiate hours of work that can accommodate parental and other carer responsibilities.

The second question concerns the notion of work being understood as paid work. Yet there is considerable unpaid work that assists those who are employed to work. There is also considerable unpaid caring work that falls to those not in the labor force because it is literally considered as (paid) work. Both of these allow the employment system to operate as it is and for workers' income taxes to remain lower because of lower government expenditure; yet they are largely



unrecognized. Many low-paid employees who cannot afford child care or who live in poorly serviced suburbs frequently need to draw on family, friend, and community networks to mind their children while they work: Paradoxically, for some, this paid-work is to mind the children of well-off professionals. In terms of unpaid work caring for elderly and disabled people as well as children, this is predominantly done by women (see, e.g., Australian Human Rights Commission (2013) *Investing in care: Recognising and Valuing Those Who Care Research Report*). A significant consequence of this is that such women-carers often have inadequate retirement money for their ageing years.

More broadly, nonwork time can include time for people to use in a communal sense. This could involve membership in philanthropic organizations, but could also include participation in organized recreational pastimes such as sport, music and dance, self-improvement groups, and local conservation projects. Consideration of this sort of nonwork “life” activity is virtually absent in work-life balance considerations, although some firms have institutionalized benevolent corporate activities. Individuals’ participation in organized social philanthropy and enjoyable pastimes activities significantly contribute to social cohesion and social capital. Robert Putnam’s *Bowling Alone* identified and lamented Putnam’s (2000) the loss of social capital that produces civic society because of the changing nature of work and social institutions. Putnam points out that de Tocqueville in the 1830s identified the Americans’ proclivity for civic association as a vital element of American democracy, and this is still likely to be universally true. Community associations such as Rotary have experienced a substantial loss of membership largely because of increased work demands on potential members further contributing to an age-divide in social involvement. With increased life expectancy, adult working children are increasingly taking up unpaid caring roles for aging parents, creating considerable stress for those seeking to maintain their work commitments. Yet such considerations are rarely acknowledged as an acceptable reason

for more flexible, even reduced, work activity. Thus nonpaid work and community participation, which are vital to the functioning of civil society, may be a further reason to reconsider the work-life binary as it is currently understood.

Thirdly, one might ask what the word *balance* means in this equation. Should the paid work and nonwork domains be equivalent in hours? Is all time equal? An odd question perhaps, but not when we consider the notion of *quality time*, which is a term that has emerged largely in relation to time-poor parents who acknowledge that they spend insufficient time with their children, or less so, their partner. This deficiency in the quantity of time, it is argued, can be offset by the “quality time,” which is characterized by attentiveness, acknowledgment, intensity, and involvement in a variety of activities. Clearly, then, this notion of balance means that units of time are not equal, depending on the criteria to be applied: a solicitor’s billable hours or baking a cake with a child.

Finally, one might ask whether there is an implicit moral judgment in the notion of WLB. This is because invariably WLB is built around the notion of family responsibility (Casper et al. 2007). Rarely is it asked whether the number of expected hours of work might be challenged. In the case of professionals, there is a pay-off in terms of increased payment whereas for many on wages increased time worked is often unpaid. That is, for many there is a creeping expectation to work beyond the mandated hours without overtime pay, or in the case of zero-hour contracts (which operate in the USA and the UK) to work at irregular and inconsistent times. The current discourse does not seem to recognize those who simply want to work a 35–40 hour week (the “normal” work week for most of the twentieth century in the Western world) because it allows them to do things they enjoy whether it be going to the gym or growing roses. Those who choose this lifestyle – previously considered “normal” – now quite often get represented as not being a team player, lacking motivation, or not sufficiently contributing to the organization. Clearly, there is a moral censure of such people’s

dissoluteness or even mild decadence. Recreational time should be understood as a time to re-create physical and mental harmony and balance in one's life, and only makes sense in terms of a binary with the concept of work: otherwise such time would merely be idleness.

While the issue of WLB is a concern for all members of the workforce, it is clearly more salient for women (Charlesworth and Macdonald 2014), because of the cultural lag of socially determined gendered roles from a time prior to women's increased involvement in the labor force and obviously because of women's biological childbearing role. As a consequence, it is clear that women's career opportunities are adversely affected and that they also face the psychological distress of "deontic obligation to both workplace and family" (McKenna et al. 2016: p. 1100). Until these sociological and psychological issues are addressed societally, outcomes are likely to be piecemeal and unequally distributed. Addressing the issue properly requires the intervention of government in two ways. First, governments need to legislate for a bottom-line of minimum work standards to be complied with at the organizational level so that workers have the time and the flexibility to balance their work life with non-work activities that may or not be related to caring. Second, governments need to provide proper care not just for children but also elderly and disabled people that can be supplemented by family and friends who can enrich others' lives. A society that valorizes excessive work, efficiency, cost reduction, and profit making at the expense of human satisfaction, social cohesion, and humanity clearly cannot provide proper balance between work and life.

## Cross-References

- [Alienation](#)
- [Ethics of Meaningful Work](#)
- [Ethics in Workplace Mental Health](#)
- [Gender, Economics, and Unpaid Work](#)
- [Meaningful Work](#)
- [Work-Family Conflict and Policies](#)

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## Workplace Bullying

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## Synonyms

Abusive supervision; Harassment in the Workplace; Mobbing; Workplace incivility

## Definition

Bullying at work entails the persistent unfair treatment of staff by one or more employees, often of greater seniority than the victims. Bullying can be covert, subtle, and emotional in nature or more overt and physical and can include rudeness, yelling, sarcasm, overworking, name calling, sexual harassment, creating scapegoats, threats, and even violence. In terms of origins, there is debate over whether culture or leadership makes up the primary causes of bullying, and these two are interrelated. Bullying stems particularly from leaders with dark personalities – the self-

interested, politically skilled psychopaths, Machiavellians, and narcissists who may be found in the workplace. The bullying can be instrumental in that it is used as a camouflage for other, more nefarious activities, which workplace colleagues are hesitant to investigate for fear of being bullied. The bullying may also be malicious – undertaken just for the pleasure of it, because for example psychopathic bullies enjoy hurting people.

Such workplace bullying is difficult to deal with because of the hierarchical nature of the bullying which can be passed off as close management – apparently aiming to maximize productivity rather than stimulate the appetite for cruelty and desire for chaos of the bully. HR personnel tend to side with the organizational managers who may be the source of the bullying, thus providing little relief for the bullied who feel victimized and helpless.

## Description

In terms of the causes of bullying, some leading researchers differentiate between dispute-related and predatory bullying (Einarsen 1999), and psychopathic bullying comes under the latter definition. Recent research has established a strong relationship between dark triad traits – narcissism, Machiavellianism, and psychopathy – and bullying and has demonstrated that psychopathy is most strongly related to bullying, followed by Machiavellianism, and narcissism (Baughman et al. 2012; Boddy 2014). As would be expected, transformational and ethical leadership is less associated with institutional bullying than dark leadership or laissez-faire leadership.

Some writers state that bullying can stem from institution-related cultures while acknowledging that individual leaders may contribute to and shape those cultures (e.g., Baillien et al. 2009). As one example of this, a culture of aggressive internal competition for job continuance was generated at Enron (see entry on ► “Enron Scandal”), and this produced a ruthless, cut-throat, and abusive workplace environment. However, while this cultural argument is true as far as it goes, it was the dark personalities at the top level of leadership of

Enron who created, fostered, and encouraged this abusive culture in the first place. Disorganized, chaotic, and badly managed workplaces are associated with bullying but also with corporate psychopaths and so the cause and effect relationship between environment and leadership is difficult to disentangle. However, prominent leadership researchers like Hogan and Kaiser conclude that leaders determine culture and culture underpins outcomes. Certainly “dark triad” leaders, unethical workplace environments, and bullying appear to coexist. On the other hand, health services providers like the UK’s National Health Service often appear in the bullying literature (Hutchinson et al. 2013), and it may be that their multileveled hierarchical nature facilitates the expression of behavior that can easily be perceived and felt as bullying. In the UK, health service medical professionals have claimed that health service workers should be taught how to recognize and deal with psychopathic managers in order to learn how to cope with the pervasive bullying that will be encountered.

Workplace bullying is widespread, some say at epidemic proportions, and while small minorities of employees report that they experience it at any one time, very large minorities of employees commonly report that they have ever experienced bullying. Bullying has an effect on victims which can range from mild to very severe with examples of posttraumatic stress disorder and complete emotional breakdowns being evident in extreme cases. Victims feel abused, vulnerable, heart-broken, belittled, unsupported, psychological despair, emotional pain, dissatisfied with their jobs, hurt, anxious, depressed, exhausted, and unjustly treated.

Consequences at the individual level include reduced cognitive functioning, a feeling of being tortured and of job insecurity and intimidation, demoralization, career derailment via disengagement, absenteeism, “presenteeism,” withdrawal and unemployment, reduced well-being, and emotional distress. Organizations suffer as communications, cooperation, and friendliness decline in an abusive environment; furthermore, talented personnel are compromised in their performance, seek retribution via counterproductive

work behavior, are lowered in their commitment, withdraw, and eventually leave the establishment, all resulting in lowered productivity and higher costs. This also represents a loss to the world economy as a whole in terms of absenteeism, lost opportunity, costs, and lost expertise via disengagement and unemployment, resulting in lowered productivity and global GDP.

Many governments distinguish between bullying and harassment which is based on discrimination by sex, sexual orientation, race, ethnicity, ability, and being a member of a historically discriminated or marginalized group. Often there is specific legislation to address this type of harassment whereas bullying on its own is not specifically illegal unless it constitutes an actual assault. For example, many countries have laws covering sexual harassment or harassment based on personal differences, and in these countries victims have the opportunity for legal redress.

## Cross-References

- [Corporate Psychopaths](#)
- [Enron Scandal](#)
- [Machiavelli](#)
- [Machiavellianism](#)
- [Narcissistic Leadership](#)
- [Toxic Leadership](#)

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## Workplace Values and Ethical Performance

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## Synonyms

Codes of ethics; Ethics; Leadership; Morals; Organizational evil; Value systems; Workplace spirituality

## Introduction

Workplace values, or the set of moral-laden statements that characterize an organization, both explicitly and implicitly, are established by the leader and emulated to varying degrees by employees. The most essential aspect of workplace values is that employees will adopt those that are evinced through the leaders' behaviors rather than what may appear in ethical codes or organizational documents. This is true across all sectors. The greater the congruence between the positive ethical standards presented in organizational materials and what is actually observed in leader behaviors, policies, and processes, the greater the ethical performance of the organization.

## The Values-Performance Connection

Workplace values most often evolve from the culture of the organization and are most often unintended. Few organizations consider an ethical value set as a strategic tool and assume ethical considerations will take care of themselves. Intentional development of workplace values can create high levels of motivation, loyalty, increased financial stability, and decreased human resource costs. Unfortunately, organizations almost always engage in this process only in reaction to scandal, litigation, whistle-blowing activity, or other

public problems resultant of unethical practices, policies, or leader behaviors (Jurkiewicz 2012). Unintended value sets tend to be incongruous, leave employees feeling frustrated and lacking in organizational citizenship, and lead to high rates of turnover and negative health outcomes, as well as emboldening unethical behavior.

As leaders model behavior and employees are rewarded or disciplined for their conduct, and as policies and processes are instituted and enforced or ignored, an understanding of what is viewed as good or bad results; this is what creates a collective set of workplace values. Separate from any code of ethics or formal reports, this set of values guides organizational behavior and performance and determines the level of ethicality of its employees (Jurkiewicz 2002). It is not possible for a leader to truthfully disavow himself/herself from unethical behaviors occurring in the organization, as they have facilitated and rewarded such conduct. Conversely, one won't find an ethical organization with an unethical leader at the top. The method by which workplace values are communicated is incremental, and an organization can shift from ethicality to evil in such small steps over time that it can appear startling in hindsight (Jurkiewicz and Grossman 2012). Logically, if a leader asserted an unethical or evil value set for the organization from the start, there would be backlash. This is why one often finds ethical duplicity whereby written documents state one thing, but leader behaviors convey a very different message. Most individuals seek to align their sense of right and wrong with that of the people to whom they are closest, such as colleagues, a boss, or family and friends. This near universal tendency reinforces and exacerbates the ethicality of the leader, whether in a positive or negative direction.

Workplaces values can advocate for higher-level ethical performance, such as those emphasizing respect, transparency, generativity, and benevolence, or lower-level standards that support environmental harms, taking advantage of clients, demographic bias, or knowingly delivering faulty products or services (Jurkiewicz and Giacalone 2004). Workplace values are equally as responsible for the progressive and ethically

accountable reputations of, say, the company Patagonia or the current government of New Zealand, as they are for the Hitler regime and Enron debacle. Individuals have a strong aversion to being seen as unethical and will go to extremes to craft a public image of ethicality; Lance Armstrong, who strenuously denied cheating in the Tour de France competition for years before he was forced to confess, is an iconic example of this commonplace strategy.

Unethical workplace behavior has become more widespread and increasingly more damaging to society and individuals (Jurkiewicz 2012). This decline has been associated with, in addition to those outcomes noted above, deteriorations in mental and physical health, feelings of dehumanization, and increased violence, among many other artifacts. Workplace value sets that contribute to this dysfunctional performance include exaggerated competitive and time pressures; unequal resource distribution; socially disparate treatment of employees and clients; and a leader who refuses accountability for his/her errors (Jurkiewicz and Giacalone 2016). Research has demonstrated that ethical workplace values have a strong, positive effect on organizational and individual performance. Additionally, it can strengthen the organization's financial position and reputation, stationing it to hire the best people and to keep them.

It is much easier to implement ethical workplace values from the start rather than attempting to build trust after it has been broken, but it is possible. The use of ethics audits; dynamic and ongoing ethics education; an inclusive and non-hierarchical approach to developing a code of ethics concomitant with effective communication and enforcement programs; and effective accountability and oversight methods in hiring and assessing organizational leaders are all effective methods for enhancing ethical performance through workplace values (Jurkiewicz 2012).

## Conclusion

The workplace culture a leader creates and the values that define that culture exert a potent

influence on ethical performance, both because of modeling behavior and reward systems and because employees adopt their ethical systems from those around them in the organization. With workplace ethicality and trust in organizations on the decline, and the outcomes serious and long-lasting, the outlook can appear bleak. Yet research offers insight into a number of techniques and practices that can serve as both preventative and restorative measures. The greater the awareness of how workplace values can affect ethical performance, as well as the health of the organization, the greater the likelihood that this downward trend can be reversed.

### Cross-References

- ▶ [Business Code of Ethics](#)
- ▶ [Ethics of Meaningful Work](#)
- ▶ [Leadership Development](#)
- ▶ [Online Employees and Employer Relations](#)

- ▶ [Spirituality Versus Unethical Business Practices](#)
- ▶ [Trust and Institutions](#)
- ▶ [Core Values](#)
- ▶ [Values-Based Management Theory](#)

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